



**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 2021
(Unaudited)**



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

**Interim Condensed Consolidated Financial Information
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(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 September 2021, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No. (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- ▶ Trade and other receivables, which are carried in the interim condensed consolidated statement of financial position at KD 9,283,028 (31 December 2020: KD 9,597,012; 30 September 2020: KD 10,450,118), includes a compensation claim due to the Group with a carrying amount of KD 7,039,955 (31 December 2020: KD 7,039,955; 30 September 2020: KD 7,039,955). We were unable to complete our review of the compensation claim as we could not verify management's assertion that this amount was recoverable. 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 2020 and our review conclusion for the period ended 30 September 2020 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 2021 to 29 September 2021 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 2020 and our review conclusion for the period ended 30 September 2020 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 (KD 117,280,181 - 31 December 2020; KD 112,957,766 - 30 September 2020) includes an investment property with a carrying amount of KD 23,597,000 as at 30 September 2021 (KD 23,597,000 - 31 December 2020; KD 23,034,000 - 30 September 2020). We were unable to complete our review of the aforementioned investment property 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. Our audit opinion for the year ended 31 December 2020 and our review conclusion for the period ended 30 September 2020 was also modified in respect of this matter.
- ▶ Based on information provided to us by management, the Group has excluded from loan and bank facilities interest arising from a court verdict, that we believe should be included to conform with IFRSs. We were unable to determine the adjustments necessary to this amount. Our audit opinion for the year ended 31 December 2020 was also modified in respect of this matter.

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

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 interim condensed consolidated 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 to the interim condensed consolidated financial information, which indicates that the Group incurred a net loss of KD 1,539,004 during the period ended 30 September 2021 and as at that date, the Group's current liabilities exceeded its current assets by KD 31,489,535. These events or conditions, along with other matters as set forth in Notes 2 and 10, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Report on 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 nine months period ended 30 September 2021, except for the matters described in the Basis of 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 months period ended 30 September 2021 except for the matters described in the Basis for Qualified conclusion section of our report, that might have had a material effect on the business of the Parent Company or on its financial position.



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Kuwait, 14 November 2021

**Interim Condensed Consolidated Statement of Financial Position as at 30 September 2021
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Note	30 September 2021	31 December 2020 (Audited)	30 September 2020
ASSETS				
Non-current assets				
Property, plant and equipment		15,362,427	15,910,653	16,085,471
Investment properties	5	114,465,464	117,280,181	112,957,766
Investment in an associate		-	1,166,465	1,211,456
Investment securities at FVOCI	6	10,023,440	9,241,491	8,832,155
		<u>139,851,331</u>	<u>143,598,790</u>	<u>139,086,848</u>
Current assets				
Trade and other receivables	7	9,283,028	9,597,012	10,450,118
Cash and cash equivalents		969,023	798,981	947,703
		<u>10,252,051</u>	<u>10,395,993</u>	<u>11,397,821</u>
Asset classified as held for sale	12	1,190,764	-	-
		<u>11,442,815</u>	<u>10,395,993</u>	<u>11,397,821</u>
Total assets		<u>151,294,146</u>	<u>153,994,783</u>	<u>150,484,669</u>
Equity and liabilities				
Equity				
Share capital		50,984,499	50,984,499	50,984,499
Share premium		327,188	327,188	327,188
Treasury shares	8	(714,784)	(714,784)	(714,784)
Statutory reserve		4,744,392	4,744,392	4,744,392
Voluntary reserve		174,732	174,732	174,732
Other reserves	9	1,956,339	(305,470)	(508,178)
Accumulated losses		(4,105,746)	(2,568,532)	(5,559,065)
		<u>53,366,620</u>	<u>52,642,025</u>	<u>49,448,784</u>
Amount recognized in equity related to asset held for sale	12	(1,635,054)	-	-
		<u>51,731,566</u>	<u>52,642,025</u>	<u>49,448,784</u>
Liabilities				
Non-current liabilities				
Post-employment benefits		294,337	323,743	406,776
Loans and bank facilities	10	56,335,893	6,693,491	69,123,433
		<u>56,630,230</u>	<u>7,017,234</u>	<u>69,530,209</u>
Current liabilities				
Trade and other payables	11	7,576,118	7,864,159	7,549,408
Loans and bank facilities	10	35,356,232	86,471,365	23,956,268
		<u>42,932,350</u>	<u>94,335,524</u>	<u>31,505,676</u>
Total liabilities		<u>99,562,580</u>	<u>101,352,758</u>	<u>101,035,885</u>
Total equity and liabilities		<u>151,294,146</u>	<u>153,994,783</u>	<u>150,484,669</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 nine months ended 30 September 2021
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
Revenues					
Rental income		1,037,081	1,250,574	3,542,049	3,628,688
Income from hotel		620,589	296,295	1,417,200	1,638,249
Dividend income		2,257	2,257	8,507	219,025
Other income		36,213	36,484	110,794	150,007
Foreign currency exchange differences		(15,576)	12,264	55,469	(135,409)
		<u>1,680,564</u>	<u>1,597,874</u>	<u>5,134,019</u>	<u>5,500,560</u>
Expenses					
Unrealized loss from valuation of investment properties		-	326,332	-	4,479,135
Investment properties expenses		411,424	228,374	826,102	507,902
Operating expenses of a hotel		582,503	559,022	1,598,741	2,041,337
Staff costs		93,954	66,173	224,784	233,158
Depreciation		184,869	171,667	548,222	542,681
Other expenses		340,513	397,577	1,020,040	1,264,632
Finance costs		833,826	800,584	2,455,134	2,991,704
		<u>2,447,089</u>	<u>2,549,729</u>	<u>6,673,023</u>	<u>12,060,549</u>
Net loss for the period		<u>(766,525)</u>	<u>(951,855)</u>	<u>(1,539,004)</u>	<u>(6,559,989)</u>
loss per share (fils)	13	(1.52)	(1.88)	(3.05)	(12.98)

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 2021
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
Net loss for the period		<u>(766,525)</u>	<u>(951,855)</u>	<u>(1,539,004)</u>	<u>(6,559,989)</u>
Other comprehensive (loss)/ income items:					
Items that may be reclassified subsequently to interim condensed consolidated statement of income:					
Foreign currency translation adjustment	9	<u>63,700</u>	<u>(189,242)</u>	<u>(234,307)</u>	<u>323,023</u>
		<u>63,700</u>	<u>(189,242)</u>	<u>(234,307)</u>	<u>323,023</u>
Items that will not be reclassified subsequently to interim condensed consolidated statement of income:					
Change in fair value of investment securities at FVOCI	9	<u>293,884</u>	<u>502,273</u>	<u>862,852</u>	<u>(2,281,115)</u>
Other comprehensive income / (loss) for the period		<u>357,584</u>	<u>313,031</u>	<u>628,545</u>	<u>(1,958,092)</u>
Total comprehensive loss for the period		<u>(408,941)</u>	<u>(638,824)</u>	<u>(910,459)</u>	<u>(8,518,081)</u>

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 2021
(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	Amount related to asset held for sale (Note 12)	Total equity
Balance as at 1 January 2020	50,984,499	327,188	(714,784)	4,744,392	174,732	1,453,121	997,717	57,966,865	-	57,966,865
Net loss for the period	-	-	-	-	-	-	(6,559,989)	(6,559,989)	-	(6,559,989)
Other comprehensive loss for the period	-	-	-	-	-	(1,958,092)	-	(1,958,092)	-	(1,958,092)
Total comprehensive loss for the period	-	-	-	-	-	(1,958,092)	(6,559,989)	(8,518,081)	-	(8,518,081)
Realised gain transferred from disposal of investment securities at FVOCI	-	-	-	-	-	(3,207)	3,207	-	-	-
Balance as at 30 September 2020	50,984,499	327,188	(714,784)	4,744,392	174,732	(508,178)	(5,559,065)	49,448,784	-	49,448,784
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 losses for the period	-	-	-	-	-	628,545	(1,539,004)	(910,459)	-	(910,459)
Realised gain transferred from disposal of investment securities at FVOCI	-	-	-	-	-	(1,790)	1,790	-	-	-
Transfer during the period (Note 12)	-	-	-	-	-	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

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 2021
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Nine months ended 30 September	
	2021	2020
Cash flows from operating activities		
Net loss for the period	(1,539,004)	(6,559,989)
<i>Adjustments:</i>		
Depreciation	548,222	542,681
Unrealized loss from valuation of investment properties	-	4,479,135
Post-employment benefits	80,753	51,345
Dividend income	(8,507)	(219,025)
Finance costs	2,455,134	2,991,704
Expected credit loss	62,352	188,890
Rent Concession	14,354	-
Operating profit before changes in operating assets and liabilities	1,613,304	1,474,741
Trade and other receivables	251,631	(1,558,540)
Trade and other payables	(251,756)	(3,767,975)
	1,613,179	(3,851,774)
Post-employment benefits paid	(110,159)	(160,940)
Net cash generated from / (used in) operating activities	1,503,020	(4,012,714)
Cash flows from investment activities		
Proceed from sale of investment properties	2,500,000	-
Proceeds from sale of investment securities at FVOCI	80,904	6,017
Dividends income received	8,507	219,025
Net cash generated from investing activities	2,589,411	225,042
Cash flows from financing activities		
Net movement in loans and bank facilities	(2,178,892)	5,231,626
Finance costs paid	(1,658,540)	(1,110,695)
Paid for lease liability	(85,590)	(54,337)
Net cash (used in) / generated from financing activities	(3,923,022)	4,066,594
Net change in cash and cash equivalents	169,409	278,922
Foreign currency translation adjustments	633	(75,926)
Cash and cash equivalents at the beginning of the period	798,981	744,707
Cash and cash equivalents at the end of the period	969,023	947,703

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 2021 (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 2021	Ownership (%) 31 December 2020	Ownership (%) 30 September 2020
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The interim condensed consolidated financial information for the nine months ended 30 September 2021 was authorized for issuance by the Board of Directors on 11 November 2021.

2. Fundamental Accounting Concepts

The Group has incurred a loss of KD 1,539,004 for the period ended 30 September 2021 (KD 6,559,989 - 30 September 2020), accumulated losses of KD 4,105,746 (KD 2,568,532 - 31 December 2020 and KD 5,559,065 - 30 September 2020) and, as at that date, current liabilities exceed current assets by KD 31,489,535 (KD 83,939,531 - 31 December 2020 and KD 20,107,855 - 30 September 2020).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that loan repayments will be met out of operating cash flows or sale properties at their market values. Further, the main shareholders of the Parent Company continue to provide and arrange financial support (as necessary) to enable the Group to meet its financial obligations as they fall due.

The interim condensed consolidated financial information have been prepared on a going concern basis, which assumes that the Group will be able to settle 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 nine months ended 30 September 2021
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

3. Basis of Presentation and Significant Accounting Policies

3.1 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 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 2021 are not necessarily indicative of results that may be expected for the year ending 31 December 2021. For further information, refer to the consolidated financial statements issued under IFRSs and its related notes for the year ended 31 December 2020.

3.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

3.2.1 New standards, interpretations, and amendments adopted by the Group

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3.2.2 Non-current assets held for sale

Non-current assets held for sale Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2021
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

4. 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 and non-financial assets and liabilities are determined:

	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)
	30 September 2021	31 December 2020	30 September 2020		
Equity instruments designated as FVTOCI					
Quoted shares	8,544,367	8,182,192	7,702,026	Level 1	Last bid price
Unquoted shares	1,479,073	1,059,299	1,130,129	Level 3	Market multiplier for relevant sector
	<u>10,023,440</u>	<u>9,241,491</u>	<u>8,832,155</u>		
Investment properties					
Properties outside Kuwait	39,518,464	39,833,181	36,203,766	Level 2	Prices for identical assets in market
Properties inside Kuwait	74,947,000	77,447,000	76,754,000	Level 3	Unobservable market data
	<u>114,465,464</u>	<u>117,280,181</u>	<u>112,957,766</u>		

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

The following table shows a reconciliation of the opening and closing amount of level 3 financial and non-financial assets which are recorded at fair value.

	At the beginning of the period/year	Addition	Disposal	Change in fair value	At the end of the period /year
As at 30 September 2021					
Financial assets at fair value through other comprehensive income	1,059,299	-	-	419,774	1,479,073
Investment properties	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>
As at 31 December 2020 (audited)					
Financial assets at fair value through other comprehensive income	1,253,613	-	-	(194,314)	1,059,299
Investment properties	73,034,000	4,170,000	-	243,000	77,447,000
	<u>74,287,613</u>	<u>4,170,000</u>	-	<u>48,686</u>	<u>78,506,299</u>
As at 30 September 2020					
Financial assets at fair value through other comprehensive income	1,253,613	-	-	(123,484)	1,130,129
Investment properties	73,034,000	4,170,000	-	(450,000)	76,754,000
	<u>74,287,613</u>	<u>4,170,000</u>	-	<u>(573,484)</u>	<u>77,884,129</u>

5. Investments properties

	30 September 2021	31 December 2020 (Audited)	30 September 2020
Properties inside Kuwait	74,947,000	77,447,000	76,754,000
Properties outside Kuwait	39,518,464	39,833,181	36,203,766
	<u>114,465,464</u>	<u>117,280,181</u>	<u>112,957,766</u>

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

During the period the Group disposed investment properties with a book value amount to KD 2,500,000. No gain or loss resulted from this disposal.

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6. Investment securities at FVOCI

The fair value of the investment securities at FVOCI was determined as per the valuation bases disclosed in Note 4.

Investment securities at FVOCI represents shares in related parties companies whose activities are not similar to the Parent Company's activities amounting to KD 8,182,931 as at 30 September 2021 (KD 7,336,747 as at 31 December 2020 and KD 8,832,155 as at 30 September 2020) (Note 15).

Investment securities at FVOCI amounting to KD 6,653,296 as at 30 September 2021 (KD 6,203,749 as at 31 December 2020 and KD 5,716,187 as at 30 September 2020) are pledged against loans and bank facilities (Note 10).

Certain financial assets at fair value through other comprehensive income amounting to KD 50,562 as at 30 September 2021 (KD 47,144 - 31 December 2020 and KD 43,045 - 30 September 2020) 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 September 2021	31 December 2020 (Audited)	30 September 2020
Compensation receivables*	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	1,196,932	1,291,276	2,111,857
Due from related parties (Note 15)	1,423,884	1,571,208	1,119,502
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	65,402	61,708	14,196
Advance payments to contractors	64,695	55,615	111,451
Staff receivables	7,591	21,289	24,210
Other	583,984	593,024	781,162
	11,317,182	11,568,814	12,137,072
Expected credit losses	(2,034,154)	(1,971,802)	(1,686,954)
	9,283,028	9,597,012	10,450,118

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

During previous years, the Group had recognised a provision for impairment of KD 3,017,125 based on management's estimates for the collectable amounts.

8. Treasury shares

	30 September 2021	31 December 2020 (Audited)	30 September 2020
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)	184,798	115,499	120,119

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

9. Other reserves

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	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 investment securities at FVOCI	-	862,852	-	862,852
Foreign currency translation adjustment	-	-	(234,307)	(234,307)
Other comprehensive income for the period	-	862,852	(234,307)	628,545
Realised gain transferred from disposal of investment securities at FVOCI	-	(1,790)	-	(1,790)
Transfer during the period (Note 12)	-	-	1,635,054	1,635,054
Balance as at 30 September 2021	<u>1,098,372</u>	<u>597,986</u>	<u>259,981</u>	<u>1,956,339</u>
Balance as at 1 January 2020	1,098,372	1,556,423	(1,201,674)	1,453,121
Change in fair value of investment securities at FVOCI	-	(2,281,115)	-	(2,281,115)
Foreign currency translation adjustment	-	-	323,023	323,023
Other comprehensive loss for the period	-	(2,281,115)	323,023	(1,958,092)
Realised gain transferred from disposal of investment securities at FVOCI	-	(3,207)	-	(3,207)
Balance as at 30 September 2020	<u>1,098,372</u>	<u>(727,899)</u>	<u>(878,651)</u>	<u>(508,178)</u>

10. Loans and bank facilities

	30 September 2021	31 December 2020 (Audited)	30 September 2020
<u>Non- current portion</u>			
Loans and bank facilities	<u>56,335,893</u>	<u>6,693,491</u>	<u>69,123,433</u>
<u>Current portion</u>			
Loans and bank facilities	<u>35,356,232</u>	<u>86,471,365</u>	<u>23,956,268</u>
	<u>91,692,125</u>	<u>93,164,856</u>	<u>93,079,701</u>

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 9.5 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 Group carried full provision against the asset.

During the current period, hotel title deed has been transferred to the creditor bank.

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 waiver 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.

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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 April 2021 the management signed a loan rescheduling agreement with the bank with new terms to reschedule the full outstanding balance KD 74,650,000 with new terms and the first instalment will be due in 31 July 2022.

Loans and bank facilities are granted from local and foreign banks with annual interest rates 2.5% over the Central Bank of Kuwait discount rate for local banks and annual interest rates 3% over EIBOR for foreign banks.

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

	30 September 2021	31 December 2020 (Audited)	30 September 2020
Property, plant and equipment	14,281,868	14,622,447	14,735,974
Investment properties (Note 5)	83,516,643	86,220,403	110,457,766
Investment securities at FVOCI (Note 6)	6,653,296	6,203,749	5,716,187
	<u>104,451,807</u>	<u>107,046,599</u>	<u>130,909,927</u>

11. Trade and other payables

	30 September 2021	31 December 2020 (Audited)	30 September 2020
Trade payables	758,091	808,278	829,282
Due to related parties (Note 15)	817,254	848,614	797,059
Dividends payables	993,970	993,970	993,970
Accrued expenses and leaves	598,979	589,342	642,554
Refundable deposits	1,081,499	1,175,850	1,540,666
Customer advance payments	659,716	659,716	532,727
Lease liabilities	397,043	472,140	479,904
Kuwait Foundation for the Advancement of Science	55,070	55,070	55,070
National Labor Support Tax	22,871	57,865	69,530
Zakat payable	5,051	50,992	69,673
Provision for claims	1,923,774	1,806,800	1,294,995
Other payables	262,800	345,522	243,978
	<u>7,576,118</u>	<u>7,864,159</u>	<u>7,549,408</u>

12. Asset classified as held for sale and related amount recognized in equity

As at 29 September 2021, the management of the Group has transferred the full stake of the group in the investment in associate "21.88% in Sharm Dreams for Real-estate Development company" with a carrying value of KD 1.2 million as at the date of transfer to assets held for sale, upon meeting the criteria for recognition as per IFRS 5 requirements. The foreign currency reserve related to the asset held for sale amounting to 1.6 million approximately (loss) as at 30 September 2021. This amount are presented separately with equity as per requirements of IFRS 5.

Subsequent to the financial information date the Group signed a contract to sell the full stake of the group investment's in the associate with LE 110 million "equivalent to KD 2.1 million". The contract will be executed in phases, a stake of 3.8% has been transferred to the buyer during the subsequent period, and the related realized loss for this stake amounted to KD 170K.

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13. Basic and diluted 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 September		Nine months ended 30 September	
	2021	2020	2021	2020
Net loss for the period	(766,525)	(951,855)	(1,539,004)	(6,559,989)
Weighted average number of outstanding shares (share)	505,225,024	505,225,024	505,225,024	505,225,024
Loss per share (fils)	(1.52)	(1.88)	(3.05)	(12.98)

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

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 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

	Divisions activity as at 31 December 2020				
	Real estate	Hotels	Investment	Unallocated	Total
Assets	117,280,181	16,267,287	10,407,956	10,039,359	153,994,783
Liabilities	82,887,464	11,484,177	1,317,494	5,663,623	101,352,758

	Divisions activity as at 30 September 2020				
	Real estate	Hotels	Investment	Unallocated	Total
Revenues	3,628,688	1,638,249	219,025	14,598	5,500,560
Expenses	(5,046,406)	(2,734,654)	-	(1,287,785)	(9,068,845)
Finance costs	(2,974,787)	-	(9,042)	(7,875)	(2,991,704)
Segment's (loss) / profit	(4,392,505)	(1,096,405)	209,983	(1,281,062)	(6,559,989)
Assets	113,318,540	15,503,510	10,044,317	11,618,302	150,484,669
Liabilities	85,034,861	10,984,910	1,314,536	3,701,578	101,035,885

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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	30 September 2021	30 September 2020
Dividend income	-	219,025
Interests on loans and bank facilities	9,009	9,042
Marketing fees	21,556	10,752
Management fees	2,236	12,452
Reservation fees	4,336	5,377
Holidex fees	9,737	8,350

Interim condensed consolidated statement of financial position:

Balances	30 September 2021	31 December 2020	30 September 2020
Due from related parties (Note 7)	1,423,884	1,571,208	1,119,502
Due to related parties (Note 11)	817,254	848,614	797,059
Investment securities at FVOCI (Note 6)	8,182,931	7,336,747	8,832,154
Loans and bank facilities	363,500	323,524	320,566

Compensation of key management personnel

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

	30 September 2021	30 September 2020
Salaries and remunerations	182,000	193,500
End of service benefits	10,385	11,683

16. Contingent liabilities

Letters of Guarantee were contingently liable for a third party with an amount of KD 24,591 as at 30 September 2021 (KD 24,591 as at 31 December 2020, KD 24,591 as at 30 September 2020).

17. Impact of Covid-19

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these interim condensed consolidated financial information and explained the changes below related to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 September 2021:

Critical judgements and estimates

The preparation of the 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.

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The impact of the COVID - 19 outbreak on the Group is detailed below:

Expected credit loss on financial assets measured at amortized cost

The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2021. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. These are reviewed and monitored for appropriateness on a quarterly basis.

Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements. Management has performed fair value studies for the unquoted shares.

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

As of 31 December 2020, the Group has identified a significant impact on the carrying values of its non-financial assets due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2020. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the interim condensed consolidated financial information, the management still rely on the valuation reports as of 31 December 2020 as its still valid and represent the fair value.

Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and tenants' demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of this interim condensed consolidated financial information in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of tenants' demand, along with management's proposed responses over the course of the year. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these interim condensed consolidated financial information, the projections show that the Group has adequate resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, these interim condensed consolidated financial information have been prepared on a going concern basis.