

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 March 2017**



Building a better  
working world

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Arabiya Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2017 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

Except as set out below in the "basis of qualified conclusion" paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Basis of Qualified Conclusion*

- As 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 by the equity method, is carried at KD 1,867,127 on the interim condensed consolidated statement of financial position as at 31 March 2017. The Group's share in the results of the associate was not accounted for since no financial statements of this associate were available as at 31 March 2017. We were unable to complete the review of this investment as at 31 March 2017. Had necessary information been available to enable us to review the investment in associate, matters might have come to our attention indicating that adjustments might have been necessary to the interim condensed consolidated financial information.
- As detailed in Note 9 to the interim condensed consolidated financial information, trade and other receivables include KD 7,039,955 (31 December 2016: KD 7,039,955 31 March 2016 KD 7,039,955) which represents the net carrying value of a compensation claim due to the Group from previous years. This amount has not been collected up to date due to the negotiations to increase the compensation amount. We were unable to complete the review of the compensation claim amount. Had necessary information been available to enable us to review such balance, matters might have come to our attention indicating that adjustments might have been necessary to the interim condensed consolidated financial information.

**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 effect of the adjustments to the interim condensed consolidated financial information that might have come to our attention, had the situation not been as described in the above “basis for 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 No. (34) "Interim Financial Reporting".

*Material uncertainty related to going concern*

We draw attention to Note 2 to the interim condensed consolidated financial information, which indicates that the Group incurred a loss of KD 509,845 during the period ended 31 March 2017 (31 March 2016: loss of KD 667,211) and, as of that date, the Group's current liabilities exceeded its current assets by KD 5,024,709 (31 December 2016: KD 4,995,657 and 31 March 2016: KD 18,074,060). As stated in Note 6, these events or conditions, along with defaulting in settlement of bank loan amounting to KD 14,564,494 obtained from a regional bank at UAE as set forth in Note 12, 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. 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 and its executive regulation or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2017, 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 the Parent Company's (Note 8).



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14 May 2017  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

Assets	Notes	31 March 2017 KD	31 December 2016 (Audited) KD	31 March 2016 KD
<b>Non-current assets</b>				
Property, plant and equipment		19,576,032	19,861,850	20,676,731
Properties under development		835,523	688,011	462,486
Investment properties	5	120,229,358	120,317,114	123,476,459
Net assets of unconsolidated hotel	6	308,194	308,194	308,194
Investments in an associate	7	1,867,127	1,867,127	1,927,655
Financial assets available for sale	8	10,901,855	10,513,617	10,033,478
		<u>153,718,089</u>	<u>153,555,913</u>	<u>156,885,003</u>
<b>Current assets</b>				
Trade and other receivables	9	23,975,069	24,078,206	8,564,968
Cash and cash equivalents		1,656,462	1,310,978	814,024
		<u>25,631,531</u>	<u>25,389,184</u>	<u>9,378,992</u>
<b>Total assets</b>		<u>179,349,620</u>	<u>178,945,097</u>	<u>166,263,995</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
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	2,403,645	2,056,178	1,788,269
(Accumulated losses) retained earnings		(5,806,565)	(5,296,720)	840,500
<b>Total equity</b>		<u>61,620,848</u>	<u>61,783,226</u>	<u>67,652,537</u>
<b>Non-current liabilities</b>				
Employees' end of service benefits		501,571	523,220	516,898
Loans and bank facilities	12	86,570,961	86,253,810	70,641,508
		<u>87,072,532</u>	<u>86,777,030</u>	<u>71,158,406</u>
<b>Current liabilities</b>				
Trade and other payables	13	5,366,795	5,613,757	8,549,735
Loans and bank facilities	12	25,289,445	24,771,084	18,903,317
		<u>30,656,240</u>	<u>30,384,841</u>	<u>27,453,052</u>
<b>Total liabilities</b>		<u>117,728,772</u>	<u>117,161,871</u>	<u>98,611,458</u>
<b>Total equity and liabilities</b>		<u>179,349,620</u>	<u>178,945,097</u>	<u>166,263,995</u>

Dr. Emad Jawad Bukhamseen  
Chairman

Dr. Anwar Ali Al Naqi  
Vice Chairman

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)**

For the period ended 31 March 2017

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2017 KD</i>	<i>2016 KD</i>
<b>Revenues</b>			
Net income from investment properties	14	761,706	364,435
Net income from hotel		547,470	555,709
Share of results of an associate		-	25,620
Net income from financial assets available for sale	15	276,534	234,392
Other income		120,855	126,141
		<u>1,706,565</u>	<u>1,306,297</u>
<b>Expenses</b>			
Foreign currency exchange differences		97,782	165,037
Staff costs		83,955	99,070
Depreciation		397,227	385,050
Other expenses		232,012	223,413
Finance costs		1,405,434	1,100,938
		<u>2,216,410</u>	<u>1,973,508</u>
<b>LOSS FOR THE PERIOD</b>		<u>(509,845)</u>	<u>(667,211)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	16	<u>(1.01)</u>	<u>(1.32)</u>

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended</i>		
	<i>31 March</i>		
	<i>2017</i>	<i>2016</i>	
<i>Note</i>	<i>KD</i>	<i>KD</i>	
<b>Loss for the period</b>	<b>(509,845)</b>	<b>(667,211)</b>	
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>			
Change in fair value of financial assets available for sale	11	<b>388,234</b>	(1,437,759)
Impairment loss of financial assets available for sale transferred to interim condensed consolidated statement of income	11	-	14,889
Realized gain from sale of financial assets available for sale	11	-	(400)
Foreign currency translation adjustment	11	<b>(40,767)</b>	(382,416)
Total other comprehensive income (loss)		<b>347,467</b>	(1,805,686)
<b>Total other comprehensive loss for the period</b>		<b>(162,378)</b>	<b>(2,472,897)</b>

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

**Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the period ended 31 March 2017

	Share capital KD	Share premium KD	Treasury Shares KD	Statutory reserve KD	Voluntary reserve KD	Other reserves (Note 11) KD	(Accumulated losses) retained earnings KD	Total KD
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	-	-	-	-	-	-	(509,845)	(509,845)
Other comprehensive losses	-	-	-	-	-	347,467	-	347,467
Total comprehensive losses for the period	-	-	-	-	-	347,467	(509,845)	(162,378)
<b>Balance as at 31 March 2017</b>	<b>50,984,499</b>	<b>5,614,733</b>	<b>(714,784)</b>	<b>4,569,660</b>	<b>4,569,660</b>	<b>2,403,645</b>	<b>(5,806,565)</b>	<b>61,620,848</b>
Balance as at 1 January 2016	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	3,593,955	1,507,711	70,125,434
Loss for the period	-	-	-	-	-	-	(667,211)	(667,211)
Other comprehensive losses	-	-	-	-	-	(1,805,686)	-	(1,805,686)
Total comprehensive losses for the period	-	-	-	-	-	(1,805,686)	(667,211)	(2,472,897)
<b>Balance as at 31 March 2016</b>	<b>50,984,499</b>	<b>5,614,733</b>	<b>(714,784)</b>	<b>4,569,660</b>	<b>4,569,660</b>	<b>1,788,269</b>	<b>840,500</b>	<b>67,652,537</b>

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(509,845)	(667,211)
<i>Non-cash adjustments to reconcile loss for the period to net cash flow:</i>			
Depreciation		397,227	385,050
Impairment loss of financial assets available for sale	15	-	14,889
Share of results of an associate		-	(25,620)
Gain from sale of financial assets available for sale	15	-	(400)
Provision for employees' end of service benefits		25,010	31,935
Dividends income	15	(276,534)	(248,881)
Finance costs		1,405,434	1,100,938
Provision for impairment of receivables		19,770	-
		<b>1,061,062</b>	<b>590,700</b>
Changes in operating assets and liabilities:			
Trade and other receivables		83,367	(585,932)
Trade and other payables		(246,962)	800,669
Cash flows from operations		<b>897,467</b>	<b>805,437</b>
Employees' end of service benefits paid		(46,659)	(13,599)
<b>Net cash flows from operating activities</b>		<b>850,808</b>	<b>791,838</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(111,409)	(41,450)
Purchase of properties under development		(147,512)	-
Purchase of investments properties		(117,638)	(175,000)
Proceeds from sale of financial assets available for sale		-	10,797
Dividends received	15	276,534	-
<b>Net cash flows used in investing activities</b>		<b>(100,025)</b>	<b>(205,653)</b>
<b>FINANCING ACTIVITIES</b>			
Loans and bank facilities		391,253	(202,080)
Finance costs paid		(821,314)	(24,799)
<b>Net cash flows used in financing activities</b>		<b>(430,061)</b>	<b>(226,879)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>320,722</b>	<b>359,306</b>
Foreign currency translation adjustments		24,762	-
Cash and cash equivalents at the beginning of the period		1,310,978	454,718
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1,656,462</b>	<b>814,024</b>

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.



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

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

As at 31 March 2017

### 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 Kuwait Stock Exchange.

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 owned subsidiary and Hotels (together referred to as "the Group") as follows:

	<i>Incorporation</i>		<i>Legal entity</i>	<i>Ownership (%)</i>		
	<i>country</i>	<i>Activity</i>		<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
Rotana Al Sharja Hotel (Note 6)	UAE	Services	Hotel	100	100	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The Parent Company's Board of Directors on 14 May 2017 approved this interim condensed consolidated financial information as at 31 March 2017 for issue.

### 2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a loss of KD 509,845 during the period ended 31 March 2017 (31 March 2016: loss of KD 667,211) and, as of that date, the Group's current liabilities exceeded its current assets by KD 5,024,709 (31 December 2016: KD 4,995,657 31 March 2016: KD 18,074,060). In addition, as stated in Note 12, The Group defaulted in settlement of bank loan amounting to KD 14,564,494 obtained from a regional bank at UAE and accordingly 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 6). These interim condensed consolidated financial statements have been prepared under the going concern concept as the shareholders have resolved to provide adequate funds to the Group to meet its liabilities as they fall due. In this regard, the Group is studying rescheduling of certain loans and bank facilities to long-term loans.

### 3 BASIS OF PREPARATION

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 also the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. Further, operating results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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

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

As at 31 March 2017

### 3 BASIS OF PREPARATION (continued)

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2016 except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

### 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments with the exceptions of certain financial assets available for sale carried at cost less impairment (Note 8) are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

#### Fair value hierarchy

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

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

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

	<i>Level 1 KD</i>	<i>Total KD</i>
<b>31 March 2017</b>		
<i>Financial assets available for sale:</i>		
Quoted securities	9,501,852	9,501,852
	<u>9,501,852</u>	<u>9,501,852</u>
<b>31 December 2016</b>		
	<i>Level 1 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>		
Quoted securities	9,113,614	9,113,614
	<u>9,113,614</u>	<u>9,113,614</u>
<b>31 March 2016</b>		
	<i>Level 1 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>		
Quoted securities	8,633,475	8,633,475
	<u>8,633,475</u>	<u>8,633,475</u>

During the period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

**Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**INFORMATION (UNAUDITED)**

As at 31 March 2017

**5 INVESTMENT PROPERTIES**

	<b>31 March 2017 KD</b>	<b>31 December 2016 (Audited) KD</b>	<b>31 March 2016 KD</b>
Properties inside Kuwait	<b>75,496,638</b>	75,379,000	79,125,000
Properties outside Kuwait	<b>44,732,720</b>	44,938,114	44,351,459
	<b><u>120,229,358</u></b>	<u>120,317,114</u>	<u>123,476,459</u>

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

**6 NET ASSETS OF UNCONSOLIDATED HOTEL**

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 1,100,657 as at 31 March 2017 (31 December 2016: KD 1,140,185), which is included under property, plant and equipment in the interim condensed consolidated statement of financial position as at that date.

**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 2015.

**8 FINANCIAL ASSETS AVAILABLE FOR SALE**

The fair value of the financial assets available for sale was determined as per the valuation bases disclosed in (Note 4).

As at 31 March 2017, the financial assets available for sale include investments of KD 1,400,003 (31 December 2016: KD 1,400,003 and 31 March 2016: KD 1,400,003) for which the Group was unable to determine its fair value reliably, since there is no active market for them and no recent available transaction to provide an evidence for the current fair value of such investments. Therefore, such investments were carried at cost less impairment loss.

Financial assets available for sale represents shares in other companies whose activities are not similar to the Parent Company's activities amounting to KD 10,901,855 (31 December 2016: KD 10,513,617 and 31 March 2016: KD 10,033,478).

Financial assets available for sale amounting to KD 6,476,992 (31 December 2016: KD 5,598,756 31 and March 2016: KD 5,269,417) are pledged against loans and bank facilities (Note 12).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

9 TRADE AND OTHER RECEIVABLES

	<b>31 March 2017 KD</b>	<i>31 December 2016 (Audited) KD</i>	<i>31 March 2016 KD</i>
Compensation receivables*	<b>10,057,080</b>	10,057,080	10,057,080
Provision for impairment	<b>(3,017,125)</b>	(3,017,125)	(3,017,125)
	<b>7,039,955</b>	7,039,955	7,039,955
Receivables	<b>927,338</b>	887,756	863,861
Advance payment for purchasing of investment properties**	<b>16,044,500</b>	16,115,292	744,405
Prepaid expenses	<b>158,158</b>	132,132	158,327
Advance payments to contractors	<b>249,143</b>	323,748	204,571
Staff receivables	<b>26,699</b>	26,909	26,388
Due from related parties (Note 18)	<b>141,412</b>	66,240	24,013
Other	<b>219,382</b>	297,922	422,424
	<b>24,806,587</b>	24,889,954	9,483,944
Impairment	<b>(831,518)</b>	(811,748)	(918,976)
	<b>23,975,069</b>	24,078,206	8,564,968

\* 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 (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 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 estimates for the collectable amounts.

\*\* During prior period, the Group paid an amount of KD 15,488,747 to a related party as an advance for purchasing of an investment property in Kuwait with a total value of KD 18,000,000. In accordance with contract terms and conditions, the remaining balance of the purchase consideration had to be paid upon transferring the title deed in the name of the Group and the contract would be cancelled if the title deed is not transferred in the name of the Group before 31 March 2017 and the seller will be committed to repay the advance payment in addition to a penalty of KD 500,000.

Subsequent to reporting period, the contract was cancelled as the related party failed to transfer the title deed of the investment property in the name of the Group before 31 March 2017 as per the contract terms. The Group collected the advance amount in addition to cancellation penalty of KD 500,000. Furthermore, the Group settled a loan which was obtained from an Islamic bank for the purpose of acquiring this investment property (Note 12).

10 TREASURY SHARES

	<b>31 March 2017</b>	<i>31 December 2016 (Audited)</i>	<i>31 March 2016</i>
Number of shares (share)	<b>4,619,962</b>	4,619,962	4,619,962
Percentage to issued shares (%)	<b>0.91</b>	0.91	0.91
Market value (KD)	<b>173,249</b>	143,219	138,599

A part of reserves, comprising distribution of net profits, carried over profits, which equals the cost of treasury shares, shall be frozen and shall be deemed un-distributable during the period of holding such shares.

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

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### 11 OTHER RESERVES

	<i>Treasury shares reserve KD</i>	<i>Cumulative change in fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Total KD</i>
<b>Balance as at 1 January 2017</b>	1,098,372	1,227,764	(269,958)	2,056,178
Change in fair value of financial assets available for sale	-	388,234	-	388,234
Foreign currency translation adjustment	-	-	(40,767)	(40,767)
<b>Balance as at 31 March 2017</b>	<b>1,098,372</b>	<b>1,615,998</b>	<b>(310,725)</b>	<b>2,403,645</b>
<b>Balance as at 1 January 2016</b>	1,098,372	2,506,006	(10,423)	3,593,955
Change in fair value of financial assets available for sale	-	(1,437,759)	-	(1,437,759)
Impairment loss of financial assets available for sale transferred to interim condensed consolidated statement of income (Note 15)	-	14,889	-	14,889
Realized gain from sale of financial assets available for sale (Note 15)	-	(400)	-	(400)
Foreign currency translation adjustment	-	-	(382,416)	(382,416)
<b>Balance as at 31 March 2016</b>	<b>1,098,372</b>	<b>1,082,736</b>	<b>(392,839)</b>	<b>1,788,269</b>

### 12 LOANS AND BANK FACILITIES

	<i>31 March 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>31 March 2016 KD</i>
<i>Current portion</i>			
Loans and bank facilities	25,289,445	24,771,084	18,903,317
<i>Non-current portion</i>			
Loans and bank facilities	86,570,961	86,253,810	70,641,508
	<b>111,860,406</b>	<b>111,024,894</b>	<b>89,544,825</b>

During previous years, loan installments and related finance costs of KD 14,564,494 (31 December 2016: KD 14,447,627 31 March 2016: KD 13,694,766) were past due and unpaid to a regional bank in UAE. The Group is currently taking the necessary procedures to settle or restructure such balance. The bank filed a legal case against the Group and during year ended 31 December 2015 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).

Loans and bank facilities are granted from local and foreign banks with annual interest rates from 2.25% to 3% 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.

Subsequent to reporting period, the Group settled a loan which was obtained from an Islamic bank amounting to KD 16,138,200 as of 31 March 2017 (31 December 2016: KD 16,212,300 and 31 March 2016: KD Nil). This loan was obtained for the purpose of acquiring an investment property in Kuwait. The Group settled the loan after cancelling the purchase contract of investment property (Note 9).

Loans and bank facilities amounting to KD 28,379,527 (31 December 2016: KD 29,211,556 and 31 March 2016: KD 23,197,504) were obtained from a local Islamic financial institutions which are related parties (Note 18).

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

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As at 31 March 2017

12 LOANS AND BANK FACILITIES (continued)

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

	<i>31 March 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>31 March 2016 KD</i>
Property, plant and equipment	18,747,545	19,108,247	19,983,088
Properties under development	835,523	688,011	462,486
Investment properties (Note 5)	120,229,358	120,317,114	123,476,459
Financial assets available for sale (Note 8)	6,476,992	5,598,756	5,269,417
	<u>146,289,418</u>	<u>145,712,128</u>	<u>149,191,450</u>

13 TRADE AND OTHER PAYABLES

	<i>31 March 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>31 March 2016 KD</i>
Trade payables	575,441	670,432	507,743
Due to related parties (Note 18)	764,181	721,363	3,889,279
Dividends payables	993,969	993,969	994,608
Accrued expenses and leaves	440,089	397,121	444,003
Refundable deposits	791,635	848,432	729,197
Kuwait Foundation for the Advancement of Science	39,344	39,344	39,344
National Labor Support Tax	192,163	192,163	216,954
Zakat payable	104,038	104,038	113,955
Provision for claims	1,299,549	1,323,656	1,460,819
Other payables	166,386	323,239	153,833
	<u>5,366,795</u>	<u>5,613,757</u>	<u>8,549,735</u>

14 NET INCOME FROM INVESTMENT PROPERTIES

	<i>31 March 2017 KD</i>	<i>31 March 2016 KD</i>
Rental revenues	968,563	453,191
Operating expenses	(206,857)	(88,756)
	<u>761,706</u>	<u>364,435</u>

15 NET INCOME FROM FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March 2017 KD</i>	<i>31 March 2016 KD</i>
Gain from sale of financial assets available for sale	-	400
Dividends income	276,534	248,881
Impairment loss	-	(14,889)
	<u>276,534</u>	<u>234,392</u>

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**16 BASIC AND DILUTED LOSS PER SHARE**

Basic loss per share are 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 31 March 2017.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Loss for the period	<b>(509,845)</b>	(667,211)
Weight average number of ordinary outstanding shares (share)	<b>505,225,024</b>	505,225,024
Losses per share attributable to the Parent Company's shareholders (fils)	<b>(1.01)</b>	(1.32)

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

**17 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 activities segments of the Group, which are presented to the management, are represented in the following:

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

The following table presents the information about net revenues, costs, profits; (loss) and assets for each segment:

<b>31 March 2017</b>	<i>Real estate segment KD</i>	<i>Hotels segment KD</i>	<i>Investment segment KD</i>	<i>Unallocated items KD</i>	<i>Total KD</i>
Net revenues	968,564	547,470	276,534	(86,003)	1,706,565
Costs	(206,857)	(390,684)	-	(1,618,869)	(2,216,410)
Profits (losses)	<b>761,707</b>	<b>156,786</b>	<b>276,534</b>	<b>(1,704,872)</b>	<b>(509,845)</b>
Assets	<b>136,766,347</b>	<b>21,393,556</b>	<b>12,770,743</b>	<b>8,418,974</b>	<b>179,349,620</b>
<b>31 March 2016</b>	<i>Real estate segment KD</i>	<i>Hotels segment KD</i>	<i>Investment segment KD</i>	<i>Unallocated items KD</i>	<i>Total KD</i>
Net revenues	453,191	556,709	260,012	36,385	1,306,297
Costs	(326,797)	(380,056)	-	(1,266,655)	(1,973,508)
Profits (losses)	<b>126,394</b>	<b>176,653</b>	<b>260,012</b>	<b>(1,230,270)</b>	<b>(667,211)</b>
Assets	<b>123,938,945</b>	<b>21,692,672</b>	<b>11,964,024</b>	<b>8,668,354</b>	<b>166,263,995</b>

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

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

As at 31 March 2017

### 18 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:

	<i>Ultimate parent company</i> <i>KD</i>	<i>Entities under common control</i> <i>KD</i>	<i>Other related parties</i> <i>KD</i>	<i>31 March 2017</i> <i>KD</i>	<i>31 March 2016</i> <i>KD</i>
<b>Transactions</b>					
Dividends income	-	-	276,534	276,534	248,881
Rental expenses	-	10,200	-	10,200	10,200
Interests on loans and facilities	-	-	357,796	357,796	357,207
Marketing fees	-	-	4,716	4,716	5,345
Management fees	-	-	17,074	17,074	21,485
Reservation fees	-	-	2,358	2,358	2,672
Holidex fees	-	-	721	721	690

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Ultimate parent company</i> <i>KD</i>	<i>Entities under common control</i> <i>KD</i>	<i>Other related parties</i> <i>KD</i>	<i>31 March 2017</i> <i>KD</i>	<i>31 December 2016</i> <i>KD</i>	<i>31 March 2016</i> <i>KD</i>
<b>Balances</b>						
Due from related parties (Note 9)	130,338	7,184	3,890	141,412	66,240	24,013
Due to related parties (Note 13)	-	688,687	75,494	764,181	721,363	3,889,279
Advance payment for purchasing of investment property (Note 9)	-	15,417,955	-	15,417,955	15,488,747	-
Financial assets available for sale	-	140,948	6,526,214	6,667,162	5,782,251	5,451,834
Loans and bank facilities (Note 12)	-	-	28,379,527	28,379,527	29,211,556	23,197,504

### Compensation of key management personnel

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

	<i>31 March 2017</i> <i>KD</i>	<i>31 March 2016</i> <i>KD</i>
Salaries and remunerations	54,000	54,000
End of service benefits	3,461	3,461

### 19 CONTINGENT LIABILITIES

	<i>31 March 2017</i> <i>KD</i>	<i>31 December 2016</i> <i>(Audited)</i> <i>KD</i>	<i>31 March 2016</i> <i>KD</i>
Letters of Guarantee	25,091	24,191	133,919



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

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

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As at 31 March 2017

**20 ANNUAL GENERAL ASSEMBLY**

The Annual General Assembly of the Parent Company for the year ended 31 December 2016 is not yet held. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have not yet been approved by the shareholders of the Parent Company. The interim condensed consolidated financial information for the three months period ended 31 March 2017 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.