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

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**30 SEPTEMBER 2018**

Deloitte.

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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 30 September 2018 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine month 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 set out in Note 7 to the interim condensed consolidated financial information, the Group's investment in Sharm Dreams for Real Estate Development Company (the "associate"), which is accounted for under the equity method, is carried at KD 978,885 in the interim condensed consolidated statement of financial position as at 30 September 2018. The Group's share in the results of this associate was accounted based on the latest audited financial statements as at 31 December 2017 since no financial information on this associate were available as at 30 September 2018. Accordingly, we were unable to carry out appropriate review procedures to determine whether any adjustments to this amount was necessary.

- As detailed in Note 9 to the interim condensed consolidated financial information, trade and other receivables include KD 7,039,955 (31 December 2017: KD 7,039,955 30 September 2017 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.

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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 (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 incurred a loss of KD 1,525,775 during the nine month period ended 30 September 2018 (30 September 2017: loss of KD 2,266,487) and as of that date, the Group's current liabilities exceeded its current assets by KD 23,391,397 (31 December 2017: KD 25,190,504 and 30 September 2017: KD 22,835,138). 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 15,600,098 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 nine month period ended 30 September 2018, 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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31 October 2018
Kuwait

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

| Assets | *Notes* | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 6 | **18,145,334** | 18,917,838 | 19,026,952 |
| Properties under development | | **1,711,131** | 1,480,799 | 1,222,046 |
| Investment properties | 5 | **117,182,177** | 119,300,079 | 120,026,500 |
| Net assets of unconsolidated hotel | 6 | **308,194** | 308,194 | 308,194 |
| Investments in an associate | 7 | **978,885** | 928,582 | 928,582 |
| Financial assets available for sale | 8 | **-** | 10,846,214 | 10,945,636 |
| Investment securities at FVOCI | 8 | **10,505,326** | - | - |
| | | **148,831,047** | 151,781,706 | 152,457,910 |
| **Current assets** | | | | |
| Trade and other receivables | 9 | **8,885,691** | 9,050,677 | 9,114,936 |
| Cash and cash equivalents | | **352,852** | 813,893 | 2,638,921 |
| | | **9,238,543** | 9,864,570 | 11,753,857 |
| Assets held for sale | 5 | **2,350,000** | - | - |
| | | **11,588,543** | 9,864,570 | 11,753,857 |
| **Total assets** | | **160,419,590** | 161,646,276 | 164,211,767 |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Share capital | | **50,984,499** | 50,984,499 | 50,984,499 |
| Share premium | | **5,614,733** | 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 | | **4,569,660** | 4,569,660 | 4,569,660 |
| Other reserves | 11 | **750,531** | 1,346,439 | 1,434,126 |
| Accumulated losses | | **(9,195,962)** | (8,538,280) | (7,563,207) |
| **Total equity** | | **56,578,337** | 57,831,927 | 58,894,687 |
| **Non-current liabilities** | | | | |
| Employees' end of service benefits | | **476,453** | 430,335 | 427,102 |
| Loans and bank facilities | 12 | **68,384,860** | 68,328,940 | 70,300,983 |
| | | **68,861,313** | 68,759,275 | 70,728,085 |
| **Current liabilities** | | | | |
| Trade and other payables | 13 | **10,055,735** | 5,885,416 | 5,894,522 |
| Loans and bank facilities | 12 | **24,924,205** | 29,169,658 | 28,694,473 |
| | | **34,979,940** | 35,055,074 | 34,588,995 |
| **Total liabilities** | | **103,841,253** | 103,814,349 | 105,317,080 |
| **Total equity and liabilities** | | **160,419,590** | 161,646,276 | 164,211,767 |

Dr. Emad Jawad Bukhamseen
Chairman

Dr. Anwar Ali Al Naqi
Vice Chairman

The attached notes 1 to 19 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2018

| | | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|---|
| | | ***2018*** | *2017* | ***2018*** | *2017* |
| | *Notes* | ***KD*** | *KD* | ***KD*** | *KD* |
| **Revenues** | | | | | |
| Rental income | | **1,423,925** | 1,054,243 | **3,789,608** | 2,886,257 |
| Income from hotel | | **767,160** | 753,753 | **2,799,103** | 2,781,912 |
| Share results of an associate | | **-** | - | **27,191** | 23,236 |
| Gain from sale of financial assets available for sale | | **-** | - | **-** | 577,500 |
| Dividend income | | **-** | 6,250 | **283,310** | 282,784 |
| Other income | | **125,250** | 148,882 | **388,190** | 386,154 |
| | | **2,316,335** | 1,963,128 | **7,287,402** | 6,937,843 |
| **Expenses** | | | | | |
| Rental expenses | | **202,421** | 127,928 | **701,481** | 534,827 |
| Operating expenses of hotel | | **476,710** | 423,703 | **1,600,745** | 1,489,700 |
| Foreign currency exchange differences | | **(26,774)** | 84,229 | **(117,185)** | 301,650 |
| Staff costs | | **88,382** | 77,224 | **290,671** | 248,152 |
| Depreciation | | **424,307** | 402,253 | **1,253,868** | 1,198,974 |
| Other expenses | | **620,828** | 271,743 | **1,209,348** | 719,106 |
| Finance costs | | **1,293,204** | 2,013,022 | **3,874,249** | 4,711,921 |
| | | **3,079,078** | 3,400,102 | **8,813,177** | 9,204,330 |
| **LOSS FOR THE PERIOD** | | **(762,743)** | (1,436,974) | **(1,525,775)** | (2,266,487) |
| **BASIC AND DILUTED LOSS PER SHARE (FILS)** | 14 | **(1.51)** | (2.84) | **(3.02)** | (4.49) |

The attached notes 1 to 19 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2018

| | | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|---|
| | *Note* | ***2018 KD*** | *2017 KD* | ***2018 KD*** | *2017 KD* |
| **Loss for the period** | | **(762,743)** | (1,436,974) | **(1,525,775)** | (2,266,487) |
| **Other comprehensive income (loss)** | | | | | |
| *Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:* | | | | | |
| Change in fair value of financial assets available for sale | 11 | - | 193,444 | - | 1,009,519 |
| Realized gain from sale of financial assets available for sale transferred to interim condensed consolidated statement of income | | - | - | - | (577,500) |
| Foreign currency translation adjustment | 11 | **1,652** | (909) | **25,531** | (1,054,071) |
| | | **1,652** | 192,535 | **25,531** | (622,052) |
| *Items that will not be reclassified subsequently to the interim condensed consolidated statement of income in subsequent periods:* | | | | | |
| Change in fair value of investment securities at FVOCI | 11 | **977,209** | - | **473,972** | - |
| | | **977,209** | - | **473,972** | - |
| **Other comprehensive income (loss)** | | **978,861** | 192,535 | **499,503** | (622,052) |
| **Total comprehensive income (loss) for the period** | | **216,118** | (1,244,439) | **(1,026,272)** | (2,888,539) |

The attached notes 1 to 19 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2018

| | *Share capital KD* | *Share premium KD* | *Treasury Shares KD* | *Statutory reserve KD* | *Voluntary reserve KD* | *Other reserves (Note 11) KD* | *Accumulated losses KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|
| 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 (Note 3.2) | - | - | - | - | - | (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 | - | - | - | - | - | - | (1,525,775) | (1,525,775) |
| Other comprehensive income | - | - | - | - | - | 499,503 | - | 499,503 |
| Total comprehensive income for the period | - | - | - | - | - | 499,503 | (1,525,775) | (1,026,272) |
| Net realised gain transferred to accumulated losses on disposal of investment securities at FVOCI | - | - | - | - | - | (868,093) | 868,093 | - |
| **Balance as at 30 September 2018** | **50,984,499** | **5,614,733** | **(714,784)** | **4,569,660** | **4,569,660** | **750,531** | **(9,195,962)** | **56,578,337** |
| Balance as at 1 January 2017 | 50,984,499 | 5,614,733 | (714,784) | 4,569,660 | 4,569,660 | 2,056,178 | (5,296,720) | 61,783,226 |
| Loss for the period | - | - | - | - | - | - | (2,266,487) | (2,266,487) |
| Other comprehensive losses | - | - | - | - | - | (622,052) | - | (622,052) |
| Total comprehensive losses for the period | - | - | - | - | - | (622,052) | (2,266,487) | (2,888,539) |
| Balance as at 30 September 2017 | 50,984,499 | 5,614,733 | (714,784) | 4,569,660 | 4,569,660 | 1,434,126 | (7,563,207) | 58,894,687 |

The attached notes 1 to 19 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2018

| | *Nine months ended 30 September* | |
|---|---|---|
| | *2018* | *2017* |
| | ***KD*** | *KD* |
| **OPERATING ACTIVITIES** | | |
| Loss for the period | **(1,525,775)** | (2,266,487) |
| *Adjustments to reconcile loss for the period to net cash flow:* | | |
| Depreciation | **1,253,869** | 1,198,974 |
| Provision for employees' end of service benefits | **124,561** | 78,360 |
| Share of results of an associate | **(27,191)** | (23,236) |
| Gain from sale of financial assets available for sale | **-** | (577,500) |
| Dividend income | **(283,310)** | (282,784) |
| Finance costs | **3,874,249** | 4,711,921 |
| Gain from sale of property, plant and equipment | **(28,094)** | - |
| | **3,388,309** | 2,839,248 |
| Changes in operating assets and liabilities: | | |
| Trade and other receivables | **164,986** | (525,478) |
| Trade and other payables | **(101,560)** | 67,393 |
| Amounts due to related parties | **4,917,942** | 213,372 |
| Cash flows from operations | **8,369,677** | 2,594,535 |
| Employees' end of service benefits paid | **(78,443)** | (174,478) |
| **Net cash flows from operating activities** | **8,291,234** | 2,420,057 |
| **INVESTING ACTIVITIES** | | |
| Additions to property, plant and equipment | **(485,467)** | (364,076) |
| Additions to properties under development | **(230,332)** | (534,035) |
| Additions to investment properties | **(40,361)** | (293,137) |
| Additions to investment securities at FVOCI | **(288,746)** | - |
| Refund of advance, earlier paid for purchase of investment properties | **-** | 15,488,748 |
| Proceeds from sale of property, plant and equipment | **32,196** | - |
| Proceeds from sale of financial assets available for sale | **-** | 577,500 |
| Proceeds from sale of investment securities at FVOCI | **230,221** | - |
| Dividends income received | **283,310** | 282,784 |
| **Net cash flows (used in) from investing activities** | **(499,179)** | 15,157,784 |
| **FINANCING ACTIVITIES** | | |
| Loans and bank facilities | **(5,874,436)** | (12,029,438) |
| Finance costs paid | **(2,258,874)** | (4,711,921) |
| **Net cash flows used in financing activities** | **(8,133,310)** | (16,741,359) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(341,255)** | 836,482 |
| Foreign currency translation adjustments | **(119,786)** | 491,461 |
| Cash and cash equivalents at the beginning of the period | **813,893** | 1,310,978 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **352,852** | 2,638,921 |

The attached notes 1 to 19 form part of this interim condensed consolidated financial information.

## 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 Boursa 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.

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:

| | *Incorporation country* | *Activity* | *Legal entity* | *Ownership (%) 30 September 2018* | *Ownership (%) 31 December 2017* | *Ownership (%) 30 September 2017* |
|---|---|---|---|---|---|---|
| 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 25 October 2018 approved this interim condensed consolidated financial information as at 30 September 2018 for issue.

## 2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group recognised a loss of KD 1,525,775 (30 September 2017: loss of KD 2,266,487) for the nine months period ended 30 September 2018 and, as at that date, the Group's current liabilities exceeded its current assets by KD 23,391,397 (31 December 2017: KD 25,190,504 and 30 September 2017: KD 22,835,138).

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 and sale of property (Note 5). 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.

### 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 2018. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2017.

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 2017 except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") and IFRS 15: Revenue from Contracts with Customers ("IFRS 15") from 1 January 2018. 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 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

### 3.2 ADOPTION OF IFRS 9: FINANCIAL INSTRUMENTS

The Group has adopted IFRS 9 issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

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

**Classification and measurement of financial assets and financial liabilities**

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

***Business model assessment & Solely Payments of Principal and Interest test ("SPPI test")***

*Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. 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:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- 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;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. 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.

**3.2 ADOPTION OF IFRS 9: FINANCIAL INSTRUMENTS (continued)**

***Business model assessment & Solely Payments of Principal and Interest test ("SPPI test") (continued)***

*The SPPI test*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met 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 (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

***Financial assets***

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

***Amortised cost (AC)***

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

***Fair value through other comprehensive income (FVOCI)***

*Debt instruments at FVOCI*

The Group classifies debt instruments at FVOCI if it meets both of the following conditions:-

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if 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.

**3.2 ADOPTION OF IFRS 9: FINANCIAL INSTRUMENTS (continued)**

***Fair value through other comprehensive income (FVOCI) (continued)***

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated statement of income when the right of the 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. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

***Fair Value Through Profit and Loss (FVTPL)***

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

**Financial liabilities**

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. Accordingly, the Group applies the new impairment model for its financial assets. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

## 3.2 ADOPTION OF IFRS 9: FINANCIAL INSTRUMENTS (continued)

**Impairment of financial assets (continued)**

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group applies the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

**Impact on adoption of the IFRS 9 - Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, using the modified retrospective method and accordingly the comparative periods have not been restated. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 are recognised in opening equity as at 1 January 2018.

Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable.

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. There was no impact of this designation on quoted securities as these were carried at fair value through other comprehensive income under IAS 39. The impact of reclassification of unquoted securities as at 1st January 2018, which were earlier carried at cost, is as follows:

| | *Other reserves KD* |
|---|---|
| Closing balance under IAS 39 as at 31 December 2017 (as originally stated) | 1,346,439 |
| *Impact on reclassification and remeasurement:* | |
| Change in fair value of equity securities reclassified from financial assets available for sale- previously carried at cost less impairment – to investment securities at FVOCI | (227,318) |
| Opening balance under IFRS 9 on date of initial application of 1 January 2018 (restated) | 1,119,121 |

No significant impact were noted in financial liabilities as the Group classified all its financial liabilities at amortised cost under IAS 39 and the same classification has been carried forward under IFRS 9 based on their business model.

### 3.2 ADOPTION OF IFRS 9: FINANCIAL INSTRUMENTS (continued)

**Impact on adoption of the IFRS 9 – Transition (continued)**

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39:

| *1 January 2018:*<br>*Financial assets:* | *Original measurement under IAS 39* | *New measurement under IFRS 9* | *Original carrying amount under IAS 39*<br>*KD* | *Other reserves* | *New carrying amount under IFRS 9*<br>*KD* |
|---|---|---|---|---|---|
| Cash and cash equivalents | *Amortised cost* | *Amortised cost* | 813,893 | - | 813,893 |
| Trade and other receivables | *Amortised cost* | *Amortised cost* | 9,050,677 | - | 9,050,677 |
| Equity securities | *Financial assets available for sale* | *Investment securities at FVOCI** | 10,846,214 | (227,318) | 10,618,896 |
| Total financial assets | | | 20,710,784 | (227,318) | 20,483,466 |

* Based on facts and circumstances that existed at the date of initial application, management determined that investment in equity securities were not held for purposes of trading and were held for medium to long term strategic purposes. Accordingly, management have elected to designate these investments in equity securities as investment securities at FVOCI as they believe that recognising short term fluctuations in the fair value of investments in profit or loss would not be consistent with the Group's strategy of holding these investments for medium to long purposes and realising their performance potential in the long run.

### 3.3 ADOPTION OF IFRS 15: REVENUE FROM CONTRACT FROM CUSTOMERS

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, adoption of IFRS 15 had no material impact on this interim condensed consolidated financial information of the Group.

## 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

## 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

| ***30 September 2018*** | ***Level 1 KD*** | ***Level 3 KD*** | ***Total KD*** |
|---|---|---|---|
| ***Investment securities at FVOCI:*** | | | |
| Quoted securities | **9,447,952** | **-** | **9,447,952** |
| Unquoted securities | **-** | **1,057,374** | **1,057,374** |
| | **9,447,952** | **1,057,374** | **10,505,326** |

| *31 December 2017* | *Level 1 KD* | *Level 3 KD* | *Total KD* |
|---|---|---|---|
| *Financial assets available for sale:* | | | |
| Quoted securities | 9,446,211 | - | 9,446,211 |
| | 9,446,211 | - | 9,446,211 |

| *30 September 2017* | *Level 1 KD* | *Level 3 KD* | *Total KD* |
|---|---|---|---|
| *Financial assets available for sale:* | | | |
| Quoted securities | 9,545,633 | - | 9,545,633 |
| | 9,545,633 | - | 9,545,633 |

During the period ended 30 September 2018, 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 / ASSETS HELD FOR SALE

| | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|
| Properties inside Kuwait | **76,873,362** | 76,833,000 | 75,672,138 |
| Properties outside Kuwait | **42,658,815** | 42,467,079 | 44,354,362 |
| | **119,532,177** | 119,300,079 | 120,026,500 |

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

As at 30 September 2018, certain investment property amounting to KD 2,350,000 are classified as assets held for sale, since subsequent to period end, the Group has disposed the property for a consideration of KD 2,350,000. The ownership of this property will be transferred subsequent to the period end.

## 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 863,490 as at 30 September 2018 (31 December 2017: KD 982,074 and 30 September 2017: KD 1,021,602), 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 2017.

## 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 other companies whose activities are not similar to the Parent Company's activities amounting to KD 10,505,326 (Financial assets available for sale as at 31 December 2017: KD 10,846,214 and 30 September 2017: KD 10,945,636).

Investment securities at FVOCI amounting to KD 6,504,437 (Financial assets available for sale as at 31 December 2017: KD 6,229,988 and 30 September 2017: KD 6,751,440) are pledged against loans and bank facilities (Note 12).

## 9 TRADE AND OTHER RECEIVABLES

| | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|
| Compensation receivables* | **10,057,080** | 10,057,080 | 10,057,080 |
| Provision for impairment | **(3,017,125)** | (3,017,125) | (3,017,125) |
| | **7,039,955** | 7,039,955 | 7,039,955 |
| Receivables | **1,406,418** | 976,990 | 1,028,064 |
| Advance payment for purchasing of investment properties | **626,545** | 626,545 | 626,545 |
| Prepaid expenses | **153,135** | 153,171 | 169,891 |
| Advance payments to contractors | **96,410** | 265,357 | 238,417 |
| Staff receivables | **23,890** | 25,375 | 27,495 |
| Due from related parties (Note 16) | **143,562** | 311,085 | 235,047 |
| Other | **229,551** | 489,491 | 586,974 |
| | **9,719,466** | 9,887,969 | 9,952,388 |
| Impairment | **(833,775)** | (837,292) | (837,452) |
| | **8,885,691** | 9,050,677 | 9,114,936 |

* 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 AED 132 million (approximately KD 10.06 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. During previous years, the Group had recognized a provision for impairment of KD 3,017,125 based on management's estimation of the collectable amounts.

## 10 TREASURY SHARES

| | ***30 September 2018*** | *31 December 2017 (Audited)* | *30 September 2017* |
|---|---|---|---|
| Number of shares (share) | **4,619,962** | 4,619,962 | 4,619,962 |
| Cost of treasury shares | **714,784** | 714,784 | 714,784 |
| Percentage to issued shares (%) | **0.91** | 0.91 | 0.91 |
| Market value (KD) | **140,909** | 137,675 | 166,319 |

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 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 | - | 473,972 | - | **473,972** |
| Net realised gain transferred to accumulated losses on disposal of investment securities at FVOCI | - | (868,093) | - | **(868,093)** |
| Foreign currency translation adjustment | - | - | 25,531 | **25,531** |
| **Balance as at 30 September 2018** | **1,098,372** | **938,922** | **(1,286,763)** | **750,531** |
| Balance as at 1 January 2017 | 1,098,372 | 1,227,764 | (269,958) | 2,056,178 |
| Change in fair value of financial assets available for sale | - | 1,009,519 | - | 1,009,519 |
| Realized gain from sale of financial assets available for sale | - | (577,500) | - | (577,500) |
| Foreign currency translation adjustment | - | - | (1,054,071) | (1,054,071) |
| Balance as at 30 September 2017 | 1,098,372 | 1,659,783 | (1,324,029) | 1,434,126 |

## 12 LOANS AND BANK FACILITIES

| | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|
| *Current portion* | | | |
| Loans and bank facilities | **24,924,205** | 29,169,658 | 28,694,473 |
| *Non- current portion* | | | |
| Loans and bank facilities | **68,384,860** | 68,328,940 | 70,300,983 |
| | **93,309,065** | 97,498,598 | 98,995,456 |

During previous years, loan installments and related finance costs of KD 15,600,098 (31 December 2017: KD 14,981,497 and 30 September 2017: KD 14,809,132) were past due and unpaid to a regional bank in United Arab Emirates (UAE). The Group is currently taking the necessary procedures to settle or restructure such unpaid balances. However, the bank had filed a legal case against the Group and during year ended 31 December 2015; 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 next hearing is scheduled on 14 November 2018.

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 the current period, the Group partially settled an amount of KD 6 million through support obtained from the Ultimate Parent Company. Furthermore, The Group reached an agreement with the local bank upon which the Group is required to pay the next instalment of KD 6 million on 31 December 2018.

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.

## 12 LOANS AND BANK FACILITIES (continued)

Loans and bank facilities amounting to KD 304,447 (31 December 2017: KD 300,000 and 30 September 2017: KD 1,030,316) 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:

| | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|
| Property, plant and equipment | **16,710,456** | 17,797,625 | 18,160,016 |
| Properties under development | **1,711,131** | 1,480,799 | 1,222,046 |
| Investment properties (Note 5) | **76,873,361** | 76,833,000 | 120,026,500 |
| Financial assets available for sale (Note 8) | **-** | 6,229,988 | 6,751,440 |
| Investment securities at FVOCI (Note 8) | **6,504,437** | - | - |
| | **101,799,385** | 102,341,412 | 146,160,002 |

## 13 TRADE AND OTHER PAYABLES

| | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|
| Trade payables | **754,757** | 914,362 | 858,574 |
| Due to related parties (Note 16) | **5,497,896** | 579,954 | 934,735 |
| Dividends payables | **993,969** | 993,969 | 993,969 |
| Accrued expenses and leaves | **359,082** | 364,047 | 326,091 |
| Refundable deposits | **967,165** | 1,296,565 | 889,181 |
| Kuwait Foundation for the Advancement of Science | **39,344** | 39,344 | 39,344 |
| National Labor Support Tax | **65,682** | 140,682 | 140,682 |
| Zakat payable | **51,108** | 104,038 | 104,038 |
| Provision for claims | **1,038,546** | 1,073,528 | 1,201,175 |
| Other payables | **288,186** | 378,927 | 406,733 |
| | **10,055,735** | 5,885,416 | 5,894,522 |

## 14 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted loss per share is calculated by dividing the 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 30 September 2018.

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | ***2018 KD*** | *2017 KD* | ***2018 KD*** | *2017 KD* |
| Loss for the period | **(762,743)** | (1,436,974) | **(1,525,775)** | (2,266,487) |
| Weight average number of ordinary outstanding shares (share) | **505,225,024** | 505,225,024 | **505,225,024** | 505,225,024 |
| Losses per share attributable to the Parent Company's shareholders (fils) | **(1.51)** | (2.84) | **(3.02)** | (4.49) |

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:

| **30 September 2018** | *Real estate KD* | *Hotels KD* | *Investment KD* | *Unallocated KD* | *Total KD* |
|---|---|---|---|---|---|
| Revenues | **3,789,608** | **2,799,103** | **310,501** | **388,190** | **7,287,402** |
| Expenses | **(1,006,590)** | **(2,845,478)** | **-** | **(1,086,860)** | **(4,938,928)** |
| Finance costs | **(3,316,201)** | **(549,072)** | **(8,976)** | **-** | **(3,874,249)** |
| (Loss) profit | **(533,183)** | **(595,447)** | **301,525** | **(698,670)** | **(1,525,775)** |
| Assets | **121,834,494** | **19,587,870** | **11,527,705** | **7,469,521** | **160,419,590** |
| Liabilities | **77,492,127** | **17,730,395** | **1,722,922** | **6,895,809** | **103,841,253** |

| 31 December 2017 | *Real estate KD* | *Hotels KD* | *Investment KD* | *Unallocated KD* | *Total KD* |
|---|---|---|---|---|---|
| Assets | 121,143,121 | 20,648,407 | 12,065,264 | 7,789,484 | 161,646,276 |
| Liabilities | 1,265,490 | 1,164,642 | 1,449,595 | 99,934,622 | 103,814,349 |

| 30 September 2017 | *Real estate KD* | *Hotels KD* | *Investment KD* | *Unallocated KD* | *Total KD* |
|---|---|---|---|---|---|
| Revenues | 2,886,258 | 2,781,912 | 883,520 | 386,153 | 6,937,843 |
| Expenses | (534,827) | (2,669,314) | - | (1,288,268) | (4,492,409) |
| Finance costs | (4,130,670) | (551,333) | (29,918) | - | (4,711,921) |
| (Loss) profit | (1,779,239) | (438,735) | 853,602 | (902,115) | (2,266,487) |
| Assets | 121,626,346 | 20,787,422 | 12,164,705 | 9,633,294 | 164,211,767 |
| Liabilities | 84,233,683 | 15,953,786 | 2,679,462 | 2,450,149 | 105,317,080 |

## 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:

| | ***Ultimate parent company KD*** | ***Entities under common control KD*** | ***Other related parties KD*** | ***30 September 2018 KD*** | *30 September 2017 KD* |
|---|---|---|---|---|---|
| **Transactions** | | | | | |
| Dividend income | - | - | 276,534 | **276,534** | 276,534 |
| Rental expenses | - | 30,600 | - | **30,600** | 30,600 |
| Interests on loans and bank facilities | - | 8,976 | - | **8,976** | 1,634,419 |
| Marketing fees | - | - | 3,328 | **3,328** | 3,333 |
| Management fees | - | - | 12,116 | **12,116** | 13,482 |
| Reservation fees | - | - | 1,664 | **1,664** | 1,666 |
| Holidex fees | - | - | 722 | **722** | 722 |

Interim condensed consolidated statement of financial position:

| | ***Ultimate parent company KD*** | ***Entities under common control KD*** | ***Other related parties KD*** | ***30 September 2018 KD*** | *31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|---|---|---|
| **Balances** | | | | | | |
| Due from related parties (Note 9) | - | - | 143,562 | **143,562** | 311,085 | 235,047 |
| Due to related parties (Note 13) | 4,835,967 | 475,745 | 186,184 | **5,497,896** | 579,954 | 934,735 |
| Financial assets available for sale | - | - | - | - | 7,762,756 | 6,918,924 |
| Investment securities at FVOCI | - | 1,156,159 | 6,553,868 | **7,710,027** | - | 608,511 |
| Loans and bank facilities (Note 12) | - | - | 304,447 | **304,447** | 300,000 | 1,030,316 |

**Compensation of key management personnel**

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

| | ***30 September 2018 KD*** | *30 September 2017 KD* |
|---|---|---|
| Salaries and remunerations | **187,000** | 182,000 |
| End of service benefits | **11,683** | 10,384 |

## 17 CONTINGENT LIABILITIES

| | ***30 September 2018 KD*** | *31 December 2017 (Audited) KD* | *30 September 2017 KD* |
|---|---|---|---|
| Letters of guarantee | **24,591** | 24,191 | 24,191 |

## 18 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the Parent Company for the year ended 31 December 2017 was held on the 30th of April 2018. Accordingly, the consolidated financial statements for the year ended 31 December 2017 have been approved by the shareholders of the Parent Company.

## 19 COMPARATIVES

Certain prior year amounts have been reclassified to conform with current presentation (including certain amounts in the interim condensed consolidated statement of income and notes to the interim condensed consolidated financial information) but has no effect neither on the loss for the period ended 30 September 2018, nor on the total equity as at 30 September 2018 and 31 December 2017. Such reclassification have been made to improve the quality of information presented.