

**Al Khaleej Investment P.J.S.C.  
and Subsidiaries**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**



الخليج الإستثمارية ش.م.ع  
AL KHALEEJ INVESTMENT P.J.S.C

**BOARD OF DIRECTOR REPORT FOR THE QUARTER ENDED September 30, 2020**

Dear Shareholders

**Greeting!**

On the Behalf of Board of Directors of AL Khaleej Investments PJSC. We feel immense pleasure to present the consolidated financial statement of AL Khaleej Investment PJSC with its Subsidiaries for the quarter ended September 30, 2020.

**GENERAL OVERVIEW**

Since the beginning of 2020, the real estate sector has shown a downward curve, especially in the first quarter of the year with a relative rise in the second quarter and with a slight drop in the 3<sup>rd</sup> quarter, as a result of the negative impact of the COVID19 virus pandemic on most sectors and economic activities in the country. Therefore, the trend was to exploit such circumstances in speeding up the completion of some maintenance activities in some buildings to be ready for the return of economic activity in the near future.

As for investment activities, despite of the general decline in the share prices of the stock indexes in general, trading activities have made a significant profit. Efforts are intensified to maintain and even exceed the achieved Year-to-Date trading rate of return in the rest of year.

**FINANCIAL PERFORMANCE**

The comparison of reviewed consolidated accounts for the Quarter ended September 30, 2020 with the corresponding period of fiscal year 2019 are given below:

	CONSOLIDATED	
	September 30 2020	September 30 2019
	Million (AED)	
Revenue	14.78	17.67
Gross Profit	12.45	14.87
Loss from the Investment held at Fair value through P&L	(7.25)	(11.93)
Net Profit	0.62	(1.20)
Earnings per share	0.006	(0.012)
Shareholders' Equity	278.4	278.4
Occupancy	77.85%	87.65%



## الخليج الإستثمارية ش.م.ع

### AL KHALEEJ INVESTMENT P.J.S.C

Revenues for the period to September 30, 2020 were AED. 14.78 million Compared to AED. 17.67 million In the Quarter of previous fiscal year. Main reason for decrease in revenues is the reduction of occupancy because of COVID19. Gross profit was AED. 12.45 million As compared to AED. 14.87 million In the corresponding period. Gross profit has declines only because of reduction in revenues. As a percentage of Revenue, gross profit slightly increased from 84.17% in the corresponding period to 84.18% in the current period. Recorded Loss from the investment held at fair value through P&L during 2020 is 7.25 million which is because of clumsiness of market caused by COVID 19 witch compare to last year loss 11.93 million. The company posted net profit of AED. 0.62 million in the current period compared to a net loss of AED. 1.2 million In the same period last year. Basic earnings per share was 0.006 fils compared to negative 0.012 file in comparative year.

#### FUTURE OUTLOOK

The main contributor for YTD under performance vs previously budgeted performance is the incurred loss from investment held at fair value though P&L. In accordance with Q3 trading activities, BOD expects the continuation of upward slopping in trading activities will decrease the loss from the investment held at fair value though P&L, which in turn will enhance the investment portfolio outlook in particular, and the P&L as well.

#### ACKNOWLEDGEMENT

The Board of Directors places on record its appreciation for the continued support by its shareholders, valued customers, government agencies and financial institutions which enabled the company to survive during these difficult time. The board would also like to express its appreciation for the services, loyalty and efforts being continuously rendered by the executives and all the staff members of the company and hope that they will continue with the same spirit in future. On behalf of the Board

Abdulaziz Abdulla Salem Jasem Al Zaabi

Chairman

Ahmed Salem Abdulla Salem Alhosani

Vice Chairman

Abdulrahman Jasem Obaid Alabdouli

Managing Director

Mohammed Hasan Mohammed Alshamsi Alawadhi

Board Member

Haytham Ahmed Essa Ahmed Alnaeem

Board Member

Abdullateef A R Alzeer

Board Member

Sultan Khalfan Alghaith Almarri

Board Member

  
Abdulrahman Jasem Al Abdouli  
Managing Director

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AL KHALEEJ INVESTMENT P.J.S.C

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Al Khaleej Investment P.J.S.C (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim consolidated statement of financial position as at 30 September 2020, and the related interim consolidated statements of income and comprehensive income for three-month period and nine-month period then ended and, statement of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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. Consequently, it 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, ‘*Interim Financial Reporting*’.

### *Emphasis of a matter*

We draw attention to note 10 to the interim condensed consolidated financial statements which describes that undistributed dividends include dividends amounting to AED 48.4 million payable to a former member of the Board of Directors of the Company and his related parties (collectively referred to as the “Defendants”), which are withheld due to ongoing legal proceedings. Our conclusion is not modified in respect of this matter.

For Ernst & Young



Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No. 690

15 November 2020

Dubai, United Arab Emirates

Al Khaleej Investment P.J.S.C. and subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2020 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
Revenue from:					
Property rentals		<b>4,733,352</b>	5,223,213	<b>14,766,031</b>	16,606,053
Service contracts with customers		-	328,870	<b>18,834</b>	1,064,065
		<b>4,733,352</b>	5,552,083	<b>14,784,865</b>	17,670,118
Cost of revenue		<b>(843,113)</b>	(840,462)	<b>(2,338,552)</b>	(2,796,713)
<b>GROSS PROFIT</b>		<b>3,890,239</b>	4,711,621	<b>12,446,313</b>	14,873,405
Dividend income	3	-	-	<b>1,239,882</b>	1,152,383
Net gain/ (loss) from investments carried at fair value through profit and loss	3	<b>4,836,768</b>	(5,580,184)	<b>(7,247,072)</b>	(11,926,927)
General and administrative expenses		<b>(2,003,902)</b>	(1,791,548)	<b>(5,839,554)</b>	(5,695,138)
Other income		<b>61,885</b>	47,296	<b>103,953</b>	190,893
Finance income		-	24,616	-	271,981
Foreign exchange loss		<b>18,753</b>	(2,958)	<b>(85,435)</b>	(70,641)
<b>PROFIT/ (LOSS) FOR THE PERIOD</b>		<b>6,803,743</b>	(2,591,157)	<b>618,087</b>	(1,204,044)
<b>BASIC EARNINGS PER SHARE IN AED</b>	4	<b>0.06</b>	(0.025)	<b>0.006</b>	(0.012)

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Al Khaleej Investment P.J.S.C. and subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2020 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
<b>Profit/(loss) for the period</b>	<b>6,803,743</b>	<b>(2,591,157)</b>	<b>618,087</b>	<b>(1,204,044)</b>
<b>Other comprehensive income/ (loss)</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	<b>12,034</b>	143,778	<b>(54,356)</b>	159,718
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Net change in fair value of investments measured at FVTOCI	<b>46,241</b>	21,754	<b>(553,613)</b>	275,444
Gain on sale of investments measured at FVTOCI	-	(87,662)	-	200,051
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>	<b>58,275</b>	77,870	<b>(607,969)</b>	635,213
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>6,862,018</b>	<b>(2,513,287)</b>	<b>10,118</b>	<b>(568,831)</b>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Al Khaleej Investment P.J.S.C. and subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020 (Unaudited)

	Notes	30 September 2020 AED (Unaudited)	31 December 2019 AED (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		685,988	784,599
Intangible assets		23,322	14,623
Investment properties	5	263,158,226	262,100,625
Investments carried at fair value through other comprehensive income (FVTOCI)	6.1	3,633,667	4,231,502
		<u>267,501,203</u>	<u>267,131,349</u>
<b>Current assets</b>			
Investments carried at fair value through profit or loss (FVTPL)	6.2	48,734,824	46,107,974
Trade and other receivables		5,312,050	5,306,517
Bank balances and cash	7	29,703,348	34,817,671
		<u>83,750,222</u>	<u>86,232,162</u>
<b>TOTAL ASSETS</b>		<u><b>351,251,425</b></u>	<u><b>353,363,511</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	105,000,000	105,000,000
Statutory reserve	9	52,500,000	52,500,000
Voluntary reserve		50,000,000	50,000,000
Other reserve		344,663	344,663
Fair value reserve		2,892,452	3,446,065
Foreign currency translation reserve		(19,056)	35,300
Retained earnings		67,653,781	67,035,694
<b>Total equity</b>		<u><b>278,371,840</b></u>	<u><b>278,361,722</b></u>
<b>Non-current liability</b>			
Employees' end of service benefits		907,357	915,589
<b>Current liabilities</b>			
Undistributed dividends	10	68,275,828	68,716,488
Trade and other payables		3,696,400	5,369,712
		<u>71,972,228</u>	<u>74,086,200</u>
<b>Total liabilities</b>		<u><b>72,879,585</b></u>	<u><b>75,001,789</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>351,251,425</b></u>	<u><b>353,363,511</b></u>

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors and signed by:

  
Abdulaziz Abdulla Alzaabi  
Chairman

  
Abdulrahman Jasem Atabdouli  
Managing Director

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.



Al Khaleej Investment P.J.S.C. and subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2020 (Unaudited)

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Voluntary reserve AED</i>	<i>Other reserve AED</i>	<i>Fair value reserve AED</i>	<i>Foreign currency translation reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as of 1 January 2020 (audited)	105,000,000	52,500,000	50,000,000	344,663	3,446,065	35,300	67,035,694	278,361,722
Profit for the period	-	-	-	-	-	-	618,087	618,087
Other comprehensive loss for the period	-	-	-	-	(553,613)	(54,356)	-	(607,969)
Total comprehensive (Loss)/income for the period	-	-	-	-	(553,613)	(54,356)	618,087	10,118
<b>Balance as of 30 September 2020 (Unaudited)</b>	<b>105,000,000</b>	<b>52,500,000</b>	<b>50,000,000</b>	<b>344,663</b>	<b>2,892,452</b>	<b>(19,056)</b>	<b>67,653,781</b>	<b>278,371,840</b>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.



Al Khaleej Investment P.J.S.C. and subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2020 (Unaudited)

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Voluntary reserve AED</i>	<i>Revaluation reserve AED</i>	<i>Fair value reserve AED</i>	<i>Foreign currency translation reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance as of 1 January 2019	105,000,000	52,500,000	50,000,000	344,663	4,739,569	(31,569)	110,903,953	323,456,616
Loss for the period	-	-	-	-	-	-	(1,204,044)	(1,204,044)
Other comprehensive income for the period	-	-	-	-	275,444	159,718	200,051	635,213
Total comprehensive income for the period	-	-	-	-	275,444	159,718	(1,003,993)	(568,831)
Transfer of fair value reserve on disposal of investments carried at FVTOCI	-	-	-	-	(1,811,814)	-	1,811,814	-
Board of Directors' remuneration	-	-	-	-	-	-	(589,663)	(589,663)
Dividends declared	-	-	-	-	-	-	(10,500,000)	(10,500,000)
<b>Balance as of 30 September 2019 (Unaudited)</b>	<b>105,000,000</b>	<b>52,500,000</b>	<b>50,000,000</b>	<b>344,663</b>	<b>3,203,199</b>	<b>128,149</b>	<b>100,622,111</b>	<b>311,798,122</b>

At the Annual General Meeting held on 4 April 2019, a cash dividend of AED 10.5 million (AED 0.10 per share) was approved by the shareholders of the Company related to 2018.

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

# Al Khaleej Investment P.J.S.C. and subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2020 (Unaudited)

		<i>Nine months ended</i>	
		<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
	<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>			
Profit/ (Loss) for the period		<b>618,087</b>	(1,204,044)
Adjustments for:			
Depreciation of property and equipment		<b>159,703</b>	145,811
Amortisation of intangible assets		<b>6,927</b>	7,633
Allowance for expected credit losses		<b>1,094,326</b>	-
Provision for employees' end of service benefits		<b>104,560</b>	123,594
Dividend income	3	<b>(1,239,882)</b>	(1,152,383)
Unrealised loss on investments carried at FVTPL	3	<b>8,152,742</b>	12,653,949
Gain on sale of investments carried at FVTPL		<b>(905,670)</b>	(727,022)
Gain on sale of property and equipment		-	(3,998)
Finance income		-	(271,981)
		<b>7,990,793</b>	9,571,559
Working capital adjustments:			
Trade and other receivables		<b>(1,099,859)</b>	593,344
Trade and other payables		<b>(1,673,312)</b>	(1,350,261)
Cash generated from operating activities		<b>5,217,622</b>	8,814,642
Employees' end of service benefits paid		<b>(112,792)</b>	(148,714)
Net cash generated from operating activities		<b>5,104,830</b>	8,665,928
<b>INVESTING ACTIVITIES</b>			
Dividend income		<b>1,239,882</b>	1,152,383
Additions to investment properties		<b>(1,057,601)</b>	(434,485)
Proceeds from sale of property and equipment		-	4,000
Proceeds from disposal of investments carried at FVTOCI		-	3,688,123
Proceeds from sale of investments carried at FVTPL		<b>15,155,861</b>	14,947,780
Purchase of investments carried at FVTPL		<b>(25,062,331)</b>	(18,901,024)
Purchase of intangible assets		<b>(15,626)</b>	-
Purchase of property and equipment		<b>(61,092)</b>	(307,145)
Finance income		-	271,981
Term deposits with original maturity more than three months		<b>(115,000)</b>	-
Net cash used in/generated from investing activities		<b>(9,915,907)</b>	421,613
<b>FINANCING ACTIVITIES</b>			
Dividends paid		<b>(440,660)</b>	(6,862,059)
Board of Directors' remuneration		-	(589,663)
Cash used in financing activities		<b>(440,660)</b>	(7,451,722)
<b>NET (DECREASE) / INCREASE IN CASII AND CASII EQUIVALENTS</b>		<b>(5,251,737)</b>	1,635,819
Cash and cash equivalents at 1 January		<b>34,817,671</b>	31,306,496
Effect of exchange rate changes on the balances held in foreign currencies		<b>22,414</b>	43,067
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	7	<b>29,588,348</b>	32,985,382

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

# Al Khaleej Investment P.J.S.C. and subsidiaries

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

### 1 ACTIVITIES

Al Khaleej Investment P.J.S.C (the "Company") is a public joint stock company registered and incorporated under license No. 6061 of the Department of Economic Development in Ras Al Khaimah. The Company has commenced its operations on 2 July 1982. The Company is listed in the Abu Dhabi Securities Market. The address of the Company's registered office is P.O. Box 5662, Ras Al Khaimah, United Arab Emirates.

The principal activities of the Group are real estate and commercial enterprises investments, private fund investments, building maintenance and service management over real estates.

These interim condensed consolidated financial statements as at the period end comprise the Company and its subsidiaries (together the "Group"). The Group carries out its operation through its branches in Ras Al Khaimah and Sharjah.

The subsidiaries included in the interim condensed consolidated financial statements and the principal activities of the subsidiaries are set out below:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Proportion of beneficial ownership interest</u>	<u>Principal activities</u>
Masila Beach General Trading L.L.C*	Kuwait	100%	Investment activities
Al Khaleej Facilities Management Services (KFM) L.L.C.	UAE	100%	Facility management services

#### \* **Going concern assessment of Masila Beach General Trading L.L.C**

During the year ended 31 December 2019, the subsidiary transferred majority of its assets and liabilities to the Company, closed bank account, didn't record lease and salaries expenses and terminated majority of its employees. Based on the available evidences and indicators, the subsidiary intends to cease its operations. The results for the period and balances as of 30 September 2020 related to the subsidiary are not material to be reported.

#### \*\* **Going concern assessment of Al Khaleej Facilities Management Services (KFM) LLC**

During the period, the Board of Directors has resolved to transfer the operations of Al Khaleej Facilities Management Services (KFM) LLC to the Company and liquidate the subsidiary.

The interim condensed consolidated financial statements have been approved by the Board of Directors on 11 November 2020.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the nine months period ended 30 September 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for investment properties, financial assets at fair value through profit or through other comprehensive income that have been measured at fair value.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 New standards, interpretations and amendments thereof, adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective. Other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The following new and revised IFRS have been adopted in these interim condensed consolidated financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods.

	Effective for annual periods beginning on or after
(a) Definition of a Business – Amendments to IFRS 3	1 January 2020
(b) Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
(c) Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
(d) The Conceptual Framework for Financial Reporting	1 January 2020

**3 RESULTS FROM INVESTMENTS**

*Net gain/(loss) from investments carried at fair value through profit or loss*

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
Unrealised gain /(loss) on revaluation of investments (note 6.2) *	<b>4,514,961</b>	(6,192,123)	<b>(8,152,742)</b>	(12,653,949)
Net gain on sale of investments	<b>321,807</b>	611,939	<b>905,670</b>	727,022
	<b>4,836,768</b>	(5,580,184)	<b>(7,247,072)</b>	(11,926,927)
<i>Dividend income from investments.</i>				
Dividend income	-	-	<b>1,239,882</b>	1,152,383
	<b>4,836,768</b>	(5,580,184)	<b>(6,007,190)</b>	(10,774,544)

\* As at 30 June 2020, the Group has recognised fair value of right issue amounting to AED 891,146 for difference between subscription price and market value as on 30 June 2020. During the current three months period, the Group has subscribed to the shares and hence adjusted the fair value of right issue to unrealised gain/ (loss) on revaluation of investments as at 30 September 2020.

# Al Khaleej Investment P.J.S.C. and subsidiaries

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

### 4 EARNINGS PER SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
Profit/ (loss) for the period (AED)	<b>6,803,743</b>	(2,591,157)	<b>618,087</b>	(1,204,044)
Number of shares	<b>105,000,000</b>	105,000,000	<b>105,000,000</b>	105,000,000
Basic earnings per share (AED)	<b>0.06</b>	(0.025)	<b>0.006</b>	(0.012)

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding at the end of the reporting period. The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

### 5 INVESTMENT PROPERTIES

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Balance at the beginning of the period/year	<b>262,100,625</b>	287,118,231
Additions during the period/year	-	434,485
Changes in fair value during the period/year	-	(25,452,091)
Balance at the end of the period/ year	<b>262,100,625</b>	262,100,625
Capital work in progress	<b>1,057,601</b>	-
	<b>263,158,226</b>	262,100,625

Investment properties represents land and buildings located in United Arab Emirates.

As at 31 December 2019, the fair values of the properties were based on valuations performed by an independent valuer who is a specialist in valuing these types of investment properties.

The fair values were determined by taking into consideration the Direct Comparison approach or Income Capitalisation approach. The Direct Comparison approach involves making adjustments to the sale price of comparable properties to account for differences in location, plot area and shape, potential built-up areas allowance, height allowance, date of sale, potential views and other characteristics. The Income Capitalisation approach involves capitalisation of net rental income, that is the income stream after deduction for the associated operating expenses of the property. The capitalisation rate adopted depends on the type of property, its location, its economic life and the quality, quantity and duration of the income stream.

The capitalisation rate adopted was made by reference to the yield rates observed of similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

The Company's Board of Directors reviewed the assumptions and methodology used by the independent registered valuer, and in its opinion, these assumptions and valuation methodology were appropriate and prudent as at that reporting date.

Management believes that the fair value did not materially change during the nine months period ended 30 September 2020 and therefore no further revaluation exercise is performed. However, the fair valuation exercise will be performed at financial year ending 31 December 2020.

Al Khaleej Investment P.J.S.C. and subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

**6 INVESTMENTS**

**6.1 Investments carried at fair value through other comprehensive income (FVTOCI)**

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Balance at the beginning of the period/year	4,231,502	7,077,530
Sold during the period/year	-	(3,365,938)
(Decrease) / increase in fair value	(553,613)	518,310
Change in foreign currencies exchange rate	(44,222)	1,600
	<u>3,633,667</u>	<u>4,231,502</u>

The category of investments in financial asset is as follows:

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Quoted equity instruments – at fair value	<u>3,633,667</u>	<u>4,231,502</u>

The geographical distribution of financial asset is as follows:

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
In Kuwait	<u>3,633,667</u>	<u>4,231,502</u>

**6.2 Investments carried at fair value through profit or loss (FVTPL)**

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Balance at the beginning of the period/year	46,107,974	64,765,954
Purchases made during the period/year	25,062,331	24,878,717
Sold during the period/year	(14,250,191)	(20,141,085)
Decrease in fair value during the period/year	(8,152,742)	(23,398,814)
Change in foreign currencies exchange rate	(32,548)	3,202
	<u>48,734,824</u>	<u>46,107,974</u>

# Al Khaleej Investment P.J.S.C. and subsidiaries

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

### 6 INVESTMENTS (continued)

#### 6.2 Investments carried at fair value through profit or loss (FVTPL) (continued)

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Equity quoted	<b>48,734,824</b>	45,197,775
Equity unquoted	-	910,199
	<b><u>48,734,824</u></b>	<u>46,107,974</u>

The geographical distribution of financial asset is as follows:

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
In United Arab Emirates	<b>45,615,516</b>	42,893,691
In Kuwait	<b>3,119,308</b>	3,214,283
	<b><u>48,734,824</u></b>	<u>46,107,974</u>

### 7 BANK BALANCES AND CASH

Cash and cash equivalents in the interim condensed consolidated statement of cash flows consist of the following interim condensed consolidated statement of financial position amounts:

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Cash in hand	<b>45,096</b>	-
Bank balances:		
Current accounts	<b>29,543,252</b>	34,817,671
Fixed deposits	<b>115,000</b>	
Bank balances and cash	<b>29,703,348</b>	34,817,671
Less: deposits with an original maturity exceeding three months	<b>(115,000)</b>	-
Cash and cash equivalents for the purpose of statement of cash flows	<b><u>29,588,348</u></b>	<u>34,817,671</u>
In United Arab Emirates	<b>29,690,678</b>	31,117,246
In Kuwait	<b>12,670</b>	3,700,425
	<b><u>29,703,348</u></b>	<u>34,817,671</u>

Bank balances and cash of the group comprise of current accounts and are placed with reputed local banks in the United Arab Emirates and Kuwait in which the Group operates.

Term deposits at AED 115,000 (2019: AED nil) are made for a period of 12 months period and earn interest at 0.5% p.a (2019: nil). The Group earned finance income of AED nil (30 September 2019, AED nil) from fixed deposits.

Included in the cash and bank balance is amount of KWD 1,058 denominated in Kuwaiti Dinar (KWD) (2019: KWD 303,174).

# Al Khaleej Investment P.J.S.C. and subsidiaries

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

### 8 SHARE CAPITAL

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Issued and fully paid: 105 million (2019: 105 million) ordinary shares of AED 1 each	<b>105,000,000</b>	105,000,000

### 9 STATUTORY RESERVE

According to the Company's Articles of Association and the requirements of the UAE Federal Law No. (2) of 2015, 10% of the profit for each year is required to be transferred to the statutory reserve. The transfer to statutory reserve may be suspended when its balance reaches 50% of the paid-up share capital. The statutory reserve is not available for distribution except as stipulated by the Law. There was no transfer made during the period ended 30 September 2020 as statutory reserve already reached 50% of the capital.

### 10 UNDISTRIBUTED DIVIDENDS

	<i>30 September 2020 AED (Unaudited)</i>	<i>31 December 2019 AED (Audited)</i>
Undistributed dividends	<b>68,275,828</b>	68,716,488

Undistributed dividends include approximately AED 48.4 million payable to a former board member and his related parties. Based on the investigation conducted by the public prosecutor in Ras Al Khaimah against that board member and his related parties (the "Defendants"), the public prosecutor has resolved to halt the trading of the shares held by the Defendants as well as bar them from voting in the General assembly and to refrain them from dealing in their shares in any way till the final decision on the subject complaint. As a result of the above, the Company has withheld dividends payable to the Defendants. The complaint was referred to the court and a judgment was passed on 9 October 2018 by terminating the criminal case on the basis of passage of time. The public prosecutor registered the case under a different case number and referred the matter to the Criminal court for its consideration. The Criminal court has passed judgement to imprison or fine the Defendants with respect to the concerned case. The Company has not been notified regarding the status of the shares owned by the Defendants and the dividends payable withheld by the Company up to the approval date of these interim condensed consolidated financial statements.

As at 30 September 2020, the books of account of the Company show dividends payable of approximately AED 48.4 million (31 December 2019, approximately AED 48.4 million) payable to the Defendants which also includes dividend declared during the year ended 31 December 2019 amounting to AED 4,029,000 relating to the shares held by Defendants.



**11 RELATED PARTY TRANSACTIONS**

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transactions with related parties included in the interim condensed consolidated income statement are as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
Executive committee fees	<b>55,000</b>	38,685	<b>141,052</b>	93,414

**Compensation of key management personnel**

The remuneration of directors and other key members of management during the period was as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>	<i>30 September 2020 AED (Unaudited)</i>	<i>30 September 2019 AED (Unaudited)</i>
Short-term benefits	<b>105,000</b>	105,000	<b>315,000</b>	456,935
	<b>105,000</b>	105,000	<b>315,000</b>	456,935

Directors' fees represent fees to the Company's directors for serving on committees as well as for other services provided to the Company. In accordance with Article 169 of the UAE Federal Law No. 2 of 2015, these fees have been accounted for directly in equity.

**12 FAIR VALUES**

Management assessed that the fair values of cash and bank balances, trade receivables, trade payables and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of financial assets and liabilities:

- The fair values of the quoted equity investments are based on price quotations at the reporting date.
- The fair value of unquoted equity investments are based on last traded price in inactive market.
- There is an active market for the Company's listed equity investments and quoted debt instruments.
- The fair values of investment property are based on direct comparison approach or income capitalisation approach.

# Al Khaleej Investment P.J.S.C. and subsidiaries

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

### 12 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets that are carried at fair value.

#### *Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial and non-financial instruments by valuation technique:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### *30 September 2020 (Unaudited)*

	<i>Level 1 AED (Unaudited)</i>	<i>Level 2 AED (Unaudited)</i>	<i>Level 3 AED (Unaudited)</i>	<i>Total AED (Unaudited)</i>
<b>FVTPL</b>				
Quoted equity instruments	48,734,824	-	-	48,734,824
<b>FVTOCI</b>				
Quoted equity instruments	3,633,667	-	-	3,633,667
<b>Investment properties</b>	-	-	263,158,226	263,158,226
	<u>52,368,491</u>	<u>-</u>	<u>263,158,226</u>	<u>315,526,717</u>

#### *31 December 2019 (audited):*

	<i>Level 1 AED (Audited)</i>	<i>Level 2 AED (Audited)</i>	<i>Level 3 AED (Audited)</i>	<i>Total AED (Audited)</i>
<b>FVTPL</b>				
Quoted equity instruments	45,197,775	-	-	45,197,775
Unquoted equity instruments	-	-	910,199	910,199
<b>FVTOCI</b>				
Quoted equity instruments	4,231,502	-	-	4,231,502
<b>Investment properties</b>	-	-	262,100,625	262,100,625
	<u>49,429,277</u>	<u>-</u>	<u>263,010,824</u>	<u>312,440,101</u>

During period, the quoted equity instrument which was valued at level 3 on 31 December 2019 (being suspended for trading) has been reclassified to level 1 since it started trading in active market as on 30 September 2020. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

# Al Khaleej Investment P.J.S.C. and subsidiaries

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020 (Unaudited)

### 13 SEGMENT REPORTING

The Group's activities comprise three main business segments: 1) real estate, 2) investments and 3) services. The details of segment revenue, result, assets and liabilities have been provided below:

30 September 2020 (Nine months) (Unaudited)

	<i>Real estate AED (Unaudited)</i>	<i>Investments AED (Unaudited)</i>	<i>Services AED (Unaudited)</i>	<i>Elimination AED (Unaudited)</i>	<i>Consolidated AED (Unaudited)</i>
Rental revenue	14,766,031	-	-	-	14,766,031
Revenue from contract with customers	-	-	18,834	-	18,834
Dividend income	-	1,239,882	-	-	1,239,882
Net loss from investments carried at fair value through profit and loss	-	(7,247,072)	-	-	(7,247,072)
Other income	2,063	-	-	-	2,063
	<b>14,768,094</b>	<b>(6,007,190)</b>	<b>18,834</b>	<b>-</b>	<b>8,779,738</b>
Cost of revenue	(2,338,552)	-	-	-	(2,338,552)
General and administrative expenses	(5,397,528)	(220,619)	(119,517)	-	(5,737,664)
Foreign exchange loss	-	(85,435)	-	-	(85,435)
<b>Segment profit/ (loss)</b>	<b>7,032,014</b>	<b>(6,313,244)</b>	<b>(100,683)</b>	<b>-</b>	<b>618,087</b>
<b>Total assets</b>	<b>298,585,453</b>	<b>52,368,491</b>	<b>1,459,969</b>	<b>(1,162,488)</b>	<b>351,251,425</b>
<b>Total Liabilities</b>	<b>72,879,574</b>	<b>-</b>	<b>1,162,489</b>	<b>(1,162,488)</b>	<b>72,879,575</b>

30 September 2019 (Nine months) (Unaudited)

	<i>Real estate AED (Unaudited)</i>	<i>Investments AED (Unaudited)</i>	<i>Services AED (Unaudited)</i>	<i>Elimination AED (Unaudited)</i>	<i>Consolidated AED (Unaudited)</i>
Rental revenue	16,606,053	-	-	-	16,606,053
Revenue from contract with customers	-	-	1,630,403	(566,338)	1,064,065
Dividend income	-	1,152,383	-	-	1,152,383
Net loss from investments carried at fair value through profit and loss	-	(11,926,927)	-	-	(11,926,927)
Finance income	-	271,981	-	-	271,981
Other income	190,893	-	-	-	190,893
	16,796,946	(10,502,563)	1,630,403	(566,338)	7,358,448
Cost of revenue	(3,031,713)	-	(331,338)	566,338	(2,796,713)
General and administrative expenses	(4,216,889)	(209,725)	(1,268,524)	-	(5,695,138)
Foreign exchange loss	-	(70,641)	-	-	(70,641)
	(7,248,602)	(280,366)	(1,599,862)	566,338	(8,562,492)
<b>Segment profit/ (loss)</b>	<b>9,548,344</b>	<b>(10,782,929)</b>	<b>30,541</b>	<b>-</b>	<b>(1,204,044)</b>

31 December 2019 (Audited)

<b>Total assets</b>	<b>303,705,745</b>	<b>50,339,476</b>	<b>1,204,617</b>	<b>(1,886,327)</b>	<b>353,363,511</b>
<b>Total Liabilities</b>	<b>74,919,175</b>	<b>-</b>	<b>1,968,941</b>	<b>(1,886,327)</b>	<b>75,001,789</b>

#### 14 CONTINGENCIES AND CAPITAL COMMITMENTS

There were no contingent liabilities and capital commitments as at 30 September 2020 (2019: AED Nil).

#### 15 COMPARITIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these interim condensed consolidated financial statements.

#### 16 UNCERTAINTY RELATED TO KEY ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

##### **Impact of COVID-19**

The outbreak of a coronavirus (COVID-19) has resulted in various restrictions in all countries around the world in order to try and mitigate the spread of the virus, including the lockdown of countries, travel restrictions and closing of non-essential services. These factors have negatively affected the economies and the businesses of the regions where the Group operates. The management has assessed that there is no direct impact of COVID-19 on the operations of real estate segment of the Company due to nature of its business, while investments segment has seen significant volatility in market prices of investments. The management is continuously observing the developments to ensure that any indirect impacts, if any (e.g. impairment of receivables), are identified and addressed on timely basis. The UAE Government and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

##### *Measurement of ECL*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The management has assessed that, upto the date of issuance of these interim condensed consolidated financial statements, the COVID-19 has no significant impact on historical observed default rates and no patterns are observed or expected requiring significant adjustment to forward looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Accordingly, the actual credit losses may be significantly different than those recorded in these interim condensed consolidated financial statements if actual defaults and economic conditions are significantly different than forecasted.

**16 UNCERTAINTY RELATED TO KEY ESTIMATES (continued)***Fair value of investments*

The fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVOCI at 30 September 2020, due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

	<i>30 September 2020 (Unaudited)</i>		<i>31 December 2019(Audited)</i>	
	<i>Change in market prices %</i>	<i>Effect on equity (fair value reserve) AED</i>	<i>Change in market prices %</i>	<i>Effect on equity (fair value reserve) AED</i>
<b>Market index</b>				
Boursa Kuwait	+5%	<b>181,683</b>	+5%	211,575
	-5%	<b>(181,683)</b>	- 5%	(211,575)

The effect on interim condensed consolidated income statement as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVTPL at 30 September 2020, due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

	<i>30 September 2020(Unaudited)</i>		<i>31 December 2019(Audited)</i>	
	<i>Change in market prices %</i>	<i>Effect on consolidated income statement AED</i>	<i>Change in market prices %</i>	<i>Effect on consolidated income statement AED</i>
<b>Market index</b>				
Boursa Kuwait	+5%	<b>155,963</b>	+5%	115,204
	-5%	<b>(155,963)</b>	-5%	(115,204)
Abu Dhabi Securities Exchange	+5%	<b>2,238,524</b>	+5%	1,774,440
	- 5%	<b>(2,238,524)</b>	-5%	(1,774,440)
Dubai Financial Market	+5%	<b>42,251</b>	+5%	370,245
	- 5%	<b>(42,251)</b>	-5%	(370,245)