

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)
30 JUNE 2021**



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

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

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 June 2021, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-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 explained in the following 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 for Qualified Conclusion

- ▶ Trade and other receivables, which are carried in the interim condensed consolidated statement of financial position at KD 9,562,868 (31 December 2020: KD 9,597,012 and 30 June 2020: KD 14,473,678), includes a compensation claim due to the Group with a carrying amount of KD 7,039,955 (31 December 2020: KD 7,039,955, 30 June 2020: KD 7,039,955). We were unable to complete our review of the compensation claim as we could not verify management’s assertion that this amount was recoverable. Had we been able to complete our review of the compensation claim, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information. Our audit opinion for the year ended 31 December 2020 and our review conclusion for the period ended 30 June 2020 was also modified in respect of this matter.
- ▶ Based on information provided to us by management, the Group has excluded from the investment in Sharm Dreams for Real Estate Development Company (“the associate”), the Group’s share of the associate’s earnings which is a departure from International Financial Reporting Standards (“IFRSs”). We were unable to determine the adjustments necessary to this amount. Our audit opinion for the year ended 31 December 2020 and our review conclusion for the period ended 30 June 2020 was also modified in respect of this matter.

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

Basis for Qualified Conclusion (continued)

- ▶ Investment properties, which are carried in the interim condensed consolidated statement of financial position at KD 116,887,894 as at 30 June 2021 (31 December 2020: KD 117,280,181 and 30 June 2020: KD 109,412,889) includes an investment property with carrying amount of KD 23,597,000 as at 30 June 2021 (31 December 2020: KD 23,597,000 and 30 June 2020: KD 23,034,000). We were unable to complete our review of the aforementioned investment properties as at 30 June 2021 because we could not verify the underlying data, method and assumptions used by the valuer in the determination of the fair value of this investment property as at 30 June 2021. Had we been able to complete our review of this investment property, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information. Our audit opinion for the year ended 31 December 2020 and our review conclusion for the period ended 30 June 2020 was also modified in respect of this matter.
- ▶ Based on information provided to us by management, the Group has excluded from loan and bank facilities interest arising from a court verdict, which is departure from International Financial Reporting Standards (“IFRSs”). We were unable to determine the adjustments necessary to this amount. Our audit opinion for the year ended 31 December 2020 was also modified in respect of this matter.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraph and 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, 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.

Material uncertainty relating to going concern

We draw attention to Note 2 to the interim condensed consolidated financial information, which indicates that the Group incurred losses of KD 772,479 during the period ended 30 June 2021 (30 June 2020: KD 5,608,134) accumulated losses of KD 3,339,221 (31 December 2020: 2,568,532 and 30 June 2020: 4,610,417) and, as of that date, the Group’s current liabilities exceeded its current assets by KD 10,222,924 (31 December 2020: KD 83,939,531 and 30 June 2020: KD 15,455,928). As stated in Note 2 these events or conditions, along with other matters as set forth in Notes 2 and 10 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 REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS AL-ARABIYA REAL ESTATE COMPANY K.S.C.P. (CONTINUED)

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. 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, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2021, that might have had a material effect on the business of the Parent Company or on its 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 6).

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2021 except for the matters described in the Basis for Qualified conclusion section of our report, that might have had a material effect on the business of the Parent Company or on its financial position.



ABDULKARIM AL SAMDAN
LICENCE NO. 208-A
EY
AL AIBAN, AL OSAIMI &
PARTNERS



TALAL Y. AL-MUZAINI
LICENCE NO. 209 A
DELOITTE & TOUCHE –
AL-WAZZAN & CO.


14 August 2021
Kuwait

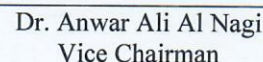
Al-Arabiya Real Estate Company K.P.S.C. And its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 June 2021

	Notes	30 June 2021 KD	31 December 2020 (Audited) KD	30 June 2020 KD
ASSETS				
Non-current assets				
Property, plant and equipment		15,547,295	15,910,653	16,266,962
Investment properties	5	116,887,894	117,280,181	109,412,889
Investments in an associate		1,190,764	1,166,465	1,153,891
Financial assets at fair value through other comprehensive income	6	9,774,555	9,241,491	8,335,902
		<u>143,400,508</u>	<u>143,598,790</u>	<u>135,169,644</u>
Current assets				
Trade and other receivables	7	9,562,868	9,597,012	14,473,678
Cash and cash equivalents		890,127	798,981	862,341
		<u>10,452,995</u>	<u>10,395,993</u>	<u>15,336,019</u>
TOTAL ASSETS		<u>153,853,503</u>	<u>153,994,783</u>	<u>150,505,663</u>
Equity and liabilities				
Equity				
Share capital		50,984,499	50,984,499	50,984,499
Share premium		327,188	327,188	327,188
Treasury shares	8	(714,784)	(714,784)	(714,784)
Statutory reserve		4,744,392	4,744,392	4,744,392
Voluntary reserve		174,732	174,732	174,732
Other reserves	9	8,701	(305,470)	(818,002)
Accumulated losses		(3,339,221)	(2,568,532)	(4,610,417)
		<u>52,185,507</u>	<u>52,642,025</u>	<u>50,087,608</u>
Liabilities				
Non-current liabilities				
Post-employment benefits		302,738	323,743	503,577
Loans and bank facilities	10	80,689,339	6,693,491	69,122,531
		<u>80,992,077</u>	<u>7,017,234</u>	<u>69,626,108</u>
Current liabilities				
Trade and other payables	11	7,808,438	7,864,159	7,086,829
Loans and bank facilities	10	12,867,481	86,471,365	23,705,118
		<u>20,675,919</u>	<u>94,335,524</u>	<u>30,791,947</u>
Total liabilities		<u>101,667,996</u>	<u>101,352,758</u>	<u>100,418,055</u>
Total equity and liabilities		<u>153,853,503</u>	<u>153,994,783</u>	<u>150,505,663</u>


Dr. Emad Jawad Bukhamseen
Chairman


Dr. Anwar Ali Al Nagi
Vice Chairman

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2021

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
REVENUES					
Rental income		1,262,976	1,056,210	2,504,968	2,378,114
Income from hotel		451,800	268,494	796,611	1,341,954
Dividend income		6,250	210,518	6,250	216,768
Other income		22,868	12,610	74,581	113,523
Foreign currency exchange differences		63,193	(59,115)	71,045	(147,673)
		<u>1,807,087</u>	<u>1,488,717</u>	<u>3,453,455</u>	<u>3,902,686</u>
EXPENSES					
Unrealised loss from valuation of investment properties		-	4,152,803	-	4,152,803
Investment properties expenses		256,904	107,071	414,678	279,528
Operating expenses of hotel		521,091	569,310	1,016,238	1,482,315
Staff costs		64,969	71,172	130,830	166,985
Depreciation		181,533	184,380	363,353	371,014
Other expenses		424,357	429,768	679,527	867,055
Finance costs		806,548	779,889	1,621,308	2,191,120
		<u>2,255,402</u>	<u>6,294,393</u>	<u>4,225,934</u>	<u>9,510,820</u>
LOSS FOR THE PERIOD		<u>(448,315)</u>	<u>(4,805,676)</u>	<u>(772,479)</u>	<u>(5,608,134)</u>
BASIC AND DILUTED LOSS PER SHARE (FILS)	12	<u>(0.89)</u>	<u>(9.51)</u>	<u>(1.53)</u>	<u>(11.10)</u>

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2021

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		2021	2020	2021	2020
		KD	KD	KD	KD
LOSS FOR THE PERIOD		(448,315)	(4,805,676)	(772,479)	(5,608,134)
<u>Other comprehensive income (loss):</u>					
<i>Items that may be reclassified subsequently to interim condensed consolidated statement of income:</i>					
Foreign currency translation adjustment	9	(115,516)	(67,952)	(298,007)	512,265
		(115,516)	(67,952)	(298,007)	512,265
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of income:</i>					
Change in fair value of financial assets at fair value through other comprehensive income	9	850,635	(188,428)	568,968	(2,783,388)
Other comprehensive income (loss) for the period		735,119	(256,380)	270,961	(2,271,123)
Total comprehensive income (loss) for the period		286,804	(5,062,056)	(501,518)	(7,879,257)

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2021

	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Other reserves (Note 9) KD	Accumulated losses KD	Total KD
Balance as at 1 January 2021 (<i>audited</i>)	50,984,499	327,188	(714,784)	4,744,392	174,732	(305,470)	(2,568,532)	52,642,025
Loss for the period	-	-	-	-	-	-	(772,479)	(772,479)
Other comprehensive income for the period	-	-	-	-	-	270,961	-	270,961
Total comprehensive income (loss) for the period	-	-	-	-	-	270,961	(772,479)	(501,518)
Net realised gain transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	43,210	1,790	45,000
Balance as at 30 June 2021	50,984,499	327,188	(714,784)	4,744,392	174,732	8,701	(3,339,221)	52,185,507
Balance as at 1 January 2020 (<i>audited</i>)	50,984,499	327,188	(714,784)	4,744,392	174,732	1,453,121	997,717	57,966,865
Loss for the period	-	-	-	-	-	-	(5,608,134)	(5,608,134)
Other comprehensive income for the period	-	-	-	-	-	(2,271,123)	-	(2,271,123)
Total comprehensive loss for the period	-	-	-	-	-	(2,271,123)	(5,608,134)	(7,879,257)
Balance as at 30 June 2020	50,984,499	327,188	(714,784)	4,744,392	174,732	(818,002)	(4,610,417)	50,087,608

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2021

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Loss for the period	(772,479)	(5,608,134)
<i>Non-cash adjustments to reconcile loss for the period to net cash flows:</i>		
Depreciation	363,353	371,014
Unrealised loss from valuation of investment properties	-	4,152,803
Post-employment benefits	30,511	31,456
Dividend income	(6,250)	(216,768)
Finance costs	1,621,308	2,191,120
Provision charged for expected credit losses	48,011	155,412
Rent concessions	14,354	-
Changes in operating assets and liabilities	1,298,808	1,076,903
Trade and other receivables	31,133	(1,378,622)
Trade and other payables	(32,780)	(4,266,984)
	1,297,161	(4,568,703)
Post-employment benefits paid	(51,516)	(44,250)
Net cash flows from (used in) operating activities	1,245,645	(4,612,953)
INVESTMENT ACTIVITIES		
Dividends income received	6,250	216,768
Proceeds from sale of investments at fair value through other comprehensive income	35,904	-
Cash flows from investing activities	42,154	216,768
FINANCING ACTIVITIES		
Loans and bank facilities, net	(169,068)	5,235,609
Finance costs paid	(907,383)	(614,805)
Payment of lease liability	(50,010)	(10,200)
Net cash flows (used in) from financing activities	(1,126,461)	4,610,604
Net change in cash and cash equivalents	161,338	214,419
Foreign currency translation adjustments	(70,192)	(96,785)
Cash and cash equivalents at the beginning of the period	798,981	744,707
Cash and cash equivalents at the end of the period	890,127	862,341

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

1. COMPANY'S INCORPORATIONS

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 for securities. 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").

The consolidated financial statements for the year ended 31 December 2020 have been approved by the shareholders of the Parent Company in their annual general assembly meeting ("AGM") held on the 10 June 2021.

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		Legal	Ownership	Ownership	Ownership
	country	Activity	entity	(%)	(%)	(%)
				30 June	31 December	30 June
				2021	2020	2020
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The interim condensed consolidated financial information for the six-month ended 30 June 2021 was authorized for issuance by the Board of Directors on 14 August 2021.

2 FUNDAMENTAL ACCOUNTING CONCEPTS

The Group has incurred a loss of KD 772,479 for the period ended 30 June 2021 (30 June 2020: KD 5,608,134), accumulated losses of KD 3,339,221 (31 December 2020: KD 2,568,532 and 30 June 2020: KD 4,610,417) and, as at that date, current liabilities exceed current assets by KD 10,222,924 (31 December 2020: KD 83,939,531 and 30 June 2020: KD 15,455,928).

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 or sale properties at their market values. 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 have been prepared on a going concern basis, which assumes that the Group will be able to settle its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 10 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

Notwithstanding with the above facts, the interim condensed consolidated financial information have been prepared on a going concern basis as the Parent Company's Board of Directors, representing the major shareholders, are confident to meet the Group's liabilities as and when they become due. The interim condensed consolidated financial information does 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. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. (34), "*Interim Financial Reporting*".

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

The interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated financial statements in accordance with International Financial Reporting Standards.

In the management's opinion, all necessary adjustments, including recurring accruals have been included in the interim condensed consolidated financial information for fair presentation. The operating results for the six-month period ended 30 June 2021 are not necessarily indicative of results that may be expected for the year ending 31 December 2021. For further information, refer to the consolidated financial statements issued under IFRSs and its related notes for the year ended 31 December 2020.

3.1 New standards, interpretations, and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. FAIR VALUE MEASUREMENT

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

- ▶ Level one: Quoted prices in active markets for identical assets or liabilities.
- ▶ Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- ▶ Level three: valuation techniques that are not based on observable market data.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

4. FAIR VALUE MEASUREMENT (continued)

The table below gives information about how the fair values of the significant assets are determined:

	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)
	30 June 2021 KD	31 December 2020 KD	30 June 2020 KD		
Financial assets at fair value through other comprehensive income					
Quoted shares	8,399,277	8,182,192	7,205,773	Level 1	Last bid price
Unquoted shares	1,375,278	1,059,299	1,130,129	Level 3	Adjusted net book value
	9,774,555	9,241,491	8,335,902		
Investment properties					
Properties outside Kuwait	39,440,894	39,833,181	36,378,889	Level 2	Prices for identical assets in market
Properties inside Kuwait	77,447,000	77,447,000	73,034,000	Level 3	Unobservable market data
	116,887,894	117,280,181	109,412,889		

The fair value of other financial assets and financial liabilities approximately equal its book value as at the interim condensed consolidated financial information date.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At the beginning of the period/year KD	Addition KD	Net fair value recorded in the interim condensed consolidated statement of comprehensive income KD	At the end of the period /year KD
As at 30 June 2021				
Financial assets at fair value through other comprehensive income	1,059,299	-	315,979	1,375,278
Investment properties	77,447,000	-	-	77,447,000
	78,506,299	-	315,979	78,822,278
As at 31 December 2020 (audited)				
Financial assets at fair value through other comprehensive income	1,253,613	-	(194,314)	1,059,299
Investment properties	73,034,000	4,170,000	243,000	77,447,000
	74,287,613	4,170,000	48,686	78,506,299
As at 30 June 2020				
Financial assets at fair value through other comprehensive income	1,253,613	-	(123,484)	1,130,129
Investment properties	73,034,000	-	-	73,034,000
	74,287,613	-	(123,484)	74,164,129

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

5. INVESTMENTS PROPERTIES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Properties inside Kuwait	77,447,000	77,447,000	73,034,000
Properties outside Kuwait	39,440,894	39,833,181	36,378,889
	<u>116,887,894</u>	<u>117,280,181</u>	<u>109,412,889</u>

Certain investment properties are pledged against loans and bank facilities granted to the Group (Note 10).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The fair value of the financial assets at fair value through other comprehensive income was determined as per the valuation bases disclosed in Note 4.

Financial assets at fair value through other comprehensive income represents shares in related parties' companies whose activities are not similar to the Parent Company's activities amounting to KD 8,109,333 as at 30 June 2021 (31 December 2020: KD 7,336,747 and 30 June 2020: KD 8,335,902).

Financial assets at fair value through other comprehensive income amounting to KD 6,683,266 as at 30 June 2021 (31 December 2020: KD 6,203,749 and 30 June 2020: KD 5,244,717) are pledged against loans and bank facilities (Note 10).

Certain financial assets at fair value through other comprehensive income amounting to KD 50,790 as at 30 June 2021 (31 December 2020: KD 47,144 and 30 June 2020: KD 39,858) are registered in the name of nominee on behalf of the Group. The nominees have confirmed in writing that the Group is the beneficial owner of the investments.

7. TRADE AND OTHER RECEIVABLES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>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	1,396,392	1,291,276	6,170,877
Advance payment for purchasing of investment properties	626,545	626,545	626,545
Net assets of unconsolidated hotel	308,194	308,194	308,194
Prepaid expenses	78,270	61,708	25,737
Advance payments to contractors	60,402	55,615	140,431
Staff receivables	20,849	21,289	24,330
Due from related parties (Note 14)	1,456,101	1,571,208	1,275,839
Other	596,773	593,024	515,245
	<u>11,583,481</u>	<u>11,568,814</u>	<u>16,127,153</u>
Expected credit losses	(2,020,613)	(1,971,802)	(1,653,475)
	<u>9,562,868</u>	<u>9,597,012</u>	<u>14,473,678</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

7. TRADE AND OTHER RECEIVABLES (continued)

* 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.

During previous years, the Group had recognised a provision for impairment of KD 3,017,125 based on management's estimates for the collectable amounts.

8. TREASURY SHARES

	<i>30 June</i> <i>2021</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i>	<i>30 June</i> <i>2020</i>
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)	147,839	115,499	109,031

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

The weighted average market price of the Parent Company's shares for the period ended 30 June 2021 was 32 fils per share (31 December 2020: 25 fils per share and 30 June 2020: 24 fils per share).

9. OTHER RESERVES

	<i>Treasury</i> <i>shares reserve</i> <i>KD</i>	<i>Cumulative</i> <i>change in fair</i> <i>value reserve</i> <i>KD</i>	<i>Foreign</i> <i>currency</i> <i>translation</i> <i>reserve</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Balance as at 1 January 2021	1,098,372	(263,076)	(1,140,766)	(305,470)
Change in fair value of Financial assets at fair value through other comprehensive income	-	568,968	-	568,968
Foreign currency translation adjustment	-	-	(298,007)	(298,007)
Other comprehensive income (loss) for the period	-	568,968	(298,007)	270,961
Net realised loss transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	43,210	-	43,210
Balance as at 30 June 2021	1,098,372	349,102	(1,438,773)	8,701
Balance as at 1 January 2020	1,098,372	1,556,423	(1,201,674)	1,453,121
Change in fair value of financial assets at fair value through other comprehensive income	-	(2,783,388)	-	(2,783,388)
Foreign currency translation adjustment	-	-	512,265	512,265
Other comprehensive (loss) income for the period	-	(2,783,388)	512,265	(2,271,123)
Balance as at 30 June 2020	1,098,372	(1,226,965)	(689,409)	(818,002)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

10. LOANS AND BANK FACILITIES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
<u>Non- current portion</u>			
Loans and bank facilities	80,689,339	6,693,491	69,122,531
<u>Current portion</u>			
Loans and bank facilities	12,867,481	86,471,365	23,705,118
	93,556,820	93,164,856	92,827,649

During previous years, loan instalments and related finance costs were past due and unpaid to a regional bank in UAE. The bank filed a legal case against the Parent Company during the year ended 31 December 2012. During the year ended 31 December 2015, a court judgment was issued, by virtue of which Rotana Al Sharjah 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.

During the fourth quarter of 2019, the court "Sharjah Court" issued the appeal judgement which obligate the Group to pay an amount of AED 115 Million (approximately KD 9.7 million) and transfer the title deed of the hotel to the creditor bank, in addition to payment of legal interest of 5% per annum from the date of the lawsuit was filed. The Group carried full provision against the asset.

The legal procedures for transferring the title deed of the hotel to the creditor bank have not been completed up to the date of this interim condensed consolidated financial information issuance.

On the basis of the Group legal counsel's opinion the Group has not created a provision for the 5% legal interest payable as the basis on which this interest is to be calculated is not clear from the judgment. Furthermore, the Group's legal counsel has advised that the Group is currently negotiating with the creditor bank regarding the waiver of legal interest, as well as rescheduling the payment of an amount of AED 115 million due to the bank as per the court verdict. The Group is also currently communicating with the execution judge in the United Arab Emirates to set the process of transferring the property ownership to the creditor bank and to obtain more information and explanation regarding to the basis of calculating the 5% interest amount.

The management of the Group believes that the outcome of these negotiations with the creditor bank regarding legal benefits is unknown, and its financial impact on the Group as of the date of the issuance of this interim condensed consolidated financial information cannot be reasonably determined.

Furthermore, during the period there were loan instalments and related finance costs of KD 9,396,500 payable to a local Kuwaiti bank were past due and the Group defaulted on its payment. However, on 28 April 2021 the management signed a loan rescheduling agreement with the bank with new terms to reschedule the full outstanding balance KD 74,650,000 with new terms and the first instalment will be due in 31 July 2022.

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 3% over EIBOR for foreign banks.

Furthermore

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

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Property, plant and equipment	14,395,395	14,622,447	14,849,501
Investment properties	86,134,000	86,220,403	81,939,036
Financial assets at fair value through other comprehensive income (Note 6)	6,683,266	6,203,749	5,244,717
	107,212,661	107,046,599	102,033,254

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

10. LOANS AND BANK FACILITIES (continued)

Loans and bank facilities amounting to KD 329,508 as of 30 June 2021 (31 December 2020: KD 323,524 and 30 June 2020: KD 317,541) were obtained from local Islamic financial institution which is related parties (Note 14).

11. TRADE AND OTHER PAYABLES

	30 June 2021 KD	<i>31 December 2020 (Audited) KD</i>	<i>30 June 2020 KD</i>
Trade payables	755,355	808,278	546,472
Due to related parties (Note 14)	905,481	848,614	699,545
Dividends payables	993,970	993,970	993,970
Accrued expenses and leaves	626,437	589,342	637,349
Refundable deposits	1,134,288	1,175,850	1,244,287
Customer advance payments	659,716	659,716	659,716
Lease liabilities	420,491	472,140	-
Kuwait Foundation for the Advancement of Science	55,070	55,070	55,070
National Labor Support Tax	34,535	57,865	69,530
Zakat payable	27,670	50,992	69,673
Provision for claims	1,879,527	1,806,800	1,290,960
Other payables	315,898	345,522	820,257
	7,808,438	7,864,159	7,086,829

12. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted losses per share are computed by dividing loss during the period by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2021	2020	2021	2020
Loss for the period (KD)	(448,315)	(4,805,676)	(772,479)	(5,608,134)
Weighted average number of outstanding shares (share)	505,225,024	505,225,024	505,225,024	505,225,024
Loss per share (fils)	(0.89)	(9.51)	(1.53)	(11.10)

Both basic and diluted losses per share are equal since the Parent Company does not have diluted outstanding instruments.

13. 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

13. SEGMENT INFORMATION (continued)

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

	<i>Divisions activity fir the 30 June 2021</i>				<i>Total KD</i>
	<i>Real estate KD</i>	<i>Hotels KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	
Revenues	2,504,968	796,611	6,250	145,626	3,453,455
Expenses	(414,678)	(1,379,591)	-	(810,357)	(2,604,626)
Finance costs	(1,608,593)	-	-	(12,715)	(1,621,308)
Segment's profit / (loss)	481,697	(582,980)	6,250	(677,446)	(772,479)
Assets	116,887,894	15,547,295	10,965,319	10,452,995	153,853,503
Liabilities	83,259,341	11,614,237	1,323,478	5,470,940	101,667,996
	<i>Divisions activity as at 31 December 2020 (audited)</i>				
	<i>Real estate</i>	<i>Hotels</i>	<i>Investment</i>	<i>Unallocated</i>	<i>Total</i>
Assets	117,280,181	16,267,287	10,407,956	10,039,359	153,994,783
Liabilities	82,887,464	11,484,177	1,317,494	5,663,623	101,352,758
	<i>Divisions activity as at 30 June 2020</i>				
	<i>Real estate KD</i>	<i>Hotels KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Revenues	2,378,114	1,341,954	216,768	(34,150)	3,902,686
Expenses	(4,852,518)	(1,482,315)	-	(984,867)	(7,319,700)
Finance costs	(2,182,407)	-	-	(8,713)	(2,191,120)
Segment's (loss) / profit	(4,656,811)	(140,361)	216,768	(1,027,730)	(5,608,134)
Assets	114,728,304	13,854,839	9,489,793	12,432,727	150,505,663
Liabilities	82,847,044	9,663,064	1,311,511	6,596,436	100,418,055

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

14. RELATED PARTIES TRANSACTIONS

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. Those transactions were conducted in the ordinary course of business and with the usual terms and conditions. Transactions with related parties are subject to the approval of the General Assembly of Shareholders. The table below shows the volume and nature of those transactions during the period and the related balances:

Interim condensed consolidated statement of income:

Transactions	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Dividend income	6,250	199,798
Rental expenses	-	10,200
Finance costs on loans and bank facilities	5,984	5,967
Marketing fees	3,201	2,681
Management fees	7,865	7,775
Reservation fees	2,310	841
Holidex fees	4,625	1,152

Interim condensed consolidated statement of financial position:

Balances	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Due from related parties (Note 7)	1,456,101	1,571,208	1,275,839
Due to related parties (Note 11)	905,481	848,614	699,545
Financial assets at fair value through other comprehensive income (Note 6)	8,109,333	7,336,747	8,335,902
Loans and bank facilities (Note 10)	329,508	323,524	317,541

Compensation of key management personnel

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

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Salaries and remunerations	134,000	136,500
End of service benefits	7,788	7,788

15. CONTINGENT LIABILITIES

Letters of Guarantee were contingently liable for a third party with an amount of KD 24,591 as at 30 June 2021 (31 December 2020: KD 24,591 and 30 June 2020: KD 24,591).

16. IMPACT OF COVID-19

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these interim condensed consolidated financial information and explained the changes below related to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 June 2021:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

16. IMPACT OF COVID-19 (Continued)

Critical judgements and estimates

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial information, significant judgement is exercised by management in applying the Group's accounting policies.

The impact of the COVID - 19 outbreak on the Group is detailed below:

Expected credit loss on financial assets measured at amortized cost

The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 June 2021. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. These are reviewed and monitored for appropriateness on a quarterly basis.

Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements. Management has performed fair value studies for the unquoted shares.

Investment properties, property and equipment and investment in associates ("non-financial assets")

As of 31 December 2020, the Group has identified a significant impact on the carrying values of its non-financial assets due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2020. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the interim condensed consolidated financial information, the management still rely on the valuation reports as of 31 December 2020 as its still valid and represent the fair value.

Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and tenants' demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of this interim condensed consolidated financial information in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of tenants' demand, along with management's proposed responses over the course of the year. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these interim condensed consolidated financial information, the projections show that the Group has adequate resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, these interim condensed consolidated financial information have been prepared on a going concern basis.