



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 2023
(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 30 June 2023, and the related statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the interim financial information, which indicates that the Group's current liabilities exceeded its current assets by KD 83,041,166 as at 30 June 2023. As stated in note 2, this condition, along with other matters as set forth in note 2, 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-month period ended 30 June 2023, 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, as amended concerning the Capital Markets Authority and its related regulations during the Six-month period ended 30 June 2023, 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 August 2023


Interim Condensed Consolidated Statement of Financial Position as at 30 June 2023
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	30 June 2023	31 December 2022 (Audited)	30 June 2022 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		14,486,340	14,735,823	14,892,152
Investment properties	5	101,593,907	109,574,582	106,826,755
Financial assets at fair value through other comprehensive income	6	10,191,222	9,979,850	9,737,908
		<u>126,271,469</u>	<u>134,290,255</u>	<u>131,456,815</u>
Current assets				
Trade and other receivables	7	3,670,723	1,661,175	1,986,838
Cash and cash equivalents		4,881,627	1,723,237	1,364,384
		<u>8,552,350</u>	<u>3,384,412</u>	<u>3,351,222</u>
Assets held for sale		848,514	848,514	848,514
		<u>9,400,864</u>	<u>4,232,926</u>	<u>4,199,736</u>
Total Assets		<u>135,672,333</u>	<u>138,523,181</u>	<u>135,656,551</u>
Equity & Liabilities				
Equity				
Share capital	8	36,920,973	50,984,499	50,984,499
Share premium		-	327,188	327,188
Treasury shares	8	(714,784)	(714,784)	(714,784)
Statutory reserve		-	4,744,392	4,744,392
Voluntary reserve		-	174,732	174,732
Other reserves	9	1,479,080	2,360,299	2,170,241
Accumulated losses	18	1,502,759	(19,309,838)	(21,361,634)
		<u>39,188,028</u>	<u>38,566,488</u>	<u>36,324,634</u>
Amount recognized in equity related to asset held for sale		<u>(1,351,998)</u>	<u>(1,351,998)</u>	<u>(1,351,998)</u>
		<u>37,836,030</u>	<u>37,214,490</u>	<u>34,972,636</u>
Liabilities				
Non-current liabilities				
Post-employment benefits		307,167	334,996	321,794
Loans and bank facilities	10	5,087,106	53,536,554	56,292,650
		<u>5,394,273</u>	<u>53,871,550</u>	<u>56,614,444</u>
Current liabilities				
Trade and other payables	11	6,758,245	8,324,730	7,193,185
Loans and bank facilities	10	85,683,785	39,112,411	36,876,286
		<u>92,442,030</u>	<u>47,437,141</u>	<u>44,069,471</u>
Total liabilities		<u>97,836,303</u>	<u>101,308,691</u>	<u>100,683,915</u>
Total equity and liabilities		<u>135,672,333</u>	<u>138,523,181</u>	<u>135,656,551</u>

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


Mr. Emad Jawad Bukhamseen
Chairman


Dr. Abdullah Abdulsamad Marafi
Vice Chairman

Interim Condensed Consolidated Statement of Income for the six months ended 30 June 2023

(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
REVENUES					
Rental income		1,116,997	1,153,140	2,299,631	2,371,747
Income from hotel		1,245,793	1,372,307	2,505,884	2,273,566
Gain from sale of investment properties		758,177	-	1,395,641	-
Provisions no longer required	11	300,001	-	1,037,394	-
Investment income	12	231,689	128,386	231,689	128,386
Other income		19,889	86,698	113,226	168,131
Foreign currency exchange differences		(13,303)	(63,471)	(15,777)	35,000
		<u>3,659,243</u>	<u>2,677,060</u>	<u>7,567,688</u>	<u>4,976,830</u>
EXPENSES					
Investment properties expenses		174,893	185,344	280,303	341,673
Operating expenses of hotel		898,902	1,028,950	1,857,225	1,802,382
Staff costs		75,839	87,894	153,769	146,779
Depreciation		175,413	174,088	350,826	347,642
Other expenses		531,589	303,046	989,311	556,896
Finance costs		1,107,814	934,362	2,433,495	1,772,679
		<u>2,964,450</u>	<u>2,713,684</u>	<u>6,064,929</u>	<u>4,968,051</u>
NET PROFIT /(LOSS) FOR THE PERIOD		<u>694,793</u>	<u>(36,624)</u>	<u>1,502,759</u>	<u>8,779</u>
BASIC AND DILUTED EARNINGS /(LOSSES) PER SHARE (FILS)	13	<u>1.90</u>	<u>(0.10)</u>	<u>4.11</u>	<u>0.02</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 2023
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
NET PROFIT /(LOSS) FOR THE PERIOD		694,793	(36,624)	1,502,759	8,779
Other comprehensive income / (loss) items:					
Items that may be reclassified subsequently to interim condensed consolidated statement of income:					
Foreign currency translation adjustment	9	21,658	407,219	(29,254)	397,160
		21,658	407,219	(29,254)	397,160
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	9	(61,212)	(1,077,817)	(851,965)	(164,742)
Other comprehensive (loss) / income for the period	9	(39,554)	(670,598)	(881,219)	232,418
Total comprehensive income / (loss) for the period		655,239	(707,222)	621,540	241,197

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 2023
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 9)	Accumulated (losses)/gains	Total	Amount recognized in equity related to asset held for sale	Total
Balance as at 1 January 2022 (As previously stated)	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
Prior years restatements (note 17)	-	-	-	-	-	-	(7,151,421)	(7,151,421)	(14,290)	(7,165,711)
Balance as at 1 January 2022 (Restated)	50,984,499	327,188	(714,784)	4,744,392	174,732	1,937,823	(21,370,413)	36,083,437	(1,351,998)	34,731,439
Net profit for the period	-	-	-	-	-	-	8,779	8,779	-	8,779
Other comprehensive income for the period	-	-	-	-	-	232,418	-	232,418	-	232,418
Total comprehensive income for the period	-	-	-	-	-	232,418	8,779	241,197	-	241,197
Balance as at 30 June 2022	50,984,499	327,188	(714,784)	4,744,392	174,732	2,170,241	(21,361,634)	36,324,634	(1,351,998)	34,972,636
Balance as at 1 January 2023 (audited)	50,984,499	327,188	(714,784)	4,744,392	174,732	2,360,299	(19,309,838)	38,566,488	(1,351,998)	37,214,490
Net profit for the period	-	-	-	-	-	-	1,502,759	1,502,759	-	1,502,759
Other comprehensive income for the period	-	-	-	-	-	(881,219)	-	(881,219)	-	(881,219)
Total comprehensive income for the period	-	-	-	-	-	(881,219)	1,502,759	621,540	-	621,540
Amortization of accumulated loss (Note 18)	(14,063,526)	(327,188)	-	(4,744,392)	(174,732)	-	19,309,838	-	-	-
Balance as at 30 June 2023	36,920,973	-	(714,784)	-	-	1,479,080	1,502,759	39,188,028	(1,351,998)	37,836,030

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 2023

(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Six months ended 30 June	
	2023	2022
Cash flows from operating activities		
Net Profit for the period	1,502,758	8,779
Non-cash adjustments to reconcile profit for the period to net cash flows:		
Depreciation	350,826	347,642
Gain from sale of investment property	(1,395,641)	-
Provision no longer required	(1,037,394)	-
Post-employment benefits	51,118	55,445
Investment income	(231,689)	(128,386)
Finance costs	2,433,495	1,772,679
Operating profit before changes in operating assets and liabilities	1,673,473	2,056,159
Trade and other receivables	109,294	288,966
Trade and other payables	(513,686)	(90,705)
	1,269,081	2,254,420
Post-employment benefits paid	(78,947)	(24,356)
Net cash flows generated from operating activities	1,190,134	2,230,064
INVESTMENT ACTIVITY		
Purchase of property, plant and equipment	(101,343)	-
Purchase of investment through other comprehensive income	(1,063,337)	-
Proceeds from sale of investment properties	7,341,824	-
Proceeds from sale of rights issue	98,132	-
Dividend's income received	133,557	128,386
Net Cash flows generated from investing activity	6,408,833	128,386
FINANCING ACTIVITIES		
Loans and bank facilities	(4,101,828)	180,591
Finance costs paid	(236,596)	(1,645,832)
Payment of lease liability	(20,400)	(55,736)
Net cash flows used in financing activities	(4,358,824)	(1,520,977)
Net change in cash and cash equivalents	3,240,143	837,473
Foreign currency translation adjustments	(81,753)	(447,101)
Cash and cash equivalents as at the beginning of the period	1,723,237	974,012
Cash and cash equivalents as at the end of the period	4,881,627	1,364,384

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 2023

(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	30 June 2023	Ownership (%) 31 December 2022	30 June 2022
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The interim condensed consolidated financial information for the six-month ended 30 June 2023 was authorized for issuance by the Board of Directors on 13 August 2023.

2. GOING CONCERN BASIS OF ACCOUNTING

The Group has generated profit with KD 1,502,759 for the period ended 30 June 2023 (30 June 2022: profit of KD 8,779) accumulated gains of KD 1,502,759 (31 December 2022: losses of KD 19,309,838). Furthermore, loan installments with an amount of KD 20.1 million was past due and not paid, according to the cross default term to the loan contract, the entire loan balance with an amount of KD 73,997,770 become past due which resulted current liabilities exceed current assets by KD 83,041,166 (31 December 2022: KD 43,204,215 and 30 June 2022: KD 39,869,735).

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. The extraordinary general assembly meeting held on 19 April 2023 approved the amortization of the accumulated loss (note 18) and the Group's management 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 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. 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.

Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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 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 six-month period ended 30 June 2023 are not necessarily indicative of results that may be expected for the year ending 31 December 2023. For further information, refer to the consolidated financial statements issued under IFRSs and its related notes for the year ended 31 December 2022.

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 2022, 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 2023 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
	30/6/2023	31/12/2022	30/6/2022				
<u>Investments at fair value through OCI</u>							
Quoted shares	8,850,628	8,704,491	8,160,659	1	Last Bid prices	-	-
Unquoted shares	1,340,594	1,275,359	1,577,249	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	29,093,907	35,554,582	36,016,755	2	Prices for identical assets in market	-	-
Properties inside Kuwait	72,500,000	74,020,000	70,810,000	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 six months ended 30 June 2023

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The movement in Level 3 fair value hierarchy during the year is given below:

	30 June 2023	31 December 2022	30 June 2022
As at 1 January	1,275,359	1,479,073	1,479,073
Unrealized gain / (loss)	65,235	(203,714)	98,176
As at 31 March /31 December	1,340,594	1,275,359	1,577,249

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

5. INVESTMENTS PROPERTIES

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Properties inside Kuwait	72,500,000	74,020,000	70,810,000
Properties outside Kuwait	29,093,907	35,554,582	36,016,755
	101,593,907	109,574,582	106,826,755

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Balance as of 1 January	109,574,582	106,332,647	106,332,647
Disposals	(8,059,857)	(689,349)	-
Unrealized gain from valuation	-	3,486,780	-
Foreign currency translation	79,182	444,504	494,108
Balance as at 30 June / 31 December	101,593,907	109,574,582	106,826,755

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

During the current period, the Group sold properties outside Kuwait with carrying value amounted to KD 6,539,857, which resulted in gain from sale amounted to KD 1,165,641 recorded in the interim condensed consolidated statement of income, the related receivable from the sale amounted to KD 2,113,674 as at 30 June 2023 (KD nil as at 31 December 2022). Also, the Group signed initial agreements to sell properties outside of Kuwait with a carrying value amounted to KD 2,798,239, an advance from sale have been received from the respective buyers with an amount of KD1,860,674 as of 30 June 2023 (KD 2,161,747 as at 31 December 2022) "note 11", the sales of such property is expected to be recognized in the year 2023 upon the satisfaction of the performance obligation and the buyer obtain control over the properties

During the current period local property has been sold with carrying value of KD 1,520,000 and gain from sale with an amount KD 230,000 has been recognized in the interim condensed consolidated statement of income for the period ended 30 June 2023

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Quoted Shares	8,850,628	8,704,491	8,160,659
Unquoted Shares	1,340,594	1,275,359	1,577,249
	10,191,222	9,979,850	9,737,908

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

Financial assets at fair value through other comprehensive income amounting to KD 6,801,803 as at 30 June 2023 (31 December 2022: KD 6,794,755 and 30 June 2022: KD 6,389,563) are pledged against loans and bank facilities (Note 10).

Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Certain financial assets at fair value through other comprehensive income amounting to KD 41,877 as at 30 June 2023 (31 December 2022: KD 46,188 and 30 June 2022: KD 48,557) 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

	30 June 2023	31 December 2022 (Audited)	30 June 2022 (Restated)
Compensation receivable*	10,057,080	10,057,080	10,057,080
Expected credit loss	(10,057,080)	(10,057,080)	(10,057,080)
Trade receivables	1,636,537	1,473,774	1,582,445
Receivables from sold investment proprieties	2,113,674	-	-
Advance payment for purchasing of investment proprieties	626,545	626,545	626,545
Net assets of unconsolidated hotel	308,194	308,194	308,194
Prepaid expenses	118,834	38,699	108,503
Advance payments to contractors	185,108	98,025	159,199
Staff receivables	4,759	4,559	5,009
Due from related parties (Note 15)	5,514	497,352	657,552
Other	677,299	623,912	573,545
	5,676,464	3,671,060	4,020,992
Expected credit losses	(2,005,741)	(2,009,885)	(2,034,154)
	<u>3,670,723</u>	<u>1,661,175</u>	<u>1,986,838</u>

* During the year ended 31 December 2022, the Group restated the prior year and recorded an impairment losses of the compensation receivable by KD 7,039,955 based on management's estimates and considering IFRS requirements. During the current period, the Group's management restated the prior period ended 30 June 2022 with the same amount (note 17).

Below are the movement of the Expected credit loss :

	30 June 2023	31 December 2022 (Audited)	30 June 2022 (Restated)
Balance as at 1 January as previously stated	12,066,965	12,091,234	5,051,279
Prior years restatements (Note.17)	-	-	7,039,955
Balance as of 1 January restated	12,066,965	12,091,234	12,091,234
Reversal during the period	-	(24,269)	-
Foreign currency adjustments	(4,144)	-	-
Ending balance	<u>12,062,821</u>	<u>12,066,965</u>	<u>12,091,234</u>

8. SHAREHOLDERS EQUITY

8.1 SHARE CAPITAL

During the current period the parent company extraordinary general assembly meeting has been held on 19 April 2023 and approved reduction of authorized, issued and paid up capital from KD 50,984,499 distributed over 509,844,986 shares of 100 Fils to KD 36,920,973 distributed over 369,209,730 shares of 100 fills each (note 18). The commercial register was amended dated 4 May 2023.

8.2 TREASURY SHARES

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Number of shares (share)	3,349,160	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)	176,165	115,499	179,255

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)

During the current period, treasury shares number of 1,270,802 shares decreased due to the decrease of capital (note 8.1).

9. OTHER RESERVES

	Treasury shares reserve	Cumulative change in fair value reserve	Foreign currency translation reserve	Total
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	-	(164,742)	-	(164,742)
Foreign currency translation adjustment	-	-	397,160	397,160
Other comprehensive income (loss) for the period	-	(164,742)	397,160	232,418
Balance as at 30 June 2022	1,098,372	335,044	736,825	2,170,241
Balance as at 1 January 2023	1,098,372	576,986	684,941	2,360,299
Change in fair value of financial assets at fair value through other comprehensive income	-	(851,965)	-	(851,965)
Foreign currency translation adjustment	-	-	(29,254)	(29,254)
Other comprehensive loss for the period	-	(851,965)	(29,254)	(881,219)
Balance as at 30 June 2023	1,098,372	(274,979)	655,687	1,479,080

10. LOANS AND BANK FACILITIES

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Non- current portion			
Loans and bank facilities	5,087,106	53,536,554	56,292,650
Current portion			
Loans and bank facilities	85,683,785	39,112,411	36,876,286
	90,770,891	92,648,965	93,168,936
	30 June 2023	31 December 2022 (Audited)	30 June 2022
Current Portion			
Bank overdraft	-	420,578	1,029,950
Loan from Kuwaiti Bank (due)	73,829,990	26,926,300	24,538,140
Loan from local company in Kuwait	334,696	334,524	330,727
Loan from a UAE Bank (due)	11,095,944	11,015,592	10,777,003
Loan from a UAE Bank	423,155	415,417	200,466
	85,683,785	39,112,411	36,876,286
Non - current Portion			
Loan from Kuwaiti Bank	-	47,500,000	49,832,240
Loan from a UAE Bank	5,087,106	6,036,554	6,460,410
	5,087,106	53,536,554	56,292,650
	90,770,891	92,648,965	93,168,936

10.1 During the current period, the Group defaulted in the payment of part of an instalment amounting to KD 20.1 million to a Kuwaiti bank, according to the cross-default term to the loan contract the entire loan balance with an amount of KD 73,997,770 has become past due and classified as current liability in the Interim Condensed Consolidated Statement of Financial Position.

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(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Currently the management is negotiating with the bank to reschedule the outstanding due loan balance. The loan balance include accrued finance cost of KD 2,218,187 which has been paid subsequent to the interim condensed consolidated financial statement .

10.2 During previous years, loan instalments and related finance costs of a UAE bank were past due and unpaid. The bank filed a legal case against the Parent Company during the year ended 31 December 2012. During the fourth quarter of 2019, Sharjah Court issued the appeal judgement which obligate the Group to pay an amount of AED 115 Million (approximately KD 9.6 Million as at 30 June 2023) and transfer the title deed of the hotel to the bank, in addition to payment of legal interest of 5% per annum from the date of the lawsuit was filled till settlement date. The Group recognized legal interests due for the period from the date of the lawsuit was filed till 30 June 2023, by approximately KD 1.5 Million as at 30 June 2023 (KD 1.4 million as at 31 December 2022, KD 1.2 million as at 30 June 2022) and the hotel title deed was transferred to the bank during prior years.

10.3 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 loans and annual interest rates 3% over EIBOR for non-local banks.

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

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Property, plant and equipment	13,487,179	13,714,231	13,941,287
Investment properties	79,387,826	82,858,513	79,136,095
Financial assets at fair value through other comprehensive income (Note 6)	6,801,803	6,794,755	6,389,563
	<u>99,676,808</u>	<u>103,367,499</u>	<u>99,466,945</u>

11. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022 (Audited)	30 June 2022
Trade payables	571,631	983,721	610,212
Advances from sale of investment property	1,860,674	2,161,747	-
Due to related parties (Note 15)	-	604,579	688,627
Dividends payables	993,957	993,957	993,957
Accrued expenses and leaves	428,358	618,329	559,724
Refundable deposits	1,045,981	881,001	1,248,997
Customer advance payments	789,477	-	316,000
Lease liabilities	347,757	364,185	372,399
Kuwait Foundation for the Advancement of Science	55,070	55,070	55,070
National Labor Support Tax	50,315	80,037	22,871
Zakat payable	13,083	24,887	-
Provision for claims	144,582	1,172,854	2,118,105
Other payables	457,360	384,363	207,223
	<u>6,758,245</u>	<u>8,324,730</u>	<u>7,193,185</u>

The Group collected an amount of KD 1,860,674 as advance as at 30 June 2023 (KD 2,161,747 as at 31 December 2022) from selling investment properties outside Kuwait. Such properties will be disposed and sale revenue shall be recognized upon satisfaction of the performance obligation and transfer of control over the properties to the buyer.

Provision of KD 1,037,394 was reversed during the current period, taken into consideration legal consultant opinion.

12. Investment income

	30 June 2023	30 June 2022
Dividends income	133,557	128,386
Gain on sale rights issue	98,132	-
	<u>231,689</u>	<u>128,386</u>

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(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

13. EARNING/ (Losses) PER SHARE

Basic earnings per share are computed by dividing net profit for the period by the weighted average number of ordinary shares outstanding during the period, which is determined based on the outstanding number of issued share capital during the period less treasury shares. How the earnings per shares are calculated is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
Net profit/ (loss) for the period (KD)	694,793	(36,624)	1,502,759	8,779
Weighted average number of outstanding shares (share)	365,860,570	365,860,570	365,860,570	365,860,570
Earning/ (Loss) per share (fils)	1.90	(0.10)	4.11	0.02

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

The earning per share for the current period and comparative figures was amended taking into consideration the extraordinary general assemble decision to decrease the authorized, issued and paid up capital to amortize the accumulated losses (note 18).

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 June 2023				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	3,695,272	2,505,884	133,557	1,232,975	7,567,688
Expenses	(280,303)	(1,857,225)	-	(1,493,906)	(3,631,434)
Finance costs	(2,196,899)	-	-	(236,596)	(2,433,495)
Segment's profit / (loss)	1,218,070	648,659	133,557	(497,527)	1,502,759
Assets	101,593,907	15,280,167	11,039,736	7,758,523	135,672,333
Liabilities	76,902,673	13,649,603	1,328,653	5,955,374	97,836,303

	Divisions activity as at 31 December 2022 (audited)				
	Real estate	Hotels	Investment	Unallocated	Total
Assets	109,574,582	15,436,672	10,828,364	2,683,563	138,523,181
Liabilities	81,968,192	12,383,996	2,025,422	4,931,081	101,308,691

	Divisions activity as at 30 June 2022 (Restated)				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	2,371,747	2,273,566	128,386	203,131	4,976,830
Expenses	(341,673)	(2,150,024)	-	(703,675)	(3,195,372)
Finance costs	(1,759,964)	-	-	(12,715)	(1,772,679)
Segment's profit / (loss)	270,110	123,542	128,386	(513,259)	8,779
Assets	106,826,755	15,679,916	10,712,178	2,437,702	135,656,551
Liabilities	81,860,740	12,463,921	1,860,884	4,498,370	100,683,915

Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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:

Interim condensed consolidated statement of income:

Transactions	Six months ended 30 June	
	2023	2022
Finance costs on loans and bank facilities		
Dividend income	124,674	119,879
Gain on sale pre-emptive rights	98,132	-
Finance costs on loans and bank facilities	5,172	5,984
Hotel Expense:		
Marketing fees	97,783	162,942
Management fees	43,848	37,631
Reservation fees	9,999	2,010
Holidex fees	6,662	6,532
Compensation of key management personnel		
Salaries and remunerations	96,000	96,000
End of service benefits	1,730	1,730

Interim condensed consolidated statement of financial position:

	30 June 2023	31 December 2022 (audited)	30 June 2022
Balances			
Due from related parties (Note 7)	5,514	497,352	657,552
Due to related parties (Note 11)	-	604,579	688,627
Financial assets at fair value through other comprehensive income (Note 6)	8,184,274	7,399,424	8,046,774
Loans and bank facilities (Note 10)	334,696	334,524	330,727

16. CONTINGENT LIABILITIES

	30 June 2023	31 December 2022 (audited)	30 June 2022
Letters of Guarantee	24,591	24,591	24,591

17. Prior years restatements

During the year ended 31 December 2022 (last year), the followings errors were identified by Management and the comparative figures were restated retrospectively in accordance with the requirements of IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, Changes in Estimates and Errors.

- During the previous years, Group's share in results of the associate "Sharm Dream for Real Estate Development Company" for the period from 1 January 2019 till the date of classification as assets held for sale was not recorded since no financial information of the associate was available for the period. During the last year, the Group recorded its share in losses and other comprehensive loss of the associate for the period from 1 January 2019 till the date of classification of the investment as assets held for sale since the audited financial statements of the associate for the above-mentioned period was available to Management of the Company during last year.
- Trade and other receivable includes an amount of KD 7,039,955 as at 31 December 2021 which represents the net carrying value of a compensation claim due to the Group from Ajman government from 2012. During the last year, management of the Company corrected the error by restating the comparative figures and recorded expected credit losses for the full amount of the compensation claim due in accordance with IFRSs requirements.

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(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The interim condensed consolidated financial information of the period ended 30 June 2022 was issued before management's identification of the above-mentioned errors. During the current period, the comparative figures (30 June 2022) were restated retrospectively to correct the errors.

Impact on the Interim Condensed Consolidated Statement of Financial Position:

	As Previously Stated	Prior years Restatements	Restated
As at 30 June 2022:			
Trade and other receivables	9,026,793	(7,039,955)	1,986,838
Assets held for sale	974,270	(125,756)	848,514
Current assets	11,365,447	(7,165,711)	4,199,736
Total assets	142,822,262	(7,165,711)	135,656,551
Accumulated losses	(14,210,213)	(7,151,421)	(21,361,634)
Reserve related to assets held for sale	(1,337,708)	(14,290)	(1,351,998)
Total equity	42,138,347	(7,165,711)	34,972,636
Total equity and liabilities	142,822,262	(7,165,711)	135,656,551
As at 1 January 2022			
Accumulated losses	(14,218,992)	(7,151,421)	(21,370,413)
Reserve related to assets held for sale	(1,337,708)	(14,290)	(1,351,998)
Total equity	41,897,150	(7,165,711)	34,731,439

There is no impact from the correction of errors identified above on the interim condensed consolidated statements of income, comprehensive income, and cash flows for the Six period ended 30 June 2022.

18. Capital reduction

During the current period the general assembly meeting of the parent company has been held on 12 April 2023 and approved the consolidated financial statements for the year ended 2022.

The extraordinary general assembly meeting of the parent company has been held on 19 April 2023 and decided to amortize the accumulated losses of KD 19,309,838 as of 31 Dec 2022 as follows:

- An amount of KD 174,732 using voluntary reserve.
- An amount of KD 4,744,392 using statutory reserve.
- An amount of KD 327,188 using share premium.
- An amount of KD 14,063,526 using share capital (Distributed over 140,635,257 shares).