



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

**Interim Condensed Consolidated Financial Information  
and Review Report  
For the six months ended 30 June 2020  
(Unaudited)**



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

Interim Condensed Consolidated Financial Information  
and Review Report  
For the six months ended 30 June 2020  
(Unaudited)

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

**Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Arabiya Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 June 2020 and the related interim condensed consolidated statement of income, comprehensive income, changes in equity and cash flows for the six 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 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 14,473,678 (31 December 2019: KD 13,250,468 and 30 June 2019: KD 9,669,760), includes an amount of KD 7,039,955 (31 December 2019 and 30 June 2019: KD 7,039,955) which represents the net carrying value of a compensation claim due to the Group. We were unable to verify the management's assertion that this amount was recoverable, and accordingly, we were unable to complete our review of the compensation claim receivable. Had we been able to complete our review of compensation receivable, 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 2019 was also modified in respect of this matter.
- The Group's investment in Sharm Dreams for Real Estate Development Company ("the associate"), a foreign associate accounted for by the equity method, is carried at KD 1,153,891 in the consolidated statement of financial position as at 30 June 2020 (31 December 2019: KD 1,109,080) and the Group's share of the associate's other comprehensive income of KD 44,811 is included in the Group's consolidated statement of other comprehensive income for the period then ended. We were unable to complete our review of this investment as at 30 June 2020, and related group share in other comprehensive income for the six months period then ended because we were denied access to the financial information, management and auditors of the associate. Had we been able to complete our review of the investment in the associate, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information. Our opinion for the year ended 31 December 2019 was also modified in respect of this matter.
- Investment properties, which are carried in the consolidated statement of financial position at KD 109,412,889 as at 30 June 2020 (112,871,558 as at 31 December 2019) includes an amount of KD 23,034,000 as at 30 June 2020 (31 December 2019: KD 23,034,000) relating to certain investment property located in the State of Kuwait. We were unable to complete our review of these investment property as at 30 June 2020 because we were unable to verify the data, method and assumptions used by the valuer in the determination of the fair value of this properties as at 30 June 2020. 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 financial information. Our audit opinion for the year ended 31 December 2019 was also modified in respect of this matter.



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

**Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors (continued)**

***Qualified Conclusion***

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34- Interim Financial Reporting.

***Emphasis of Matter***

We draw attention to Note 10 to this interim condensed financial information, which describes uncertainty relating to the outcome of negotiations with a creditor bank. Our opinion is not modified in respect of this matter.

***Material uncertainty relating to going concern***

We draw attention to Note 17 to the interim condensed consolidated financial information, which indicates that the Group incurred a loss of KD 5,608,134 during the six months period ended 30 June 2020 (KD 729,341 - 30 June 2019) and as of that date, the Group's current liabilities exceeded its current assets by KD 15,455,928 (KD 17,702,019 - 31 December 2019). These conditions, along with other matters as set forth in Notes 10 and 17 to the interim condensed consolidated financial information 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.

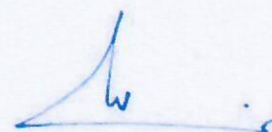
**Report on Other Legal and Regulatory Requirements**

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, 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 2020, 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).



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Kuwait, 13 August 2020



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Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	30 June 2020	31 December 2019 (Audited)	30 June 2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		16,266,962	16,637,926	17,278,101
Investment properties	5	109,412,889	112,871,558	118,741,216
Investments in an associate		1,153,891	1,109,080	1,015,902
Investment securities at FVOCI	6	8,335,902	11,119,287	11,421,954
		<u>135,169,644</u>	<u>141,737,851</u>	<u>148,457,173</u>
<b>Current assets</b>				
Trade and other receivables	7	14,473,678	13,250,468	9,669,760
Cash and cash equivalents		862,341	744,707	557,949
		<u>15,336,019</u>	<u>13,995,175</u>	<u>10,227,709</u>
<b>Total assets</b>		<u>150,505,663</u>	<u>155,733,026</u>	<u>158,684,882</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
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	4,569,660
Voluntary reserve		174,732	174,732	-
Other reserves	9	(818,002)	1,453,121	1,661,218
(Accumulated losses) / retained earnings		(4,610,417)	997,717	(729,341)
		<u>50,087,608</u>	<u>57,966,865</u>	<u>56,098,440</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Post-employment benefits		503,577	516,371	483,194
Loans and bank facilities	10	69,122,531	65,552,596	65,440,781
		<u>69,626,108</u>	<u>66,068,967</u>	<u>65,923,975</u>
<b>Current liabilities</b>				
Trade and other payables	11	7,086,829	11,364,013	10,821,150
Loans and bank facilities	10	23,705,118	20,333,181	25,841,317
		<u>30,791,947</u>	<u>31,697,194</u>	<u>36,662,467</u>
<b>Total liabilities</b>		<u>100,418,055</u>	<u>97,766,161</u>	<u>102,586,442</u>
<b>Total equity and liabilities</b>		<u>150,505,663</u>	<u>155,733,026</u>	<u>158,684,882</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Dr. Emad Jawad Bukhamseen  
Chairman

Dr. Anwar Ali Al Nagi  
Vice Chairman



**Interim Condensed Consolidated Statement of Income for the six months ended 30 June 2020  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
<b>Revenues</b>					
Rental income		1,056,210	1,288,082	2,378,114	2,674,331
Income from hotel		268,494	1,679,423	1,341,954	3,247,511
Dividend income		210,518	2,294	216,768	314,188
Other income		12,610	116,498	113,523	237,195
Foreign currency exchange differences		(59,115)	(87,419)	(147,673)	(12,191)
		<u>1,488,717</u>	<u>2,998,878</u>	<u>3,902,686</u>	<u>6,461,034</u>
<b>Expenses</b>					
Unrealized loss from valuation of investment properties		4,152,803	-	4,152,803	-
Investment properties expenses		107,071	207,967	279,528	394,445
Operating expenses of an hotel		569,310	1,291,075	1,482,315	2,537,697
Staff costs		71,172	94,387	166,985	223,873
Depreciation and amortization		184,380	429,361	371,014	859,929
Other expenses		429,768	500,469	867,055	748,174
Finance costs		<u>779,889</u>	<u>1,214,701</u>	<u>2,191,120</u>	<u>2,426,257</u>
		<u>6,294,393</u>	<u>3,737,960</u>	<u>9,510,820</u>	<u>7,190,375</u>
<b>Net loss for the period</b>		<u>(4,805,676)</u>	<u>(739,082)</u>	<u>(5,608,134)</u>	<u>(729,341)</u>
loss per share (fils)	12	<u>(9.51)</u>	<u>(1.46)</u>	<u>(11.10)</u>	<u>(1.44)</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
Net loss for the period		(4,805,676)	(739,082)	(5,608,134)	(729,341)
<b>Other comprehensive (loss)/ income items:</b>					
<i>Items that may be reclassified subsequently to interim condensed statement of income:</i>					
Foreign currency translation adjustment	9	(67,952)	6,386	512,265	7,069
		(67,952)	6,386	512,265	7,069
<i>Items that will not be reclassified subsequently to interim condensed statement of income:</i>					
Change in fair value of investment securities at FVOCI	9	(188,428)	(1,076,903)	(2,783,388)	548,987
		(188,428)	(1,076,903)	(2,783,388)	548,987
Other comprehensive (loss)/ income for the period		(256,380)	(1,070,517)	(2,271,123)	556,056
<b>Total comprehensive loss for the period</b>		<b>(5,062,056)</b>	<b>(1,809,599)</b>	<b>(7,879,257)</b>	<b>(173,285)</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 9)	Accumulated losses / Retained earnings	Total
<b>Balance as at 1 January 2019</b>	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(9,857,205)	56,271,725
Loss for the period	-	-	-	-	-	-	(729,341)	(729,341)
Other comprehensive income for the period	-	-	-	-	-	556,056	-	556,056
Total comprehensive loss for the period	-	-	-	-	-	556,056	(729,341)	(173,285)
Extinguishment of accumulated losses	-	(5,287,545)	-	-	(4,569,660)	-	9,857,205	-
<b>Balance as at 30 June 2019</b>	<b>50,984,499</b>	<b>327,188</b>	<b>(714,784)</b>	<b>4,569,660</b>	<b>-</b>	<b>1,661,218</b>	<b>(729,341)</b>	<b>56,098,440</b>
<b>Balance as at 1 January 2020</b>	<b>50,984,499</b>	<b>327,188</b>	<b>(714,784)</b>	<b>4,744,392</b>	<b>174,732</b>	<b>1,453,121</b>	<b>997,717</b>	<b>57,966,865</b>
Net loss for the period	-	-	-	-	-	-	(5,608,134)	(5,608,134)
Other comprehensive income for the period	-	-	-	-	-	(2,271,123)	-	(2,271,123)
Total comprehensive losses for the period	-	-	-	-	-	(2,271,123)	(5,608,134)	(7,879,257)
<b>Balance as at 30 June 2020</b>	<b>50,984,499</b>	<b>327,188</b>	<b>(714,784)</b>	<b>4,744,392</b>	<b>174,732</b>	<b>(818,002)</b>	<b>(4,610,417)</b>	<b>50,087,608</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2020  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	(5,608,134)	(729,341)
<i>Adjustments:</i>		
Depreciation	371,014	859,929
Unrealized loss from valuation of investment properties	4,152,803	-
Post-employment benefits	31,456	53,143
Dividend income	(216,768)	(314,188)
Finance costs	2,191,120	2,426,257
Expected credit loss	155,412	-
Gain from sale of property, plant and equipment	-	(1,394)
Operating profit before changes in operating assets and liabilities	1,076,903	2,294,406
Trade and other receivables	(1,378,622)	(366,701)
Trade and other payables	(4,266,984)	529,597
	(4,568,703)	2,457,302
Post-employment benefits paid	(44,250)	(46,636)
Net cash (used in) / generated from operating activities	(4,612,953)	2,410,666
<b>Cash flows from investment activities</b>		
Paid for purchase of property, plant and equipment	-	(68,418)
Additions to investment properties	-	(32,900)
Proceeds from sale of investment securities at FVOCI	-	2,325
Dividends income received	216,768	314,188
Net cash generated from investing activities	216,768	215,195
<b>Cash flows from financing activities</b>		
Loans and bank facilities	5,235,609	(3,403,712)
Finance costs paid	(614,805)	(2,054,140)
Paid for lease liability	(10,200)	-
Net cash generated from / (used in) financing activities	4,610,604	(5,457,852)
<b>Net change in cash and cash equivalents</b>	214,419	(2,831,991)
Foreign currency translation adjustments	(96,785)	12,489
<b>Cash and cash equivalents at the beginning of the period</b>	744,707	3,377,451
<b>Cash and cash equivalents at the end of the period</b>	862,341	557,949

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020**  
**(Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**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").

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

	Incorporation country	Activity	Legal entity	Ownership (%)		
				30 June 2020	31 December 2019	30 June 2019
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
Rotana Al Sharja Hotel	UAE	Services	Hotel	-	-	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The interim condensed consolidated financial information for the six months ended 30 June 2020 was authorized for issuance by the Board of Directors on 13 August 2020.

**2. Basis of presentation and significant accounting policies**

**2.1 Basis of presentation**

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 does not include all information and disclosures required for complete 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 period ended 30 June 2020 are not necessarily indicative of results that may be expected for the year ending 31 December 2020. For further information, refer to the consolidated financial statements issued under IFRSs and its related notes for the year ended 31 December 2019.

**2.2 Changes in Accounting Policies and Disclosures**

The accounting policies and significant judgements 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 for the year ended 31 December 2019, except for the following newly adopted or amended IFRSs



**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020**  
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**2.2.1 New and amended standards adopted by the Group**

Effective for annual periods beginning on or after 1 January 2020

**Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

**Definition of a Business – Amendments to IFRS 3 Business Combinations**

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

**Amendment to IFRS 16**

In the current year, the Group has adopted early the amendment to IFRS 16 Leases that is effective for annual periods that begin on or after 1 June 2020.

Provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification;

Require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications;

Require lessees that apply the practical expedient to disclose whether the practical expedient has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied; and

Require lessees to apply the practical expedient retrospectively, recognizing the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

**3. Fair value estimation**

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.

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

	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)
	30 June 2020	31 December 2019	30 June 2019		
<b>Equity instruments designated as FVTOCI</b>					
Quoted shares	7,205,773	9,865,674	10,366,618	Level 1	Last bid price
Unquoted shares	1,130,129	1,253,613	1,055,336	Level 3	Adjusted net book value
	<u>8,335,902</u>	<u>11,119,287</u>	<u>11,421,954</u>		

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



**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020  
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**4. Impact of COVID-19**

The World Health Organization declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity.

The Group's operates in economies that are relatively dependent on the crude oil prices. At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

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 2020:

**Critical judgements and estimates**

The preparation of 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 key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

**(I). 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 2020. 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. Further information on the Group's policy on expected credit losses is disclosed in Note 3.3.7 to the annual consolidated financial statements as at and for the year ended 31 December 2019.

**(II). 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 is disclosed in Note 3. Management has performed fair value studies for the unquoted shares. This valuation resulted in recording decline in fair value of unquoted shares with KD 123,484 included in net change in fair value of investments at FVTOCI in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020. .

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

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets as at 30 June 2020 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 2019. 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. Management has performed fair value studies for the investment properties. This valuation resulted in recording unrealized loss with KD 4,152,803 included in the Interim Condensed Consolidated Statement of Income for the six months ended 30 June 2020.



**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020**  
**(Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

<b>5. Investments properties</b>			
	<b>30 June 2020</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019</b>
Properties inside Kuwait	73,034,000	73,034,000	76,662,900
Properties outside Kuwait	36,378,889	39,837,558	42,078,316
	<u>109,412,889</u>	<u>112,871,558</u>	<u>118,741,216</u>
Certain investment properties are pledged against loans and bank facilities granted to the Group (Note 10).			
<b>6. Investment securities at FVOCI</b>			
The fair value of the investment securities at FVOCI was determined as per the valuation bases disclosed in Note 3.			
Investment securities at FVOCI represents shares in related parties companies whose activities are not similar to the Parent Company's activities amounting to KD 8,335,902 as at 30 June 2020 (KD 11,119,287 as at 31 December 2019 and KD 11,421,954 as at 30 June 2019).			
Investment securities at FVOCI amounting to KD 5,244,717 as at 30 June 2020 (KD 7,820,693 as at 31 December 2019 and KD 7,820,692 as at 30 June 2019) are pledged against loans and bank facilities (Note 10).			
<b>7. Trade and other receivables</b>			
	<b>30 June 2020</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019</b>
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	6,170,877	5,659,744	1,516,484
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	25,737	24,199	36,103
Advance payments to contractors	140,431	150,141	69,885
Staff receivables	24,330	25,030	24,300
Due from related parties (Note 14)	1,275,839	136,368	153,622
Other	515,245	778,355	770,063
	<u>9,087,198</u>	<u>7,708,576</u>	<u>3,505,196</u>
Expected credit losses	(1,653,475)	(1,498,063)	(875,391)
	<u>7,433,723</u>	<u>6,210,513</u>	<u>2,629,805</u>
	<u>14,473,678</u>	<u>13,250,468</u>	<u>9,669,760</u>

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

Receivables include an amount of KD 4,160,000 which represents amount due from sale of investment property. Collection on such amount is pending on the transfer of the title-deed of property to the buyer, which is expected to take place shortly.



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**8. Treasury shares**

	30 June 2020	31 December 2019 (Audited)	30 June 2019
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)	109,031	135,827	139,061

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

**9. Other reserves**

	Treasury shares reserve	Cumulative change in fair value reserve	Foreign currency translation reserve	Total
<b>Balance as at 1 January 2019</b>	1,098,372	1,302,125	(1,295,335)	1,105,162
Change in fair value of investment securities at FVOCI	-	548,987	-	548,987
Foreign currency translation adjustment	-	-	7,069	7,069
Other comprehensive income for the period	-	548,987	7,069	556,056
<b>Balance as at 30 June 2019</b>	1,098,372	1,851,112	(1,288,266)	1,661,218
<b>Balance as at 1 January 2020</b>	1,098,372	1,556,423	(1,201,674)	1,453,121
Change in fair value of investment securities at FVOCI	-	(2,783,388)	-	(2,783,388)
Foreign currency translation adjustment	-	-	512,265	512,265
Other comprehensive loss for the period	-	(2,783,388)	512,265	(2,271,123)
<b>Balance as at 30 June 2020</b>	1,098,372	(1,226,965)	(689,409)	(818,002)

**10. Loans and bank facilities**

	30 June 2020	31 December 2019 (Audited)	30 June 2019
<u>Non- current portion</u>			
Loans and bank facilities	69,122,531	65,552,596	65,440,781
<u>Current portion</u>			
Loans and bank facilities	23,705,118	20,333,181	25,841,317
	92,827,649	85,885,777	91,282,098

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 filled.

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 consolidated financial statements issuance.



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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.

During the current period, the Group's foreign subsidiary has obtained new loan from foreign bank against pledge of investment property outside Kuwait and the assignment of all rental revenues related to the pledged asset.

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 amounting to KD 317,541 (KD 311,524 as at 31 December 2019 and KD 310,475 as at 30 June 2019) were obtained from a local Islamic financial institutions which are related parties (Note 14).

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

	30 June 2020	31 December 2019 (Audited)	30 June 2019
Property, plant and equipment	14,849,501	15,076,555	15,623,287
Investment properties (Note 5)	81,939,036	73,034,000	76,662,900
Investment securities at FVOCI (Note 6)	5,244,717	7,820,693	7,820,692
	<u>102,033,254</u>	<u>95,931,248</u>	<u>100,106,879</u>

**11. Trade and other payables**

	30 June 2020	31 December 2019 (Audited)	30 June 2019
Trade payables	546,472	412,101	620,887
Due to related parties (Note 14)	699,545	5,145,727	5,186,639
Dividends payables	993,970	993,970	993,969
Accrued expenses and leaves	637,349	503,724	409,258
Refundable deposits	1,244,287	1,431,579	1,897,342
Customer advance payments	659,716	659,716	39,344
Kuwait Foundation for the Advancement of Science	55,070	55,070	22,871
National Labor Support Tax	69,530	69,530	51,109
Zakat payable	69,673	69,673	1,129,075
Provision for claims	1,290,960	1,273,016	255,001
Other payables	820,257	749,907	215,655
	<u>7,086,829</u>	<u>11,364,013</u>	<u>10,821,150</u>



**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020**  
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*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**12. Loss per share**

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Net loss for the period	(4,805,676)	(739,082)	(5,608,134)	(729,341)
Weighted average number of outstanding shares (share)	505,225,024	505,225,024	505,225,024	505,225,024
Loss per share (fils)	(9.51)	(1.46)	(11.10)	(1.44)

Both basic and diluted loss 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.

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

	Divisions activity as at 30 June 2020				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	2,378,114	1,212,006	216,768	95,798	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)	(270,309)	216,768	(897,782)	(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

	Divisions activity as at 31 December 2019				
	Real estate	Hotels	Investment	Unallocated	Total
Assets	112,892,503	17,499,115	12,229,074	13,112,334	155,733,026
Liabilities	78,360,931	10,736,216	1,305,493	7,363,521	97,766,161

	Divisions activity as at 30 June 2019				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	2,674,331	3,247,511	314,188	225,004	6,461,034
Expenses	(425,220)	(3,548,349)	-	(790,549)	(4,764,118)
Finance costs	(2,048,011)	(366,166)	(5,951)	(6,129)	(2,426,257)
Segment's profit	201,100	(667,004)	308,237	(571,674)	(729,341)
Assets	118,763,924	18,565,667	12,438,564	8,916,727	158,684,882
Liabilities	77,216,133	17,403,295	1,304,444	6,662,570	102,586,442



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**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	30 June 2020	30 June 2019
Dividend income	199,798	301,894
Rental expenses	10,200	20,400
Interests on loans and bank facilities	5,967	5,951
Marketing fees	2,681	24,747
Management fees	7,775	73,123
Reservation fees	841	13,035
Holiday fees	1,152	5,742

Interim condensed consolidated statement of financial position:

Balances	30 June 2020	31 December 2019	30 June 2019
Due from related parties (Note 7)	1,275,839	136,368	153,622
Due to related parties (Note 11)	699,545	5,145,727	5,186,639
Investment securities at FVOCI (Note 6)	8,335,902	11,119,287	11,421,954
Loans and bank facilities (Note 10)	317,541	311,524	310,475

**Compensation of key management personnel**

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

	30 June 2020	30 June 2019
Salaries and remunerations	136,500	139,000
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 2020 (KD 24,591 as at 31 December 2019, KD 24,591 as at 30 June 2019).

**16. Annual general assembly**

The consolidated financial statements for the year ended 31 December 2019 have been approved by the shareholders of the Parent Company in their Annual General Assembly held on the 10 May 2020.

**17. Going Concern**

The Group has incurred loss of KD 5,608,134 for the six months period ended 30 June 2020 (KD 729,341 - 30 June 2019) and, as at that date, the Group's current liabilities exceeded its current assets by KD 15,455,928 (KD 17,702,019 - 31 December 2019 and KD 26,434,758 - 30 June 2019).

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.

This interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 10 to the interim condensed consolidated financial information. Further, the Board of Directors of the Parent Company are confident to arrange financial support from the main shareholders of the Parent Company to enable the Group to meet its financial obligations as they fall due.

If for any reason the Group is unable to continue as a going concern, adjustments may be necessary to the recoverability and classification of recorded assets values and classification and values of liabilities and contingent liabilities.