

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
31 MARCH 2021
(UNAUDITED)**

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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 31 March 2021 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 the three months 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 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 9,332,685 (31 December 2020: KD 9,597,012 and 31 March 2020: 14,225,356), includes a compensation claim due to the Group with a carrying amount of KD 7,039,955 (31 December 2020: KD 7,039,955, 31 March 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. Accordingly, 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 31 March 2020 was also modified in respect of this matter.
- ▶ The Group’s investment in Sharm Dreams for Real Estate Development Company S.A.E. (“the associate”), a foreign associate accounted for under the equity method is carried at KD 1,163,753 (31 December 2020: KD 1,166,465 and 31 March 2020: KD 1,183,467) in the interim condensed consolidated statement of financial position as at 31 March 2021, and the Group’s share of the associate’s other comprehensive income of KD 2,712 (31 March 2020: KD 74,387) is included in the Group’s interim condensed consolidated statement of comprehensive income for the period then ended. Management has not stated the Group’s investment in the associate inclusive of the Group’s share of the associate’s earnings since no financial information of the associate was available for the period / year ended 31 March 2021 and 31 December 2020, which constitutes a departure from 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 31 March 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 117,061,558 as at 31 March 2021 (31 December 2020: KD 117,280,181 and 31 March 2020: 113,702,338) includes an investment properties with carrying amount of KD 23,597,000 as at 31 March 2021 (31 December 2020: KD 23,597,000 and 31 March 2020: KD 23,034,000). We were unable to complete our review of the aforementioned investment properties as at 31 March 2021 because we could not verify the underlying data, method and assumptions used by the valuer in the determination of the fair value of these investment properties as at 31 March 2021. Had we been able to complete our review of these investment properties, 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 31 March 2020 was also modified in respect of this matter.
- ▶ Loan and bank facilities, which are carried in the interim condensed consolidated statement of financial position at KD 92,979,069 (31 December 2020: KD 93,164,856), includes an amount of KD 9,512,363 (31 December 2020: 9,520,226) which is owing to a regional bank located in the United Arab Emirates. Management has not stated the amount owing to a regional bank in the United Arab Emirates inclusive of interest arising from a court verdict, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the year ended 31 December 2020 were 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

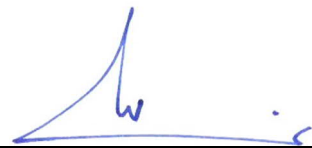
We draw attention to Note 2 to the interim condensed consolidated financial information, which indicates that the Group incurred a losses of KD 324,164 during the period ended 31 March 2021 (31 March 2020: KD 802,458) accumulated losses of KD 2,847,696 (31 December 2020: 2,568,532) and, as of that date, the Group's current liabilities exceeded its current assets by KD 84,131,230 (31 December 2020: KD 83,939,531 and 31 March 2020: 11,609,076). Furthermore, the Group has past due loan instalment and related interests amounting to KD 9,396,500 as of 31 March 2021. These events and 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)

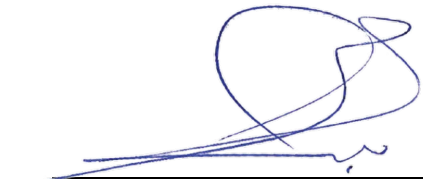
Report on Other Legal and Regulatory Requirements

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 three months period ended 31 March 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 three months period ended 31 March 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.



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7 June 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021 (Unaudited)

	Notes	31 March 2021 KD	31 December 2020 (Audited) KD	31 March 2020 KD
ASSETS				
Non-current assets				
Property, plant and equipment		15,728,830	15,910,653	16,451,355
Investment properties	5	117,061,558	117,280,181	113,702,338
Investments in an associate		1,163,753	1,166,465	1,183,467
Financial assets at fair value through other comprehensive income	6	8,959,824	9,241,491	8,524,326
		<u>142,913,965</u>	<u>143,598,790</u>	<u>139,861,486</u>
Current assets				
Trade and other receivables	7	9,332,685	9,597,012	14,225,356
Cash and cash equivalents		828,668	798,981	698,433
		<u>10,161,353</u>	<u>10,395,993</u>	<u>14,923,789</u>
TOTAL ASSETS		<u>153,075,318</u>	<u>153,994,783</u>	<u>154,785,275</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	(769,628)	(305,470)	(561,622)
(Accumulated losses) / retained earnings		(2,847,696)	(2,568,532)	195,259
		<u>51,898,703</u>	<u>52,642,025</u>	<u>55,149,664</u>
Liabilities				
Non-current liabilities				
Post-employment benefits		335,094	323,743	519,046
Loans and bank facilities	10	6,548,938	6,693,491	72,583,700
		<u>6,884,032</u>	<u>7,017,234</u>	<u>73,102,746</u>
Current liabilities				
Trade and other payables	11	7,862,452	7,864,159	6,770,510
Loans and bank facilities	10	86,430,131	86,471,365	19,762,355
		<u>94,292,583</u>	<u>94,335,524</u>	<u>26,532,865</u>
Total liabilities		<u>101,176,615</u>	<u>101,352,758</u>	<u>99,635,611</u>
Total equity and liabilities		<u>153,075,318</u>	<u>153,994,783</u>	<u>154,785,275</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

For the period ended 31 March 2021 (Unaudited)

	Note	Three months ended 31 March	
		2021 KD	2020 KD
REVENUES			
Rental income		1,241,992	1,321,904
Income from hotel		344,811	1,073,460
Dividend income		-	6,250
Other income		51,713	100,913
Foreign currency exchange differences		7,852	(88,558)
		<u>1,646,368</u>	<u>2,413,969</u>
EXPENSES			
Investment properties expenses		157,774	172,457
Operating expenses of hotel		495,147	913,005
Staff costs		65,861	95,813
Depreciation		181,820	186,634
Other expenses		255,170	437,287
Finance costs		814,760	1,411,231
		<u>1,970,532</u>	<u>3,216,427</u>
LOSS FOR THE PERIOD		<u>(324,164)</u>	<u>(802,458)</u>
BASIC AND DILUTED LOSS PER SHARE (FILS)	12	<u>(0.64)</u>	<u>(1.59)</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

For the period ended 31 March 2021 (Unaudited)

	Note	Three months ended	
		31 March	
		2021	2020
		KD	KD
LOSS FOR THE PERIOD		(324,164)	(802,458)
<u>Other comprehensive loss items:</u>			
<i>Items that may be reclassified subsequently to interim condensed consolidated statement of income:</i>			
Foreign currency translation adjustment	9	(182,491)	580,217
		(182,491)	580,217
<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	(281,667)	(2,594,960)
Other comprehensive loss for the period		(464,158)	(2,014,743)
Total comprehensive loss for the period		(788,322)	(2,817,201)

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

For the period ended 31 March 2021 (Unaudited)

	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Other reserves (Note 9) KD	(Accumulated losses)/ retained earnings 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	-	-	-	-	-	-	(324,164)	(324,164)
Other comprehensive loss for the period	-	-	-	-	-	(464,158)	-	(464,158)
Total comprehensive loss for the period	-	-	-	-	-	(464,158)	(324,164)	(788,322)
Net realised gain transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	45,000	45,000
Balance as at 31 March 2021	50,984,499	327,188	(714,784)	4,744,392	174,732	(769,628)	(2,847,696)	51,898,703
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	-	-	-	-	-	-	(802,458)	(802,458)
Other comprehensive income for the period	-	-	-	-	-	(2,014,743)	-	(2,014,743)
Total comprehensive loss for the period	-	-	-	-	-	(2,014,743)	(802,458)	(2,817,201)
Balance as at 31 March 2020	50,984,499	327,188	(714,784)	4,744,392	174,732	(561,622)	195,259	55,149,664

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

For the period ended 31 March 2021 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Loss for the period	(324,164)	(802,458)
<i>Non-cash adjustments to reconcile loss for the period to net cash flows:</i>		
Depreciation	181,820	186,634
Post-employment benefits	16,875	3,675
Dividend income	-	(6,250)
Finance costs	814,760	1,411,231
Provision charged for expected credit losses	12,171	66,942
Rent concessions	14,354	-
Changes in operating assets and liabilities	715,816	859,774
Trade and other receivables	297,156	(1,041,830)
Trade and other payables	(8,135)	(4,583,303)
	1,004,837	(4,765,359)
Post-employment benefits paid	(5,524)	(1,000)
Net cash flows generated from (used in) operating activities	999,313	(4,766,359)
INVESTMENT ACTIVITY		
Dividends income received	-	6,250
Cash flows generated from investing activity	-	6,250
FINANCING ACTIVITIES		
Loans and bank facilities, net	(16,381)	5,426,369
Finance costs paid	(935,343)	(530,813)
Payment of lease liability	(10,200)	(10,200)
Net cash flows (used in) generated from financing activities	(961,924)	4,885,356
Net change in cash and cash equivalents	37,389	125,247
Foreign currency translation adjustments	(7,702)	(171,521)
Cash and cash equivalents as at the beginning of the period	798,981	744,707
Cash and cash equivalents as at the end of the period	828,668	698,433

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 31 March 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 annual general assembly meeting ("AGM") of the Parent Company for the year ended 31 December 2020 has not been held yet. Accordingly, the shareholders of the Parent Company have not yet approved the consolidated financial statements for the year ended 31 December 2020. The interim condensed consolidated financial information for the three-month period ended 31 March 2021 do not include any adjustments, which might have been required.

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	(%)	(%)	(%)
				31 March	31 December	31 March
				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 three-month ended 31 March 2021 was authorized for issuance by the Board of Directors on 7 June 2021.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has incurred a loss of KD 324,164 for the period ended 31 March 2021 (31 March 2020: KD 802,458) accumulated losses of KD 2,847,696 (31 December 2020: KD 2,568,532) and, as at that date, current liabilities exceed current assets by KD 84,131,230 (31 December 2020: KD 83,939,531 and 31 March 2020: 11,609,076). Furthermore, the Group has past due loan instalment and related interests with an amount of KD 9,396,500 as of 31 March 2021 (31 December 2020: 9,613,303) (Note 10).

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 restructure 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 31 March 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 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. 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 three-month period ended 31 March 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 31 March 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)
	31 March 2021 KD	31 December 2020 KD	31 March 2020 KD		
Financial assets at fair value through other comprehensive income					
Quoted shares	7,850,569	8,182,192	7,476,090	Level 1	Last bid price
Unquoted shares	1,109,255	1,059,299	1,048,236	Level 3	Adjusted net book value
	8,959,824	9,241,491	8,524,326		
Investment properties					
Properties outside Kuwait	39,614,558	39,833,181	40,668,338	Level 2	Prices for identical assets in market
Properties inside Kuwait	77,447,000	77,447,000	73,034,000	Level 3	Adjusted net book value
	117,061,558	117,280,181	113,702,338		

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 31 March 2021				
Financial assets at fair value through other comprehensive income	1,059,299	-	49,956	1,109,255
Investment properties	77,447,000	-	-	77,447,000
	78,506,299	-	49,956	78,506,299
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 31 March 2020				
Financial assets at fair value through other comprehensive income	1,253,613	-	(205,377)	1,048,236
Investment properties	73,034,000	-	-	73,034,000
	74,287,613	-	(205,377)	74,082,236

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 31 March 2021

5. INVESTMENTS PROPERTIES

	31 March 2021 KD	<i>31 December 2020 (Audited) KD</i>	<i>31 March 2020 KD</i>
Properties inside Kuwait	77,447,000	77,447,000	73,034,000
Properties outside Kuwait	39,614,558	39,833,181	40,668,338
	<u>117,061,558</u>	<u>117,280,181</u>	<u>113,702,338</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 7,155,052 as at 31 March 2021 (31 December 2020: KD 7,336,747 and 31 March 2020: KD 7,041,793).

Financial assets at fair value through other comprehensive income amounting to KD 5,963,991 as at 31 March 2021 (31 December 2020: KD 6,203,749 and 31 March 2020: KD 5,679,992) are pledged against loans and bank facilities (Note 10).

Certain financial assets at fair value through other comprehensive income amounting to KD 45,324 as at 31 March 2021 (31 December 2020: KD 47,144 and 31 March 2020: KD 45,552) 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

	31 March 2021 KD	<i>31 December 2020 (Audited) KD</i>	<i>31 March 2020 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	1,313,050	1,291,276	5,658,489
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	77,935	61,708	41,082
Advance payments to contractors	55,867	55,615	170,432
Staff receivables	21,799	21,289	24,450
Due from related parties (Note 14)	1,313,958	1,571,208	1,257,811
Other	558,155	593,024	663,403
	<u>11,315,458</u>	<u>11,568,814</u>	<u>15,790,361</u>
Expected credit losses	(1,982,773)	(1,971,802)	(1,565,005)
	<u>9,332,685</u>	<u>9,597,012</u>	<u>14,225,356</u>

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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>31 March</i> <i>2021</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i>	<i>31 March</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)	115,499	115,499	99,791

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 31 March 2021 was 25 fils per share (31 December 2020: 25 fils per share and 31 March 2020: 22 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	-	(281,667)	-	(281,667)
Foreign currency translation adjustment	-	-	(182,491)	(182,491)
Other comprehensive loss for the period	-	(281,667)	(182,491)	(464,158)
Balance as at 31 March 2021	1,098,372	(544,743)	(1,323,257)	(769,628)
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	-	(2,594,960)	-	(2,594,960)
Foreign currency translation adjustment	-	-	580,217	580,217
Other comprehensive loss for the period	-	(2,594,960)	580,217	(2,014,743)
Balance as at 31 March 2020	1,098,372	(1,038,537)	(621,457)	(561,622)

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10. LOANS AND BANK FACILITIES

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
<u>Non- current portion</u>			
Loans and bank facilities	6,548,938	6,693,491	72,583,700
<u>Current portion</u>			
Loans and bank facilities	86,430,131	86,471,365	19,762,355
	92,979,069	93,164,856	92,346,055

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 waivers 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, as of 31 March 2021, 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. In accordance with the provisions of the loan agreement, the defaulted amount and all outstanding balances were classified to current liability.

Subsequent to the reporting date, 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 installment 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.

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

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
Property, plant and equipment	14,714,167	14,622,447	14,963,028
Investment properties	86,246,055	86,220,403	81,960,732
Financial assets at fair value through other comprehensive income (Note 6)	5,963,991	6,203,749	5,679,992
	106,924,213	107,046,599	102,603,752

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10. LOANS AND BANK FACILITIES (continued)

Loans and bank facilities amounting to KD 326,483 as of 31 March 2021 (31 December 2020: KD 323,524 and 31 March 2020: KD 314,549) were obtained from local Islamic financial institution which is related parties (Note 14).

11. TRADE AND OTHER PAYABLES

	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>(Audited)</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Trade payables	810,536	808,278	410,012
Due to related parties (Note 14)	887,530	848,614	749,790
Dividends payables	993,970	993,970	993,969
Accrued expenses and leaves	627,254	589,342	466,803
Refundable deposits	1,160,883	1,175,850	1,282,227
Customer advance payments	659,716	659,716	659,716
Lease liabilities	449,860	472,140	-
Kuwait Foundation for the Advancement of Science	55,070	55,070	55,070
National Labor Support Tax	57,865	57,865	69,530
Zakat payable	50,992	50,992	69,673
Provision for claims	1,803,576	1,806,800	1,267,544
Other payables	305,200	345,522	746,176
	7,862,452	7,864,159	6,770,510

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</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
Loss for the period (KD)	(324,164)	(802,458)
Weighted average number of outstanding shares (share)	505,225,024	505,225,024
Loss per share (fils)	(0.64)	(1.59)

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.

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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 as at 31 March 2021</i>				<i>Total KD</i>
	<i>Real estate KD</i>	<i>Hotels KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	
Revenues	1,241,992	344,811	-	59,565	1,646,368
Expenses	(157,774)	(676,967)	-	(321,031)	(1,155,772)
Finance costs	(811,801)	-	(2,959)	-	(814,760)
Segment's profit / (loss)	272,417	(332,156)	(2,959)	(261,466)	(324,164)
Assets	117,061,558	15,728,830	10,123,577	10,161,353	153,075,318
Liabilities	82,649,917	11,583,304	1,320,453	5,622,941	101,176,615

	<i>Divisions activity as at 31 December 2020 (audited)</i>				<i>Total</i>
	<i>Real estate</i>	<i>Hotels</i>	<i>Investment</i>	<i>Unallocated</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 31 March 2020</i>				<i>Total KD</i>
	<i>Real estate KD</i>	<i>Hotels KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	
Revenues	1,321,904	1,073,460	6,250	12,355	2,413,969
Expenses	(285,984)	(913,005)	-	(606,207)	(1,805,196)
Finance costs	(1,403,323)	-	-	(7,908)	(1,411,231)
Segment's (loss) / profit	(367,403)	160,455	6,250	(601,760)	(802,458)
Assets	113,891,439	16,262,254	9,707,793	14,923,789	154,785,275
Liabilities	82,575,164	9,686,607	1,308,518	6,065,322	99,635,611

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Dividend income	-	6,250
Finance costs on loans and bank facilities	2,959	2,984
Marketing fees	1,815	846
Management fees	3,845	13,172
Reservation fees	908	298
Holidex fees	3,264	356

Interim condensed consolidated statement of financial position:

Balances	<i>31 March</i>	<i>31 December</i>	<i>31 March</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)	1,313,958	1,571,208	1,257,811
Due to related parties (Note 11)	887,530	848,614	749,790
Financial assets at fair value through other comprehensive income (Note 6)	7,155,052	7,336,747	7,041,793
Loans and bank facilities (Note 10)	326,483	323,524	314,549

Compensation of key management personnel

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Salaries and remunerations	57,000	57,000
End of service benefits	3,894	3,894

15. CONTINGENT LIABILITIES

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

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INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

16. IMPACT OF COVID-19 (Continued)

Critical judgements and estimates

The preparation of the interim condensed consolidated financial informations 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 informations, 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 31 March 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 these 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.