

**Mashaer Holding Company K.S.C.P.  
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (UNAUDITED)**

**31 MARCH 2019**



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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF MASHAER HOLDING COMPANY K.S.C.P.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mashaer Holding Company K.S.C.P. (“the Parent Company”) and its Subsidiaries (collectively the “Group”) as at 31 March 2019, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (IAS) 34: ‘*Interim Financial Reporting*’ (IAS 34). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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 condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

### **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 accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, during the three-month period ended 31 March 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM AL SAMDAN

LICENCE NO. 208-A

EY

AL AIBAN, AL OSAIMI & PARTNERS

9 May 2019

Kuwait

Mashaer Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
<b>Income</b>			
Net real estate income	5	389,472	383,377
Investment income from financial assets		12,160	20,829
Share of results of associates		(40,183)	(90,825)
Net foreign exchange differences		63	87
Reversal of provision no longer required		211,887	-
Other income		64,630	53,524
<b>Total income</b>		<b>638,029</b>	<b>366,992</b>
<b>Expenses</b>			
Staff costs		(133,996)	(161,601)
Administrative expenses		(99,486)	(107,086)
Finance costs		(55,153)	(49,161)
Depreciation		(89,879)	(1,283)
<b>Total expenses</b>		<b>(378,514)</b>	<b>(319,131)</b>
<b>Profit for the period before tax</b>		<b>259,515</b>	<b>47,861</b>
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(4,145)	-
National Labour Support Tax (NLST)		(6,337)	(1,097)
Zakat		(4,592)	-
<b>Profit for the period</b>		<b>244,441</b>	<b>46,764</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		238,420	43,877
Non-controlling interests		6,021	2,887
		<b>244,441</b>	<b>46,764</b>
<b>Basic and diluted earnings per share attributable to equity holders of the Parent Company</b>	6	<b>1.32 fils</b>	<b>0.24 fils</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2019

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2019</b>	<b>2018</b>
	<b>KD</b>	<b>KD</b>
<b>Profit for the period</b>	<b>244,441</b>	<b>46,764</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	387,890	(163)
<b>Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>387,890</b>	<b>(163)</b>
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Net gain on equity instruments at fair value through other comprehensive income	25,330	-
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<b>25,330</b>	<b>-</b>
<b>Other comprehensive income (loss) for the period</b>	<b>413,220</b>	<b>(163)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>657,661</b>	<b>46,601</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	652,232	43,774
Non-controlling interests	5,429	2,827
	<b>657,661</b>	<b>46,601</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.


Mashaer Holding Company K.S.C.P. and its Subsidiaries


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

As at 31 March 2019

	Notes	31 March 2019 KD	(Audited) 31 December 2018 KD	31 March 2018 KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment		875,783	6,986	6,445
Investment properties	7	20,806,986	15,673,094	19,042,533
Investment in associates		5,621,301	8,904,801	9,497,937
Financial assets at fair value through other comprehensive income		1,090,796	1,155,685	1,499,420
Accounts receivable and other assets		757,035	787,000	-
		<u>29,151,901</u>	<u>26,527,566</u>	<u>30,046,335</u>
<b>Current assets</b>				
Amounts due from related parties	10	14,000	337,012	425,403
Accounts receivable and other assets		1,993,634	2,036,971	3,613,849
Investment deposits		2,018,681	804,000	696,262
Cash and bank balances		493,140	406,889	620,781
		<u>4,519,455</u>	<u>3,584,872</u>	<u>5,356,295</u>
<b>TOTAL ASSETS</b>		<u><b>33,671,356</b></u>	<u><b>30,112,438</b></u>	<u><b>35,402,630</b></u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		17,942,989	17,942,989	17,942,989
Share premium	9	10,239,344	14,334,621	14,334,621
Foreign currency translation reserve		(6,091,239)	(6,479,721)	(6,317,999)
Treasury shares	8	(13,008)	(13,008)	(13,008)
Treasury shares reserve		2,761	2,761	2,761
Fair value reserve		(580,122)	(605,452)	(264,486)
Retained earnings (accumulated losses)		238,420	(4,095,277)	43,877
<b>Equity attributable to Equity holder of the Parent Company</b>		<u><b>21,739,145</b></u>	<u><b>21,086,913</b></u>	<u><b>25,728,755</b></u>
Non-controlling interests		2,099,533	347,799	370,599
<b>Total equity</b>		<u><b>23,838,678</b></u>	<u><b>21,434,712</b></u>	<u><b>26,099,354</b></u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Tawarruq and murabaha payables		1,325,205	1,376,866	3,527,098
Employees' end of service benefits		292,055	281,864	316,812
		<u>1,617,260</u>	<u>1,658,730</u>	<u>3,843,910</u>
<b>Current liabilities</b>				
Tawarruq and murabaha payables		2,243,129	1,499,733	2,224,951
Amounts due to related parties	10	253,556	216,937	198,995
Accounts payable and other liabilities		5,718,733	5,302,326	3,035,420
		<u>8,215,418</u>	<u>7,018,996</u>	<u>5,459,366</u>
<b>Total liabilities</b>		<u><b>9,832,678</b></u>	<u><b>8,677,726</b></u>	<u><b>9,303,276</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>33,671,356</b></u>	<u><b>30,112,438</b></u>	<u><b>35,402,630</b></u>

  
Fahad Abdullah Al-Saleh  
Chairman

  
Abdulaziz Zaid Al-Subaie  
Chief Executive Officer

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2019

	Equity attributable to equity holders of the Parent Company										
	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency transition reserve KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Retained earnings (Accumulated losses) KD	Sub total KD	Non- controlling interests KD	Total KD
As at 1 January 2019	17,942,989	14,334,621	-	(6,479,721)	(13,008)	2,761	(605,452)	(4,095,277)	21,086,913	347,799	21,434,712
Profit for the period	-	-	-	-	-	-	-	238,420	238,420	6,021	244,441
Other comprehensive income (loss) for the period	-	-	-	388,482	-	-	25,330	-	413,812	(592)	413,220
Total comprehensive income for the period	-	-	-	388,482	-	-	25,330	238,420	652,232	5,429	657,661
NCI arising on business combination (Note 4)	-	-	-	-	-	-	-	-	-	1,746,305	1,746,305
Extinguishment of accumulated losses (Note 9)	-	(4,095,277)	-	-	-	-	-	4,095,277	-	-	-
<b>As at 31 March 2019</b>	<b>17,942,989</b>	<b>10,239,344</b>	<b>-</b>	<b>(6,091,239)</b>	<b>(13,008)</b>	<b>2,761</b>	<b>(580,122)</b>	<b>238,420</b>	<b>21,739,145</b>	<b>2,099,533</b>	<b>23,838,678</b>
As at 1 January 2018	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	-	(6,263,128)	25,949,467	367,772	26,317,239
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2)	-	-	-	-	-	-	(264,486)	-	(264,486)	-	(264,486)
As at 1 January 2018 (restated)	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	(264,486)	(6,263,128)	25,684,981	367,772	26,052,753
Profit for the period	-	-	-	-	-	-	-	43,877	43,877	2,887	46,764
Other comprehensive loss for the period	-	-	-	(103)	-	-	-	-	(103)	(60)	(163)
Total comprehensive income (loss) for the period	-	-	-	(103)	-	-	-	43,877	43,774	2,827	46,601
Extinguishment of accumulated losses (Note 9)	-	(5,819,835)	(443,293)	-	-	-	-	6,263,128	-	-	-
<b>As at 31 March 2018</b>	<b>17,942,989</b>	<b>14,334,621</b>	<b>-</b>	<b>(6,317,999)</b>	<b>(13,008)</b>	<b>2,761</b>	<b>(264,486)</b>	<b>43,877</b>	<b>25,728,755</b>	<b>370,599</b>	<b>26,099,354</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
<b>OPERATING ACTIVITIES</b>			
Profit before tax		259,515	47,861
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation		89,879	1,283
Investment income from financial assets		(12,160)	(20,829)
Employees' end of service benefits		10,191	10,217
Amortisation of leasehold prepayments	5	40,581	40,581
Valuation loss from investment properties	5,7	321,864	346,005
Gain on sale of investment properties	5	-	(129,377)
Share of results of associates		40,183	90,825
Net foreign exchange differences		(63)	(87)
Finance costs		55,153	49,161
Other income		(50,615)	-
Reversal of provision no longer required		(211,887)	-
		<u>542,641</u>	<u>435,640</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		244,671	(75,059)
Amounts due from related parties		559,628	3,280
Accounts payable and other liabilities		(1,022,870)	(523,448)
Amounts due to related parties		36,619	(36,450)
		<u>360,689</u>	<u>(196,037)</u>
Net cash flows from operations			(249)
Employees' end of service benefits paid			
		<u>360,689</u>	<u>(196,286)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment		-	(106)
Proceeds from disposal of furniture and equipment		-	(10,326)
Additions in investment properties	6	-	354,515
Proceeds from sale of investment properties		-	(10,554)
Acquisitions of a subsidiary, net of cash acquired	4	31,511	-
Net movement in investment deposits		(1,119,395)	-
Proceeds from sale of equity investments at FVOCI		140,834	-
Investment income received		12,160	20,829
		<u>(934,890)</u>	<u>354,358</u>
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		(55,153)	(49,161)
Net Proceeds from (repayment) of tawarruq and murabaha payables		691,735	(39)
		<u>636,582</u>	<u>(49,200)</u>
<b>Net cash flows from (used in) financing activities</b>			
		<u>62,381</u>	<u>108,872</u>
<b>Net increase in cash and bank balances</b>			
Foreign currency translation adjustments		23,870	(163)
Cash and bank balances at 1 January		406,889	512,072
		<u>493,140</u>	<u>620,781</u>
<b>Cash and bank balances at 31 March</b>			

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

# Mashaer Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

### 1 CORPORATE INFORMATION

Mashaer Holding Company K.S.C.P. (the "Parent Company") is a Kuwaiti public shareholding company registered and incorporated in the State of Kuwait on 12 June 2000 and whose shares are publicly traded in the Kuwait Stock Exchange (Boursa Kuwait).

The interim condensed consolidated financial information of the the Parent Company and its subsidiaries (collectively, the "Group") for the three-month period ended 31 March 2019 was authorised for issue in accordance with a resolution of the directors of the Parent Company on 9 May 2019.

The Group is principally engaged in investment and real estate activities. The principal activities of the Group are described in Note 10. All activities of the Group are conducted in accordance with Islamic Sharia'a as approved by the Sharia'a Board.

The registered address of the Parent Company is P.O. Box 23110, Safat 13092, State of Kuwait.

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company.

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2018.

#### 2.2 New standards and amendments adopted by the Group

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 'Leases'. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').



# Mashaer Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

#### 2.2 New standards and amendments adopted by the Group (continued)

##### IFRS 16 'Leases' (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	KD
Assets	
Right-of-use assets (included under property and equipment)	930,683
Liabilities	
Lease liabilities (included under accounts payable and other liabilities)	930,683

##### a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

##### Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

##### b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

**2.2 New standards and amendments adopted by the Group (continued)**

**b) Summary of new accounting policies (continued)**

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

**c) Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss**

Depreciation charge for right-of-use assets for the period amounts to KD 86,492 and is included in 'depreciation of property and equipment' in the interim condensed consolidated statement of profit or loss. Rent expenses included in 'administrative expenses' is lower to the extent of KD 1,291 during the period as a result of applying IFRS 16.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

**3 FUNDAMENTAL ACCOUNTING CONCEPT**

The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities.

As at 31 March 2019, the Group has net current liabilities of KD 3,695,963 (31 December 2018: KD 3,434,124 and 31 March 2018: KD 103,071). The current liabilities include Tawarruq and murabaha payables of KD 2,243,129 (31 December 2018: KD 1,499,733 and 31 March 2018: KD 2,224,951), which are contractually due within 12 months from the end of the reporting period.

Notwithstanding the above, management does not consider that these conditions indicate the existence of a material uncertainty regarding the Group's ability to continue as going concern. Accordingly, the interim consolidated condensed financial information has been prepared on a going concern basis taking into consideration the following assumptions:

- The Group has recognised a profit of KD 244,441 for the three months ended 31 March 2019;
- Additional repayments required will be met out of operating cash flows; and
- The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements;

As described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

# Mashaer Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

### 4 BUSINESS COMBINATIONS

The Parent Company holds 65% equity interest in Spot Real Estate Company E.S.C (“Spot”), an associate previously accounted for under the equity method since the Parent Company was precluded from exercising control over the investee due to contractual rights held by the other investors in the investee. On 9 January 2019 (“acquisition date”), the Group obtained control over Spot because the contractual and decision-making rights held by the other investors, that previously prevented the Parent Company from controlling the investee, have elapsed. The Parent Company accounted for the business combination using the acquisition method at the acquisition date.

The fair values of the identifiable assets and liabilities of Spot as at the acquisition date were:

	<i>Fair value recognised on acquisition KD</i>
<b>Assets</b>	
Cash and bank balances	31,511
Investment deposits	95,286
Investment property	5,119,550
Other assets	236,616
<b>Total assets</b>	<b>5,482,963</b>
<b>Liabilities</b>	
Other liabilities	(493,520)
<b>Equity</b>	<b>4,989,443</b>
Non-controlling interest measured at fair value	(1,746,305)
<b>Net assets acquired</b>	<b>3,243,138</b>
<b>Represented by:</b>	
Fair value of previously held interest	3,243,138
Consideration transferred	-
	<b>3,243,138</b>
<i>Analysis of cash flows on acquisition:</i>	
Cash acquired on acquisition	31,511
Consideration paid	-
<b>Net cash inflow on acquisition</b>	<b>31,511</b>

Had this business combination taken place at the beginning of the period, net profit for the period would not be significantly different.

### 5 NET REAL ESTATE INCOME

	<i>Three months ended 31 March</i>	
	<i>2019 KD</i>	<i>2018 KD</i>
Rental income	829,703	762,742
Rental and real estate related expenses	(77,786)	(122,156)
Amortisation of leasehold prepayments	(40,581)	(40,581)
<b>Net rental income</b>	<b>711,336</b>	<b>600,005</b>
Gain on sale of investment properties	-	129,377
Valuation losses from investment properties	(321,864)	(346,005)
	<b>389,472</b>	<b>383,377</b>

# Mashaer Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

### 6 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2019</u>	<u>2018</u>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>238,420</b>	43,877
Weighted average number of ordinary shares outstanding during the period (shares)	<b>179,429,890</b>	179,429,890
Weighted average number of treasury shares	<b>(53,000)</b>	(53,000)
Weighted average number of shares outstanding (net of treasury shares)	<b>179,376,890</b>	179,376,890
<b>Basic and diluted earnings per share attributable to equity holders of the Parent Company</b>	<b>1.32 fils</b>	0.24 fils

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

### 7 INVESTMENT PROPERTIES

	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period/year	<b>15,673,094</b>	19,603,350	19,603,350
Capital expenditure on investment properties	-	-	10,326
Arising on business combination (Note 4)	<b>5,119,550</b>	-	-
Disposals	-	(214,811)	(225,138)
Change in fair value	<b>(321,864)</b>	(3,715,445)	(346,005)
Exchange difference	<b>336,206</b>	-	-
	<b>20,806,986</b>	15,673,094	19,042,533

- a) The fair value of investment properties was independently determined at 31 December 2018 by accredited independent valuers who are specialised in valuing such type of properties using a mix of income capitalisation method, discounted cash flow method and the market comparison approach considering the nature usage of each property. The valuation of the Group's investment properties is mainly performed on an annual basis as management believes that there are no significant circumstances that have arisen during the period, which may have a significant impact on fair value.

During the three-month period ended 31 March 2019, management has reassessed the fair value of an investment property that was previously carried at an amount of KD 3,336,655 as at 31 December 2018 categorised within level 3 of the fair value hierarchy. The fair value is determined based on discounted cash flow method, using rental fixed cash flows for 3 years and a discount rate of 12.34 % (31 December 2018: 12.34 % and 31 March 2018: 10.34%). This reassessment resulted in a valuation loss of KD 321,864 recorded in the interim condensed consolidated statement of profit or loss for the period ended 31 March 2019 (31 March 2018: KD 346,005).

- b) Investment properties amounting to KD 9,750,000 (31 December 2018: KD 9,750,000 and 31 March 2018: KD 10,585,000) are pledged as security in order to fulfil the collateral requirements for certain collateral against tawarruq payables.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**8 TREASURY SHARES**

	<b>31 March 2019</b>	<i>(Audited)</i> <b>31 December 2018</b>	<b>31 March 2018</b>
Number of treasury shares	<b>53,000</b>	53,000	53,000
Percentage of treasury shares	<b>0.03%</b>	0.03%	0.03%
Cost of treasury shares (KD)	<b>13,008</b>	13,008	13,008
Market value of treasury shares (KD)	<b>4,028</b>	4,452	3,021
Weighted average market value per treasury share (fils)	<b>76</b>	84	57

Reserves equivalent to the cost of treasury shares held are not available for distribution during the holding period of such treasury shares as per CMA guidelines.

**9 ANNUAL GENERAL ASSEMBLY (AGM)**

The AGM of the Parent Company's shareholders held on 1 May 2019 approved the consolidated financial statements of the Group for the year ended 31 December 2018 and also approved the Board of Directors' proposal not to distribute cash dividends for the year then ended (2018: KD Nil).

Further, the shareholders of the Parent Company in the AGM resolved to extinguish accumulated losses as at 31 December 2018 amounting to KD 4,095,277 against share premium.

**10 RELATED PARTY DISCLOSURES**

Related parties represent i.e. associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Parent Company's management.

The following table shows the aggregate value of transaction and outstanding balances with related parties:

	<b>31 March 2019</b>	<i>(Audited)</i> <b>31 December 2018</b>	<b>31 March 2018</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Balances included in interim condensed consolidated statement of financial position:</b>			
<i>Receivables from related parties</i>			
- Associates	<b>14,000</b>	337,012	425,403
<i>Payables to related parties</i>			
- Associates	<b>245,456</b>	208,837	190,895
- Other related parties	<b>8,100</b>	8,100	8,100
	<b>253,556</b>	216,937	198,995

The Group was not involved in any significant transactions with related parties during the three months ended 31 March 2019.

# Mashaer Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

### 10 RELATED PARTY DISCLOSURES (continued)

#### Key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
<i>Key management compensation:</i>		
Short-term benefits	38,866	48,338
Employees' end of service benefits	5,261	5,884
	<u>44,127</u>	<u>54,222</u>

### 11 COMMITMENTS

The Group has capital expenditure commitments amounting to KD Nil (31 December 2018: KD 688,800 and 31 March 2018: KD 1,033,200).

### 12 SEGMENT INFORMATION

The Group's primary basis for segmental reporting is by business segments which is subject to risks and rewards that are different from those of other segments. The business segments comprises of:

*Real estate activities* – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.

*Hajj and Umrah services* – Ticketing, hotel accommodation, travel and logistic services relating to Hajj and Umrah.

*Investment activities* - Establishing companies in Kuwait and abroad, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions.

The Board of Directors monitors the operating results of each business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Accordingly, management analyses the segmental information based on their business segments as follows:

	<i>Real estate activities</i>	<i>Hajj &amp; Umrah services</i>	<i>Investment activities</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 March 2019</i>				
Segment revenue	1,063,725	-	14,534	1,078,259
Segment expenses	(606,478)	(974)	(226,366)	(833,818)
Segment results	<u>457,247</u>	<u>(974)</u>	<u>(211,832)</u>	<u>244,441</u>
Segment assets	<u>26,018,722</u>	<u>6,332</u>	<u>7,646,302</u>	<u>33,671,356</u>
Segment liabilities	<u>4,695,155</u>	<u>48,194</u>	<u>5,089,329</u>	<u>9,832,678</u>
<i>31 December 2018</i>				
Segment assets	<u>19,857,712</u>	<u>13,332</u>	<u>10,241,394</u>	<u>30,112,438</u>
Segment liabilities	<u>4,295,221</u>	<u>47,944</u>	<u>4,334,561</u>	<u>8,677,726</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12 SEGMENT INFORMATION (continued)

	<i>Real estate activities KD</i>	<i>Hajj &amp; Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>
<i>31 March 2018</i>				
Segment revenue	967,104	(1,874)	1,329	966,559
Segment expenses	(596,270)	(2,379)	(321,146)	(919,795)
Segment results	370,834	(4,253)	(319,817)	46,764
Segment assets	24,077,944	12,177	11,312,509	35,402,630
Segment liabilities	2,781,237	48,166	6,473,873	9,303,276

During the year 2016, the shareholders of Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed), a subsidiary, have decided to temporarily suspend the business operations, until further notice due to unfavourable market conditions.

13 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

**Non-financial instruments:**

Investment properties are fair valued and are categorized within Level 2 and Level 3 of the fair value hierarchy.

The fair value of investment properties categorised within Level 2 of fair value hierarchy, hierarchy were determined using the market comparable approach, whereas the fair value of an investment property categorised within level 3 of the fair value hierarchy was determined using the income approach and discounted cashflow approach.

**Financial instruments:**

Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Significant Accounting Policies in the consolidated financial statements for the year ended 31 December 2018.

**Financial assets:**

The fair value of unquoted investments at fair value through other comprehensive income at 31 March 2019 amounting to KD 1,090,796 (31 December 2018: KD 1,155,685 and 31 March 2019: KD 1,499,420) is categorised within level 3 of the fair value hierarchy.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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13 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	<i>At 1 January KD</i>	<i>Remeasurement recognised in OCI KD</i>	<i>Purchases / sales (net) KD</i>	<i>At 31 March KD</i>
<b>31 March 2019</b>				
<i>FVOCI:</i>				
Unquoted equity securities	1,155,685	-	(64,888)	1,090,796
<b>31 December 2018</b>				
<i>FVOCI:</i>				
Unquoted equity securities	1,499,420	(343,735)	-	1,155,685
<b>31 March 2018</b>				
<i>FVOCI:</i>				
Unquoted equity securities	1,499,420	-	-	1,499,420

Description of significant unobservable inputs to valuation of financial assets:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range (weighted average)</i>	<i>Sensitivity of the input to fair value</i>
<i>FVOCI</i>				
Unquoted securities	Market approach	Sector PBV multiple	0.66 - 0.99 (0.74)	10 % increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD (155,950).
		DLOM	30%	10 % increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 54,582.

\* Discount for lack of marketability ("DLOM") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.