



الشركة العربية العقارية
Al-Arabiya Real Estate Company

**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 nine months ended 30 September 2022
(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 nine months ended 30 September 2022
(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 of 30 September 2022, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim 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 8,883,006 (31 December 2021: KD 9,315,759; 30 September 2021: KD 9,283,028), includes a compensation claim due to the Group with a carrying amount of KD 7,039,955 (31 December 2021: KD 7,039,955; 30 September 2021: KD 7,039,955). We were unable to complete our review of the compensation claim due to the Group as we could not verify management's assertion that this amount was recoverable. Had we been able to complete our review of the compensation claim, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information. Our audit opinion for the year ended 31 December 2021 and our review conclusion for the period ended 30 September 2021 was also modified in respect of this matter.
- ▶ Based on information provided to us by management, the Group has excluded from the investment in Sharm Dreams for Real Estate Development Company ("the associate"), the Group's share of the associate's earnings from 1 January 2019 to the date of classification of the investment as an asset classified as held for sale, that we believe should be included to conform with International Financial Reporting Standards ("IFRSs"). We were unable to determine the adjustments necessary to this amount. Our audit opinion for the year ended 31 December 2021 and our review conclusion for the period ended 30 September 2021 was also modified in respect of this matter.
- ▶ Investment properties, which are carried in the interim condensed consolidated statement of financial position at KD 114,465,464 as at 30 September 2021, includes an investment property with a carrying amount of KD 23,597,000 as at 30 September 2021 relating to properties located in the state of Kuwait. We were unable to complete our review of the aforementioned investment property as of 30 September 2021 because we could not verify the underlying data, method and assumptions used by the valuer in the determination of the fair value of this investment property. 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 for the period ended 30 September 2021. Our review conclusion for the period ended 30 September 2021 was modified accordingly. Our conclusion on the current period's financial information is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures
- ▶ Based on information provided by management, the Group has excluded from loan and bank facilities as at 30 September 2021 interest arising from a court verdict, which we believe does not conform with IFRSs. The Groups records indicate that had management restated the comparative information for certain finance costs incurred from 1 March 2012 to 30 September 2021, loans and bank facilities as at 30 September 2021 would have been increased by KD 1,244,326, total equity as at 30 September 2021 would have been decreased by KD 1,244,326, finance costs for the period ended 30 September 2021 would have been increased by KD 95,475 and the net loss for the period ended 30 September 2021 would have been increased by KD 95,475. Our review conclusion on the financial information for the period ended 30 September 2021 was modified accordingly. Our conclusion on the current period's financial information is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

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

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the interim financial information, which indicates that the Group incurred a net loss of KD 414,432 during the nine month period ended 30 September 2022 and, as of that date, the Group's current liabilities exceeded its current assets by KD 83,152,607., these events or conditions, 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 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 nine-month period ended 30 September 2022, 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, 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 nine-month period ended 30 September 2022 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.



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

Kuwait, 13 November 2022

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2022

(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	30 September 2022	31 December 2021 (Audited)	30 September 2021
ASSETS				
Non-current assets				
Property, plant and equipment		14,773,064	15,188,135	15,362,427
Investment properties	5	107,309,098	106,332,647	114,465,464
Financial assets at fair value through other comprehensive income	6	9,294,764	9,902,650	10,023,440
		<u>131,376,926</u>	<u>131,423,432</u>	<u>139,851,331</u>
Current assets				
Trade and other receivables	7	8,883,006	9,315,759	9,283,028
Cash and cash equivalents		946,046	974,012	969,023
		<u>9,829,052</u>	<u>10,289,771</u>	<u>10,252,051</u>
Assets held for sale	8	974,270	974,270	1,190,764
		<u>10,803,322</u>	<u>11,264,041</u>	<u>11,442,815</u>
Total Assets		<u>142,180,248</u>	<u>142,687,473</u>	<u>151,294,146</u>
Equity & Liabilities				
Equity				
Share capital		50,984,499	50,984,499	50,984,499
Share premium		327,188	327,188	327,188
Treasury shares	9	(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	10	2,116,843	1,937,823	1,956,339
Accumulated losses		(14,633,424)	(14,218,992)	(4,105,746)
		<u>42,999,446</u>	<u>43,234,858</u>	<u>53,366,620</u>
Amount recognized in equity related to asset held for sale		(1,337,708)	(1,337,708)	(1,635,054)
		<u>41,661,738</u>	<u>41,897,150</u>	<u>51,731,566</u>
Liabilities				
Non-current liabilities				
Post-employment benefits		331,800	290,705	294,337
Loans and bank facilities	11	6,230,781	56,148,132	56,335,893
		<u>6,562,581</u>	<u>56,438,837</u>	<u>56,630,230</u>
Current liabilities				
Trade and other payables	12	6,958,816	7,333,668	7,576,118
Loans and bank facilities	11	86,997,113	37,017,818	35,356,232
		<u>93,955,929</u>	<u>44,351,486</u>	<u>42,932,350</u>
Total liabilities		<u>100,518,510</u>	<u>100,790,323</u>	<u>99,562,580</u>
Total equity and liabilities		<u>142,180,248</u>	<u>142,687,473</u>	<u>151,294,146</u>

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

Dr. Emad Jawad Bukhamseen
Chairman

Dr. Abdullah Abdulsamad Marafi
Vice Chairman

Interim Condensed Consolidated Statement of Income for the nine months ended 30 September 2022
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
REVENUES					
Rental income		1,261,951	1,037,081	3,633,698	3,542,049
Income from hotel		969,242	620,589	3,242,808	1,417,200
Dividend income		-	2,257	128,386	8,507
Other income		94,004	36,213	262,135	110,794
Foreign currency exchange differences		(90,245)	(15,576)	(55,245)	55,469
		<u>2,234,952</u>	<u>1,680,564</u>	<u>7,211,782</u>	<u>5,134,019</u>
EXPENSES					
Investment properties expenses		232,001	411,424	573,674	826,102
Operating expenses of hotel		852,224	582,503	2,654,606	1,598,741
Staff costs		60,501	93,954	207,280	224,784
Depreciation		174,087	184,869	521,729	548,222
Other expenses		267,436	340,513	824,332	1,020,040
Finance costs		1,071,914	833,826	2,844,593	2,455,134
		<u>2,658,163</u>	<u>2,447,089</u>	<u>7,626,214</u>	<u>6,673,023</u>
NET LOSS FOR THE PERIOD		<u>(423,211)</u>	<u>(766,525)</u>	<u>(414,432)</u>	<u>(1,539,004)</u>
BASIC AND DILUTED LOSSES PER SHARE (FILS)	13	<u>(0.84)</u>	<u>(1.52)</u>	<u>(0.82)</u>	<u>(3.05)</u>

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

**Interim Condensed Consolidated Statement of Comprehensive Income
for the nine months ended 30 September 2022
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
NET LOSS FOR THE PERIOD		(423,211)	(766,525)	(414,432)	(1,539,004)
Other comprehensive income / (loss) items:					
Items that may be reclassified subsequently to interim condensed consolidated statement of income:					
Foreign currency translation adjustment	10	389,764	63,700	786,906	(234,307)
		389,764	63,700	786,906	(234,307)
Items that will not be reclassified subsequently to interim condensed consolidated statement of income:					
Change in fair value of financial assets at fair value through other comprehensive income	10	(443,144)	293,884	(607,886)	862,852
Other comprehensive income for the period	10	(53,380)	357,584	179,020	628,545
Total comprehensive loss for the period		(476,591)	(408,941)	(235,412)	(910,459)

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

Interim Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2022
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 10)	Accumulated losses	Total	Amount recognized in equity related to asset held for sale	Total
Balance as at 1 January 2021	50,984,499	327,188	(714,784)	4,744,392	174,732	(305,470)	(2,568,532)	52,642,025	-	52,642,025
Net loss for the period	-	-	-	-	-	-	(1,539,004)	(1,539,004)	-	(1,539,004)
Other comprehensive income for the period	-	-	-	-	-	628,545	-	628,545	-	628,545
Total comprehensive loss for the period	-	-	-	-	-	628,545	(1,539,004)	(910,459)	-	(910,459)
Realised gain transferred from disposal of investment securities at FVTOCI	-	-	-	-	-	(1,790)	1,790	-	-	-
Transfer during the period (Note 8)	-	-	-	-	-	1,635,054	-	1,635,054	(1,635,054)	-
Balance as at 30 September 2021	50,984,499	327,188	(714,784)	4,744,392	174,732	1,956,339	(4,105,746)	53,366,620	(1,635,054)	51,731,566
Balance as at 1 January 2022	50,984,499	327,188	(714,784)	4,744,392	174,732	1,937,823	(14,218,992)	43,234,858	(1,337,708)	41,897,150
Net loss for the period	-	-	-	-	-	-	(414,432)	(414,432)	-	(414,432)
Other comprehensive income for the period	-	-	-	-	-	179,020	-	179,020	-	179,020
Total comprehensive loss for the period	-	-	-	-	-	179,020	(414,432)	(235,412)	-	(235,412)
Balance as at 30 September 2022	50,984,499	327,188	(714,784)	4,744,392	174,732	2,116,843	(14,633,424)	42,999,446	(1,337,708)	41,661,738

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

**Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2022
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Nine months ended 30 September	
	2022	2021
Cash flows from operating activities		
Net Loss for the period	(414,432)	(1,539,004)
Adjustments:		
Depreciation	521,730	548,222
Post-employment benefits	53,381	80,753
Dividend income	(128,386)	(8,507)
Finance costs	2,844,593	2,455,134
Expected credit loss	-	62,352
Rent concessions	-	14,354
Operating cash flows before changes in working capital	2,876,886	1,613,304
Trade and other receivables	432,753	251,631
Trade and other payables	(325,074)	(251,756)
	2,984,565	1,613,179
Post-employment benefits paid	(12,286)	(110,159)
Net cash flows generated from operating activities	2,972,279	1,503,020
INVESTMENT ACTIVITY		
Purchase of property, plant and equipment	(106,659)	-
Proceed from sale of investment properties	-	2,500,000
Proceeds from sale of investments at fair value through other comprehensive income	-	80,904
Dividend income received	128,386	8,507
Net Cash flows generated from investing activity	21,727	2,589,411
FINANCING ACTIVITIES		
Net movement in loans and bank facilities	(992,132)	(2,178,892)
Finance costs paid	(1,784,559)	(1,658,540)
Payment of lease liability	(55,736)	(85,590)
Net cash flows used in financing activities	(2,832,427)	(3,923,022)
Net change in cash and cash equivalents	161,579	169,409
Foreign currency translation adjustments	(189,545)	633
Cash and cash equivalents as at the beginning of the period	974,012	798,981
Cash and cash equivalents as at the end of the period	946,046	969,023

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

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2022

(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 September 2022	31 December 2021	30 September 2021
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 nine-month ended 30 September 2022 was authorized for issuance by the Board of Directors on -13 November 2022.

2. GOING CONCERN BASIS OF ACCOUNTING

The Group has incurred a loss of KD 414,432 for the nine months period ended 30 September 2022 (30 September 2021: loss of KD 1,539,004) and as at that date accumulated losses of KD 14,633,424 (31 December 2021: KD 14,218,992) Furthermore loan installments with an amount of KD 24,650,000 was past due and not paid, according to the cross default term to the loan contract, the entire loan balance including the accrued interest with an amount of KD 74,398,340 become past due. Which resulted in the excess of current liabilities over current assets by KD 83,152,607 (31 December 2021: KD 33,087,445 and 30 September 2021: 31,489,535).

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 by sale of investment properties at their market values. Further, the management of the Group started negotiations with credit banks to reschedule the outstanding loan balance. 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. The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 11 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 for the nine months ended 30 September 2022

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Notwithstanding 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. 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. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

3. Basis of preparation and significant accounting policies**3.1 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 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 nine-month period ended 30 September 2022 are not necessarily indicative of results that may be expected for the year ending 31 December 2022. For further information, refer to the consolidated financial statements issued under IFRSs and its related notes for the year ended 31 December 2021.

3.2 Summary changes in significant accounting policies

The accounting policies used in the preparation of these 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 2021, the adoption of the amendments and annual improvements to IFRS, relevant to the Group which are effective for annual reporting period starting from 1 January 2022 and which did not result in any material impact on the interim condensed consolidated financial information of the Group.

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.

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

Financial assets	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30/9/2022	31/12/2021	30/9/2021				
<u>Investments at fair value through OCI</u>							
Quoted shares	8,223,462	8,423,577	8,544,367	1	Last Bid prices	-	-
Unquoted shares	1,071,302	1,479,073	1,479,073	3	Peer market price to book value of similar companies in the same industry	Peer market price to book value factor and discount for lack of market availability	Changes in market multiple and discount rate will result in change in fair values
<u>Investment properties</u>							
Properties outside Kuwait	36,499,098	35,522,647	39,518,464	2	Prices for identical assets in market	-	-
Properties inside Kuwait	70,810,000	70,810,000	74,947,000	3	Income approach using capitalization rate	Income / capitalization rate	Changes in capitalization rate will result in change in fair value

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2022

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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:

	<i>At the beginning of the period/year</i>	<i>Disposal</i>	<i>Change in fair value</i>	<i>At the end of the period /year</i>
As at 30 September 2022				
<i>Financial assets at fair value through other comprehensive income</i>	1,479,073	-	(407,771)	1,071,302
<i>Investment properties</i>	70,810,000	-	-	70,810,000
	<u>72,289,073</u>	<u>-</u>	<u>(407,771)</u>	<u>71,881,302</u>
As at 31 December 2021 (audited)				
<i>Financial assets at fair value through other comprehensive income</i>	1,059,299	-	419,774	1,479,073
<i>Investment properties</i>	77,447,000	(2,500,000)	(4,137,000)	70,810,000
	<u>78,506,299</u>	<u>(2,500,000)</u>	<u>(3,717,226)</u>	<u>72,289,073</u>
As at 30 September 2021				
<i>Financial assets at fair value through other comprehensive income</i>	1,059,299	-	419,774	1,479,073
<i>Investment properties</i>	77,447,000	(2,500,000)	-	74,947,000
	<u>78,506,299</u>	<u>(2,500,000)</u>	<u>419,774</u>	<u>76,426,073</u>

5. INVESTMENTS PROPERTIES

	30 September 2022	31 December 2021 (Audited)	30 September 2021
Properties inside Kuwait	70,810,000	70,810,000	74,947,000
Properties outside Kuwait	36,499,098	35,522,647	39,518,464
	<u>107,309,098</u>	<u>106,332,647</u>	<u>114,465,464</u>

Certain investment properties are pledged against loans and bank facilities granted to the Group (Note 11).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2022	31 December 2021 (Audited)	30 September 2021
Quoted Shares	8,223,462	8,423,577	8,554,367
Unquoted Shares	1,071,302	1,479,073	1,479,073
	<u>9,294,764</u>	<u>9,902,650</u>	<u>10,023,440</u>

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' whose activities are not similar to the Parent Company's activities amounting to KD 7,258,178 as at 30 September 2022 (31 December 2021: KD 8,062,141 and 30 September 2021: KD 8,182,931).

Financial assets at fair value through other comprehensive income amounting to KD 6,140,214 as at 30 September 2022 (31 December 2021: KD 6,533,418 and 30 September 2021: KD 6,653,296) are pledged against loans and bank facilities (Note 11).

Certain financial assets at fair value through other comprehensive income amounting to KD 46,662 as at 30 September 2022 (31 December 2021: KD 49,649 and 30 September 2021: KD 50,562) 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.

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2022

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES

	30 September 2022	31 December 2021 (Audited)	30 September 2021
Compensation receivable*	10,057,080	10,057,080	10,057,080
Provision for impairment	(3,017,125)	(3,017,125)	(3,017,125)
	7,039,955	7,039,955	7,039,955
Receivables	1,413,176	1,219,594	1,196,932
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	112,259	64,194	64,695
Advance payments to contractors	168,379	93,011	65,402
Staff receivables	4,859	5,841	7,591
Due from related parties (Note 15)	561,338	1,424,708	1,423,884
Other	682,455	567,871	583,984
	10,917,160	11,349,913	11,317,182
Expected credit losses	(2,034,154)	(2,034,154)	(2,034,154)
	8,883,006	9,315,759	9,283,028

* Compensation receivable represent the compensation due to the Group for a land in Ajman Emirate (UAE) whose ownership was expropriated for public benefit during 1996. The total amount due to the Parent Company as per the letter received from the Municipal Council of Ajman Emirate amounted to AED 220 million (approximately KD 16.76 million) (in kind or cash). According to the letter of the Group's consultant, the Group has recorded an amount of AED 88 million (equivalent to KD 6.7 million) in order to meet the costs and expenses necessary to finalize the claim and collection procedures, accordingly the debit balances are estimated at KD 7.04 million as at 30 September 2022 (KD 7.04 million as at 31 December 2021 and 30 September 2021) During previous years, the Group had recognised a provision for impairment of KD 3.02 million based on management's estimates for the collectable amounts. The Group does not have any collateral against the defaulted balance.

8. ASSETS CLASSIFIED AS HELD FOR SALE

During 2021, the Group signed a contract to sell the full stake of the Group's investment "21.88%" in the associate for LE 110 million "equivalent to KD 1.8 million as at 30 September 2022". Accordingly, the investment was classified as held for sale.

The contract will be implemented in phases, A stake of 3.8% has been transferred to the buyer during 2021, and procedures related to transfer of ownership of the remaining shares and completing contract procedures are in progress.

The movement in assets classified as held for sale is as follows: -

	30 September 2022	31 December 2021 (Audited)	30 September 2021
Balance as at 1 January	974,270	-	-
Transferred from an investment in an associate	-	1,190,764	1,166,465
Disposal of book value of the share transferred to the buyer	-	(216,494)	-
Foreign currency adjustment	-	-	24,299
	974,270	974,270	1,190,764

9. TREASURY SHARES

	30 September 2022	31 December 2021 (Audited)	30 September 2021
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)	129,316	67,451	184,798

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

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(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

10. OTHER RESERVES

	Treasury shares reserve	Cumulative change in fair value reserve	Foreign currency translation reserve	Total
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	-	862,852	-	862,852
Foreign currency translation adjustment	-	-	(234,307)	(234,307)
Other comprehensive loss for the period	-	862,852	(234,307)	628,545
Realised gain transferred from disposal of investment securities at FVOCI	-	(1,790)	-	(1,790)
Transfer of foreign currency translation reserve (Note 8)	-	-	1,635,054	1,635,054
Balance as at 30 September 2021	1,098,372	597,986	259,981	1,956,339
Balance as at 1 January 2022	1,098,372	499,786	339,665	1,937,823
Change in fair value of financial assets at fair value through other comprehensive income	-	(607,886)	-	(607,886)
Foreign currency translation adjustment	-	-	786,906	786,906
Other comprehensive loss for the period	-	(607,886)	786,906	179,020
Balance as at 30 September 2022	1,098,372	(108,100)	1,126,571	2,116,843

11. LOANS AND BANK FACILITIES

	30 September 2022	31 December 2021 (Audited)	3 September 2021
Non-current portion			
Loans and bank facilities	6,230,781	56,148,132	56,335,893
Current portion			
Loans and bank facilities	86,997,113	37,017,818	35,356,232
	93,227,894	93,165,950	91,692,125

11.1 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 9.6 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 the lawsuit was filled. The title deeds were transferred to the bank during the current period.

Accrued legal interest for the nine months ending on 30 September 2022 amounting to KD 129,585 has been recognized in the statement of income for the current period (Nil - nine months ended 30 September 2021). The legal interest due to the creditor bank for the period from the date of the legal case to 31 December 2021, with a total amount of KD 1,276,501, has been recognized in the consolidated statement of income for the year ended 31 December 2021.

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(Unaudited)

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11.2 During the current period, loan and bank facilities amounting to KD 24,650,000 has become past due, according to the cross-default term to the loan contract. The entire loan along with the related accrued interest with an amount of KD 74,398,340 has become past due and classified as current liability. Currently the management is negotiating with the bank to reschedule the outstanding due loan balance.

11.3 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.

11.4 Loans and bank facilities amounting to KD 332,937 as of 30 September 2022 (31 December 2021: KD 330,524 and 30 September 2021: KD 363,500) were obtained from local Islamic financial institution which is related parties (Note 15).

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

	30 September 2022	31 December 2021 (Audited)	30 September 2021
Property, plant and equipment	13,827,760	14,168,339	14,281,868
Investment properties	79,778,594	79,269,019	83,516,643
Financial assets at fair value through other comprehensive income (Note 6)	6,140,214	6,533,418	6,653,296
	99,746,568	99,970,776	104,451,807

12. TRADE AND OTHER PAYABLES

	30 September 2022	31 December 2021 (Audited)	30 September 2021
Trade payables	599,987	856,598	758,091
Due to related parties (Note 15)	661,750	852,380	817,254
Dividends payables	993,957	993,957	993,970
Accrued expenses and leaves	532,654	429,047	598,979
Refundable deposits	1,325,595	1,127,261	1,081,499
Customer advance payments	118,105	316,000	659,716
Lease liabilities	364,185	388,827	397,043
Kuwait Foundation for the Advancement of Science	55,070	55,070	55,070
National Labor Support Tax	22,871	22,871	22,871
Zakat payable	5,051	-	5,051
Provision for claims	1,994,442	2,031,784	1,923,774
Other payables	285,149	259,873	262,800
	6,958,816	7,333,668	7,576,118

13. BASIC AND DILUTED LOSSES 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:

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
Net Loss for the period (KD)	(423,211)	(766,525)	(414,432)	(1,539,004)
Weighted average number of outstanding shares (share)	505,225,024	505,225,024	505,225,024	505,225,024
Loss per share (fils)	(0.84)	(1.52)	(0.82)	(3.05)

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

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2022

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

14. 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 September 2022				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	3,633,698	3,242,808	128,386	206,890	7,211,782
Expenses	(573,674)	(3,176,335)	-	(1,031,612)	(4,781,621)
Finance costs	(2,844,593)	-	-	-	(2,844,593)
Segment's profit / (loss)	215,431	66,473	128,386	(824,722)	(414,432)
Assets	107,309,098	15,456,312	10,774,981	8,639,857	142,180,248
Liabilities	81,546,642	12,932,995	1,326,907	4,711,966	100,518,510

	Divisions activity as at 31 December 2021 (audited)				
	Real estate	Hotels	Investment	Unallocated	Total
Assets	106,332,647	15,612,071	10,876,920	9,865,835	142,687,473
Liabilities	81,691,847	12,707,792	1,860,681	4,530,003	100,790,323

	Divisions activity as at 30 September 2021				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	3,542,049	1,417,200	8,507	166,263	5,134,019
Expenses	(826,102)	(2,146,963)	-	(1,244,824)	(4,217,889)
Finance costs	(2,442,419)	-	-	(12,715)	(2,455,134)
Segment's profit / (loss)	273,528	(729,763)	8,507	(1,091,276)	(1,539,004)
Assets	114,465,464	15,362,427	11,214,204	10,252,051	151,294,146
Liabilities	81,375,029	11,661,129	1,986,219	4,540,203	99,562,580

15. 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:

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2022

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Interim condensed consolidated statement of income:

Transactions	Nine months ended 30 September	
	2022	2021
Finance costs on loans and bank facilities		
Dividend income	119,879	-
Finance costs on loans and bank facilities	7,413	9,009
Marketing fees	24,537	21,556
Management fees	47,521	2,236
Reservation fees	12,269	4,336
Holidex fees	9,835	9,737

Compensation of key management personnel

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

	30 September 2022	30 September 2021
Salaries and remunerations	144,000	182,000
End of service benefits	7,788	10,385

Interim condensed consolidated statement of financial position:

	30 September 2022	31 December 2021 (audited)	30 September 2021
Balances			
Due from related parties (Note 7)	561,338	1,424,708	1,423,884
Due to related parties (Note 12)	661,750	852,380	817,254
Financial assets at fair value through other comprehensive income (Note 6)	7,258,178	8,062,141	8,182,931
Loans and bank facilities (Note 11)	332,937	330,524	363,500

16. CONTINGENT LIABILITIES

	30 September 2022	31 December 2021 (audited)	30 September 2021
Letters of Guarantee	24,591	24,591	24,591

17. IMPACT OF COVID-19

The future dynamics of the COVID-19 pandemic remain uncertain due to its evolving nature (new ongoing waves of infection, new restrictions, new variants, vaccination efficacy and rollouts). The full extent of the impact of the crisis in the region and related policy and support measures is still not fully known.

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 interim condensed consolidated financial information and explained the changes related to the critical judgement and estimates for the period ended 30 September 2022.

Further, management is aware that any further disruptions due to the emerging new covid variants could negatively impact the consolidated financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its industry reports and cash flows to minimize any negative impact on the Group.