

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

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

30 SEPTEMBER 2019

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 30 September 2019, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-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 nine-month period ended 30 September 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

7 November 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 30 September 2019

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		KD	KD	KD	KD
Income					
Gain on sale of investment property		-	-	-	129,377
Rental income		822,222	759,145	2,429,715	2,279,267
Valuation losses from investment properties		(376,864)	(346,004)	(1,020,593)	(1,038,012)
Net investment income from financial assets		32,328	4,102	73,071	41,546
Share of results of associates		168,871	340,764	116,800	480,438
Net foreign exchange differences		(34)	3,950	14	4,031
Reversal of provisions no longer required	4	-	-	1,586,456	-
Other income		33,333	19,517	149,590	102,902
Total income		679,856	781,474	3,335,053	1,999,549
Expenses					
Staff costs		(154,003)	(138,188)	(471,564)	(463,377)
Administrative expenses		(107,463)	(52,645)	(291,548)	(219,908)
Real estate expense		(103,539)	(169,453)	(272,779)	(413,383)
Amortisation of leasehold prepayment		(41,483)	(41,483)	(123,096)	(123,096)
Finance costs		(29,700)	(72,360)	(139,564)	(241,429)
Depreciation		(122,771)	(1,129)	(277,623)	(3,647)
Tax claim provision		-	(1,027,845)	-	(1,027,845)
Total expenses		(558,959)	(1,503,103)	(1,576,174)	(2,492,685)
Profit / (loss) before tax		120,897	(721,629)	1,758,879	(493,136)
Taxation of overseas subsidiaries		(2,755)	158	(5,608)	(32,910)
Kuwait Foundation for Advancement of Sciences (KFAS)		(1,063)	2,969	(17,499)	(1,880)
National Labour Support Tax (NLST)		(2,953)	5,541	(43,536)	-
Zakat		(1,292)	3,157	(19,670)	(2,428)
Profit for the period		112,834	(709,804)	1,672,566	(530,354)
Attributable to:					
Equity holders of the Parent Company		109,673	(708,324)	1,653,024	(535,720)
Non-controlling interests		3,161	(1,480)	19,542	5,366
		112,834	(709,804)	1,672,566	(530,354)
Basic and diluted earnings (loss) per share attributable to Equity holders of the Parent Company					
	5	0.61 fils	(3.94) fils	9.22 fils	(2.98) fils

The attached notes 1 to 12 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 30 September 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	112,834	(709,804)	1,672,566	(530,354)
Other comprehensive income (loss)				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	393,101	163,875	704,198	(23,165)
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	393,101	163,875	704,198	(23,165)
<i>Other comprehensive income 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	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	-	-	25,330	-
Other comprehensive (loss) income for the period	393,101	163,875	729,528	(23,165)
Total comprehensive income (loss) for the period	505,935	(545,929)	2,402,094	(553,519)
Attributable to:				
Equity holders of the Parent Company	498,835	(544,449)	2,285,378	(557,772)
Non-controlling interests	7,100	(1,480)	116,716	4,253
	505,935	(545,929)	2,402,094	(553,519)

The attached notes 1 to 12 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 30 September 2019

		30 September 2019 KD	(Audited) 31 December 2018 KD	30 September 2018 KD
Assets				
Non-current assets				
Property and equipment		689,357	6,986	5,535
Investment properties	6	20,445,219	15,673,094	18,350,525
Investment in associates		5,708,496	8,904,801	9,415,614
Financial assets at fair value through other comprehensive income		1,090,796	1,155,685	1,499,420
Accounts receivable and other assets		482,399	787,000	-
		<u>28,416,267</u>	<u>26,527,566</u>	<u>29,271,094</u>
Current assets				
Amounts due from related parties	9	2,884	337,012	325,852
Accounts receivable and other assets		1,797,289	2,036,971	2,792,618
Investment deposits		1,405,800	804,000	722,750
Cash and bank balances		519,747	406,889	341,535
		<u>3,725,720</u>	<u>3,584,872</u>	<u>4,182,755</u>
TOTAL ASSETS		<u>32,141,987</u>	<u>30,112,438</u>	<u>33,453,849</u>
Equity and liabilities				
Equity				
Share capital		17,942,989	17,942,989	17,942,989
Share premium	8	10,239,344	14,334,621	14,334,621
Foreign currency translation reserve		(5,872,697)	(6,479,721)	(6,339,948)
Treasury shares	7	(56,866)	(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)		1,653,024	(4,095,277)	(535,720)
Equity attributable to equity holder of the Parent Company		<u>23,328,433</u>	<u>21,086,913</u>	<u>25,127,209</u>
Non-controlling interests		2,210,820	347,799	372,025
Total equity		<u>25,539,253</u>	<u>21,434,712</u>	<u>25,499,234</u>
Liabilities				
Non-current liabilities				
Tawarruq and murabaha facilities		2,764,327	1,376,866	2,427,727
Employees' end of service benefits		311,610	281,864	235,920
		<u>3,075,937</u>	<u>1,658,730</u>	<u>2,663,647</u>
Current liabilities				
Tawarruq and murabaha facilities		595,462	1,499,733	2,195,823
Amounts due to related parties	9	275,496	216,937	191,705
Accounts payable and other liabilities		2,655,839	5,302,326	2,903,440
		<u>3,526,797</u>	<u>7,018,996</u>	<u>5,290,968</u>
Total liabilities		<u>6,602,734</u>	<u>8,677,726</u>	<u>7,954,615</u>
TOTAL EQUITY AND LIABILITIES		<u>32,141,987</u>	<u>30,112,438</u>	<u>33,453,849</u>



Fahad Abdullah Al-Saleh
Chairman



Abdulaziz Zaid Al-Subaie
Chief Executive Officer

The attached notes 1 to 14 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 30 September 2019

	Equity attributable to the equity holders of the Parent Company										
	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency translation reserve KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Retained earnings 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	-	-	-	-	-	-	-	1,653,024	1,653,024	19,542	1,672,566
Other comprehensive income for the period	-	-	-	607,024	-	-	25,330	-	632,354	97,174	729,528
Total comprehensive income for the period	-	-	-	607,024	-	-	25,330	1,653,024	2,285,378	116,716	2,402,094
NCI arising on business combination (Note 3)	-	-	-	-	-	-	-	-	-	1,746,305	1,746,305
Purchase of treasury shares	-	-	-	-	(43,858)	-	-	-	(43,858)	-	(43,858)
Extinguishment of accumulated losses (Note 8)	-	(4,095,277)	-	-	-	-	-	4,095,277	-	-	-
At 30 September 2019	17,942,989	10,239,344	-	(5,872,697)	(56,866)	2,761	(580,122)	1,653,024	23,328,433	2,210,820	25,539,253
As at 1 January 2018 as previously reported (Audited)	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	-	-	-	-	-	-	(264,486)	-	(264,486)	-	(264,486)
As at 1 January 2018	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
Loss for the period	-	-	-	-	-	-	-	(535,720)	(535,720)	5,366	(530,354)
Other comprehensive (loss) income for the period	-	-	-	(22,052)	-	-	-	-	(22,052)	(1,113)	(23,165)
Total comprehensive (loss) income for the period	-	-	-	(22,052)	-	-	-	(535,720)	(557,772)	4,253	(553,519)
Extinguishment of accumulated losses	-	(5,819,835)	(443,293)	-	-	-	-	6,263,128	-	-	-
As at 30 September 2018	17,492,989	14,334,621	-	(6,339,948)	(13,008)	2,761	(264,486)	(535,720)	25,127,209	372,025	25,499,234

The attached notes 1 to 12 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 30 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit (loss) before tax		1,758,879	(493,136)
<i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i>			
Gain on sale of investment properties		-	(129,377)
Revaluation loss of investment properties	6	1,020,593	1,038,012
Net investment income from financial assets		(73,071)	(41,546)
Share of results of associates		(116,800)	(480,438)
Net foreign exchange differences		(14)	(4,031)
Reversal of provision no longer required		(1,586,456)	-
Other income		(62,626)	-
Employees' end of service benefits		30,143	52,769
Amortisation of leasehold prepayments		123,096	123,096
Finance costs		139,564	241,429
Depreciation of property and equipment		10,455	3,647
Depreciation of right-of-use assets		267,168	-
		<u>1,510,931</u>	<u>310,425</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		421,201	663,657
Amounts due from related parties		570,744	102,831
Accounts payable and other liabilities		(2,570,547)	(687,605)
Amounts due to related parties		58,559	(43,740)
		<u>(9,112)</u>	<u>345,568</u>
Net cash flows (used in) from operations		(9,112)	345,568
Employees' end of service benefits paid		(397)	(123,693)
		<u>(9,509)</u>	<u>221,875</u>
Net cash flows (used in) from operating activities			
INVESTING ACTIVITIES			
Purchase of furniture and equipment		-	(1,560)
Capital expenditure in investment properties	6	(3,941)	(10,325)
Proceeds from sale of investment properties		-	354,515
Acquisition of a subsidiary, net of cash acquired	3	31,511	-
Net movement in investment deposits		(506,514)	(37,042)
Dividends received from an associate		-	642,048
Proceeds from sale of equity investments at FVOCI		152,845	-
Net investment income received		73,071	41,546
		<u>(253,028)</u>	<u>989,182</u>
Net cash flows (used in) from investing activities			
FINANCING ACTIVITIES			
Finance costs paid		(139,564)	(241,429)
Net proceeds from (repayment of) tawarruq and murabaha payables		483,190	(1,128,538)
Purchase of treasury shares		(43,858)	-
		<u>299,768</u>	<u>(1,369,967)</u>
Cash flows from (used in) financing activities			
		<u>37,231</u>	<u>(158,910)</u>
Net increase (decrease) in cash and bank balances		75,627	(11,627)
Foreign currency translation adjustments		75,627	(11,627)
CASH AND BANK BALANCES AT 1 JANUARY		406,889	512,072
		<u>519,747</u>	<u>341,535</u>
CASH AND BANK BALANCES AT 30 SEPTEMBER			

The attached notes 1 to 12 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 30 September 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 is listed on 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 nine-month period ended 30 September 2019 was authorised for issue in accordance with a resolution of the directors of the Parent Company on 7 November 2019.

The Group is principally engaged in investment and real estate activities. The principal activities of the Group are described in Note 11. 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 also 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 30 September 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:

	<i>KD</i>
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 30 September 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

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets KD</i>	<i>Lease liabilities KD</i>
At 1 January 2019	930,683	930,683
Depreciation expense	(267,168)	-
Finance costs	-	26,383
Payments	-	(257,592)
At 30 September 2019	663,515	699,474

Rent expenses included in 'administrative expenses' is lower to the extent of KD 3,839 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.

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 30 September 2019

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

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

4 REVERSAL OF PROVISIONS NO LONGER REQUIRED

On 2 February 2016, the Group received a demand notice for SAR 25,105,040 from the General Authority of Zakat and Tax (“GAZT”) – formerly known as the Department of Zakat and Income Tax (“DZIT”), in the Kingdom of Saudi Arabia (“KSA”) claiming capital gains tax and delay penalties (“tax claim”) for a sale transaction of a property partly owned by the Group. Accordingly, the management of the Group appointed a tax advisor in KSA to review the tax claim and filed an objection appeal with GAZT.

Based on the advice received from the tax advisor, the management of the Parent Company estimated and recorded a potential tax liability, including the aforementioned tax claim amounting to KD 2,058,614 in the consolidated statement of financial position as of the financial year ended 31 December 2018, representing the full amount of tax liability claimed by GAZT.

During the current period, the Group received an offer from GAZT to settle the tax claim (the “settlement offer”) for an amount of SAR 8,450,000 (equivalent to KD 684,046). The board of directors of the Parent Company in their meeting on 9 May 2019 resolved based on the recommendation of the tax advisor, to accept the offer of the best interest of the Group. Accordingly, on 27 June 2019 the Group has settled the full amount of the tax claim as per the settlement offer. Accordingly, the Group reversed the excess tax provision of SAR 16,655,040 (equivalent to KD 1,374,569) related to the tax claim in the statement of profit or loss during the period ended 30 September 2019.

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5 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) for the 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 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 (loss) per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit / (loss) for the period attributable to equity holders of the Parent Company (KD)	109,673	(708,324)	1,653,024	(535,720)
Weighted average number of ordinary shares outstanding during the period (shares)	179,429,890	179,429,890	179,429,890	179,429,890
Weighted average number of treasury shares	(340,626)	(53,000)	(149,929)	(53,000)
Weighted average number of shares outstanding (net of treasury shares)	179,089,264	179,376,890	179,279,961	179,376,890
Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company	0.61 fils	(3.94) fils	9.22 fils	(2.98) fils

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

6 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</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	15,673,094	19,603,350	19,603,350
Capital expenditure on investment properties	3,941	-	10,325
Arising on business combination (Note 3)	5,119,550	-	-
Disposals	-	(214,811)	(225,138)
Change in fair value	(1,020,593)	(3,715,445)	(1,038,012)
Exchange difference	669,227	-	-
At the end of the period/year	20,445,219	15,673,094	18,350,525

- 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 nine-month period ended 30 September 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 2 years and a discount rate of 12.34 % (31 December 2018: 12.34 % and 30 September 2018: 10.34%). This reassessment resulted in a valuation loss of KD 1,020,593 recorded in the interim condensed consolidated statement of profit or loss for the period then ended (30 September 2018: KD 1,038,012).

- b) Investment properties amounting to KD 9,750,000 (31 December 2018: KD 9,750,000 and 30 September 2018: KD 10,585,000) are pledged as security in order to fulfil the collateral requirements for certain tawarruq facilities.

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7 TREASURY SHARES

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
Number of treasury shares	698,405	53,000	53,000
Percentage of treasury shares	0.38%	0.03%	0.03%
Cost of treasury shares (KD)	56,866	13,008	13,008
Market value of treasury shares (KD)	49,587	4,452	2,173
Weighted average market value per treasury share (fils)	71	84	41

Reserves equivalent to the cost of treasury shares is not available for distribution throughout the holding period of such treasury shares as per CMA regulations.

8 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 through partially offsetting share premium.

9 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 transactions and outstanding balances with related parties

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Balances included in interim condensed consolidated statement of financial position:			
Receivables from related parties			
- Associates	2,884	337,012	325,852
Payables to related parties			
- Associates	213,352	208,837	183,605
- Other related parties	62,144	8,100	8,100
	275,496	216,937	191,705

The Group was not involved in any significant transactions with related parties during the three and nine months ended 30 September 2019.

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 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Key management compensation:				
Short term benefits	37,901	55,328	118,630	136,873
Employees' end of service benefits	5,163	4,678	15,656	14,503
	43,064	60,006	134,286	151,376

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10 COMMITMENTS AND CONTINGENCIES

The Group has no capital expenditure commitments as at 30 September 2019 (31 December 2018: KD 688,800 and 30 September 2018: KD 688,800).

11 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:

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11 SEGMENT INFORMATION (continued)

	Nine months ended 30 September 2019 (Unaudited)			Nine months ended 30 September 2018 (Unaudited)		
	Real estate activities KD	Hajj & Umrah services KD	Investment activities KD	Real estate activities KD	Hajj & Umrah services KD	Investment activities KD
Gain on sale of investment property	-	-	-	129,377	-	-
Rental income	2,421,689	-	8,026	2,270,412	-	8,855
Valuation losses from investment properties	(1,020,593)	-	-	(1,038,012)	-	-
Net investment income from financial assets	60,057	-	13,014	43,345	(1,799)	-
Share of results of associates	299,360	-	(182,560)	259,042	-	221,396
Net foreign exchange differences	-	-	14	3,950	(74)	155
Reversal of provisions no longer required	846,303	-	740,153	-	-	-
Other income	86,042	24	63,524	101,801	-	1,101
Total income	2,692,858	24	642,171	1,769,915	(1,873)	231,507
Staff costs	(71,255)	-	(400,309)	(78,497)	-	(384,880)
Administrative expenses	(127,410)	(9,008)	(155,130)	(92,774)	(5,319)	(121,815)
Real estate expense	(272,779)	-	-	(412,249)	-	(1,134)
Amortisation of leasehold prepayment	(123,096)	-	-	(123,096)	-	-
Finance costs	(45,364)	-	(94,200)	(32,927)	-	(208,502)
Depreciation	(276,582)	-	(1,041)	(2,242)	-	(1,405)
Tax claim provision	-	-	-	(474,390)	-	(553,455)
Taxation of overseas subsidiaries	(5,608)	-	-	(32,910)	-	-
KFAS, NLST and Zakat	(27,791)	-	(52,914)	(4,308)	-	-
Total expenses and other charges	(949,885)	(9,008)	(703,594)	(1,253,393)	(5,319)	(1,271,191)
Profit / (loss) for the period	1,742,973	(8,984)	(61,423)	516,522	(7,192)	(1,039,684)
						Total KD
						129,377
						2,279,267
						(1,038,012)
						41,546
						480,438
						4,031
						-
						102,902
						1,999,549
						(463,377)
						(219,908)
						(413,383)
						(123,096)
						(241,429)
						(3,647)
						(1,027,845)
						(32,910)
						(4,308)
						(2,529,903)
						(530,354)

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11 SEGMENT INFORMATION (continued)

	<i>Real estate activities KD</i>	<i>Hajj & Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>
30 September 2019				
Segment assets	23,686,431	7,403	8,448,153	32,141,987
Segment liabilities	5,479,891	48,220	1,074,623	6,602,734
31 December 2018				
Segment assets	19,857,712	13,332	10,241,394	30,112,438
Segment liabilities	4,295,221	47,944	4,334,561	8,677,726
30 September 2018				
Segment assets	22,329,884	10,902	11,113,063	33,453,849
Segment liabilities	2,067,915	46,141	5,840,559	7,954,615

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.

12 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 are disclosed 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 30 September 2019 amounting to KD 1,090,796 (31 December 2018: KD 1,155,685 and 30 September 2018: KD 1,499,420) is categorised within level 3 of the fair value hierarchy.

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12 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>Non-listed equity investments</i>	
	<i>Financial assets at FVOCI</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>
30 September 2019		
As at 1 January 2019	1,155,685	1,155,685
Remeasurement recognised in OCI	25,330	25,330
Purchases / sales (net)	(90,219)	(90,219)
As at 30 September 2019	<u>1,090,796</u>	<u>1,090,796</u>
31 December 2018		
As at 1 January 2018	1,499,420	1,499,420
Remeasurement recognised in profit or loss	(343,735)	(343,735)
Purchases / sales (net)	-	-
As at 31 December 2018	<u>1,155,685</u>	<u>1,155,685</u>
30 September 2018		
As at 1 January 2018	1,499,420	1,499,420
Remeasurement recognised in profit or loss	-	-
Purchases / sales (net)	-	-
As at 30 September 2018	<u>1,499,420</u>	<u>1,499,420</u>

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>FVOCI</i>	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range (weighted average)</i>	<i>Sensitivity of the input to fair value</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).
		DL0M	30%	10 % increase / (decrease) in the DL0M would result in an (decrease) / increase in fair value by KD 54,582.

* Discount for lack of marketability ("DL0M") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.