

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

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

**31 MARCH 2020**



Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
18-20th Floor, Baitak Tower  
Ahmed Al Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2295 5000  
Fax: +965 2245 6419  
kuwait@kw.ey.com  
ey.com/mena

## **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 2020, 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 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY

AL AIBAN, AL OSAIMI & PARTNERS

13 August 2020

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 2020

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		<b>2020</b>	<b>2019</b>
		<b>KD</b>	<b>KD</b>
<b>Income</b>			
Rental income		<b>678,961</b>	829,703
Valuation losses from investment properties		<b>(285,864)</b>	(321,864)
Net investment income from financial assets		<b>27,791</b>	37,445
Share of results of associates		<b>63,486</b>	(40,183)
Net foreign exchange differences		<b>121</b>	63
Reversal of provisions no longer required		-	211,887
Other income		<b>20,987</b>	39,344
<b>Total income</b>		<b>505,482</b>	756,395
<b>Expenses</b>			
Staff costs		<b>(142,126)</b>	(133,996)
General and administrative expenses		<b>(79,622)</b>	(99,486)
Real estate expenses		<b>(97,426)</b>	(77,785)
Amortisation of leasehold prepayment		<b>(40,581)</b>	(40,581)
Finance costs		<b>(40,554)</b>	(55,153)
Depreciation expense		<b>(86,553)</b>	(89,879)
<b>Total expenses</b>		<b>(486,862)</b>	(496,880)
<b>Profit before tax</b>		<b>18,620</b>	259,515
Taxation from overseas subsidiaries		<b>(5,209)</b>	-
Contribution to Kuwait Foundation for Advancement of Sciences (“KFAS”)		<b>(1,811)</b>	(4,145)
National Labour Support Tax		<b>(475)</b>	(6,337)
Zakat		<b>(1,930)</b>	(4,592)
<b>PROFIT FOR THE PERIOD</b>		<b>9,195</b>	244,441
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>9,593</b>	238,420
Non-controlling interests		<b>(398)</b>	6,021
		<b>9,195</b>	244,441
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>3</b>	<b>0.05 fils</b>	1.32 fils

The attached notes 1 to 11 form a 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 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
<b>Profit for the period</b>	<b>9,195</b>	244,441
<b>Other comprehensive income</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>392,953</b>	387,890
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>392,953</b>	387,890
<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
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	-	25,330
<b>Other comprehensive income for the period</b>	<b>392,953</b>	413,220
<b>Total comprehensive income for the period</b>	<b>402,148</b>	657,661
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>194,441</b>	652,232
Non-controlling interests	<b>207,707</b>	5,429
	<b>402,148</b>	657,661


The attached notes 1 to 11 form a 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 2020

	Notes	31 March 2020 KD	(Audited) 31 December 2019 KD	31 March 2019 KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment		22,250	22,512	31,592
Right-of-use assets		464,426	573,480	844,191
Investment properties	4	19,989,871	19,935,584	20,806,986
Investment in associates		5,959,400	6,016,339	5,621,301
Financial assets at fair value through other comprehensive income		1,108,172	1,108,172	1,090,796
Accounts receivable and other assets		196,757	340,981	757,035
		<u>27,740,876</u>	<u>27,997,068</u>	<u>29,151,901</u>
<b>Current assets</b>				
Amounts due from related parties	7	-	13,332	14,000
Accounts receivable and other assets		1,748,034	1,724,902	1,993,634
Investment deposits		2,344,336	2,511,875	2,018,681
Cash and bank balances		1,095,917	1,130,269	493,140
		<u>5,188,287</u>	<u>5,380,378</u>	<u>4,519,455</u>
<b>TOTAL ASSETS</b>		<u><b>32,929,163</b></u>	<u><b>33,377,446</b></u>	<u><b>33,671,356</b></u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		17,942,989	17,942,989	17,942,989
Share premium		10,239,344	10,239,344	10,239,344
Statutory reserve		180,293	180,293	-
Voluntary Reserve		180,293	180,293	-
Foreign currency translation reserve		(5,687,556)	(5,872,404)	(6,091,239)
Treasury shares	5	(198,782)	(74,944)	(13,008)
Treasury shares reserve		2,761	2,761	2,761
Fair value reserve		(562,971)	(562,971)	(580,122)
Retained earnings		1,307,593	1,298,000	238,420
		<u>23,403,964</u>	<u>23,333,361</u>	<u>21,739,145</u>
Equity attributable to equity holder of the Parent Company		23,403,964	23,333,361	21,739,145
Non-controlling interests		2,418,120	2,210,413	2,099,533
		<u>25,822,084</u>	<u>25,543,774</u>	<u>23,838,678</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Tawarruq and murabaha facilities		2,455,834	2,611,042	1,325,205
Employees' end of service benefits		315,526	321,397	292,055
Lease liabilities		-	12,556	352,755
		<u>2,771,360</u>	<u>2,944,995</u>	<u>1,970,015</u>
<b>Current liabilities</b>				
Tawarruq and murabaha facilities		609,783	602,576	2,243,129
Amounts due to related parties	7	267,038	270,430	253,556
Accounts payable and other liabilities		3,124,387	3,671,271	5,021,578
Lease liabilities		334,511	344,400	344,400
		<u>4,335,719</u>	<u>4,888,677</u>	<u>7,862,663</u>
<b>Total liabilities</b>		<u><b>7,107,079</b></u>	<u><b>7,833,672</b></u>	<u><b>9,832,678</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>32,929,163</b></u>	<u><b>33,377,446</b></u>	<u><b>33,671,356</b></u>

  
Fahad Abdullah Al-Saleh  
Chairman

  
Abdulaziz Zaid Al-Subaie  
Chief Executive Officer

The attached notes 1 to 11 form a 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 2020

*Equity attributable to the equity holders of the Parent Company*

	<i>Share Capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Fair value reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub total KD</i>	<i>Non- controlling interests KD</i>	<i>Total KD</i>
As at 1 January 2020	17,942,989	10,239,344	180,293	180,293	(5,872,404)	(74,944)	2,761	(562,971)	1,298,000	23,333,361	2,210,413	25,543,774
Profit (loss) for the period	-	-	-	-	-	-	-	-	9,593	9,593	(398)	9,195
Other comprehensive income (loss) for the period	-	-	-	-	184,848	-	-	-	-	184,848	208,105	392,953
Total comprehensive income (loss) for the period	-	-	-	-	184,848	-	-	-	9,593	194,441	207,707	402,148
Purchase of treasury shares	-	-	-	-	-	(123,838)	-	-	-	(123,838)	-	(123,838)
<b>At 31 March 2020</b>	<b>17,942,989</b>	<b>10,239,344</b>	<b>180,293</b>	<b>180,293</b>	<b>(5,687,556)</b>	<b>(198,782)</b>	<b>2761</b>	<b>(562,971)</b>	<b>1,307,593</b>	<b>23,403,964</b>	<b>2,418,120</b>	<b>25,822,084</b>
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	-	-	-	-	-	-	-	-	-	-	1,746,305	1,746,305
Extinguishment of accumulated losses	-	(4,095,277)	-	-	-	-	-	-	4,095,277	-	-	-
As at 31 March 2019	17,942,989	10,239,344	-	-	(6,091,239)	(13,008)	2,761	(580,122)	238,420	21,739,145	2,099,533	23,838,678

The attached notes 1 to 11 form a 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 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
Note	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>18,620</b>	259,515
<i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i>		
Net investment income from financial assets	<b>(27,791)</b>	(12,160)
Share of results of associates	<b>(63,486)</b>	40,183
Net foreign exchange differences	<b>(121)</b>	(63)
Reversal of provision no longer required	-	(211,887)
Other income	-	(50,615)
Employees' end of service benefits	<b>(5,871)</b>	10,191
Amortisation of leasehold prepayments	<b>40,581</b>	40,581
Valuation loss from investment properties	<b>285,864</b>	321,864
Finance costs	<b>40,554</b>	55,153
Write-off of property and equipment	<b>25,484</b>	-
Depreciation of property and equipment	<b>86,553</b>	89,879
	<b>400,387</b>	542,641
<i>Working capital adjustments:</i>		
Accounts receivable and other assets	<b>80,632</b>	244,671
Amounts due from related parties	<b>13,332</b>	559,628
Accounts payable and other liabilities	<b>(578,754)</b>	(1,022,870)
Amounts due to related parties	<b>(3,392)</b>	36,619
Net cash flows (used in) from operations	<b>(87,795)</b>	360,689
Employees' end of service benefits paid	-	-
<b>Net cash flows (used in) from operating activities</b>	<b>(87,795)</b>	360,689
<b>INVESTING ACTIVITIES</b>		
Capital expenditure in investment properties	4 <b>(5,088)</b>	-
Acquisition of a subsidiary, net of cash acquired	-	31,511
Net movement in investment deposits	<b>167,539</b>	(1,119,395)
Dividends received from an associate	<b>120,425</b>	-
Proceeds from sale of equity investments at FVOCI	-	140,834
Net investment income received	<b>27,791</b>	12,160
<b>Net cash flows from (used in) investing activities</b>	<b>310,667</b>	(934,890)
<b>FINANCING ACTIVITIES</b>		
Finance costs paid	<b>(40,554)</b>	(55,153)
Net movement in tawarruq and murabaha payables	<b>(148,001)</b>	691,735
Purchase of treasury shares	<b>(123,838)</b>	-
<b>Cash flows (used in) from financing activities</b>	<b>(312,393)</b>	636,582
<b>Net (decrease) increase in cash and bank balances</b>	<b>(89,521)</b>	62,381
Foreign currency translation adjustments	<b>55,169</b>	23,870
<b>CASH AND BANK BALANCES AT 1 JANUARY</b>	<b>1,130,269</b>	406,889
<b>CASH AND BANK BALANCES AT 31 MARCH</b>	<b>1,095,917</b>	493,140
<b>Non-cash items excluded from the statement of cash flows:</b>		
Transitional adjustment to lease liabilities on adoption of IFRS 16	-	930,683
Transitional adjustment to right-of-use of assets on adoption of IFRS 16	-	(930,683)

The attached notes 1 to 11 form a 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 2020

### 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 three-month period ended 31 March 2020 was authorised for issue in accordance with a resolution of the directors of the Parent Company on 12 August’ 2020.

The Group is principally engaged in investment and real estate activities. The principal activities of the Group are described in Note 9. 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 2019.

#### 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 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 is not yet effective.

Several 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.

#### *Amendments to IFRS 3: Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

#### *Amendments to IAS 1 and IAS 8: Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 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 31 March 2020

### 3 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the 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 profit per share are identical.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2020</b>	2019
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>9,593</b>	238,420
Weighted average number of shares outstanding during the period (excluding treasury shares)	<b>177,788,106</b>	179,376,890
<b>Basic and diluted earnings per share attributable to equity holders of the Parent Company</b>	<b>0.05 fils</b>	1.32 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.

### 4 INVESTMENT PROPERTIES

	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<b>2020</b>	2019	2019
	<b>KD</b>	<b>KD</b>	<b>KD</b>
At the beginning of the period / year	<b>19,935,584</b>	15,673,094	15,673,094
Capital expenditure on investment properties	<b>5,088</b>	8,550	-
Arising on business combination	-	5,119,550	5,119,550
Change in fair value	<b>(285,864)</b>	(1,534,837)	(321,864)
Exchange difference	<b>335,063</b>	669,227	336,206
At the end of the period / year	<b>19,989,871</b>	19,935,584	20,806,986

- a) The fair value of investment properties was independently determined at 31 December 2019 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.

For the current period, as a result of the recent outbreak of COVID-19, management acknowledges that there is increased uncertainty to input factors on the fair value of investment properties, including capitalisation rates and discount rates, due to a lack of market transactions since early March 2020. Management has made general assumptions to sensitize cash flows based on expected scenarios which are anticipated to occur over the near- and mid-term period. The Group has assessed each of its property classes to determine the level of impact on cash flows after taking into account upcoming quarter rent collection rates, renewal percentages, and the credit quality of its tenant base. It is likely that there will be further cash flow and valuation metric changes in future periods as new information related to the pandemic are understood, including the continued impact on tenants as well as the evolution of government restrictions and travel limitations.

Management believes that the current period is a negative impacted by COVID-19 as rent collections for subsequent months are tracking below-normal and the credit quality of tenants indicates the current assumptions in the Group's cash flows will vary based on best available information. Accordingly, this reassessment resulted in a valuation loss of KD 285,864 recorded in the interim condensed consolidated statement of profit or loss for the period then ended (31 December 2019: KD 1,534,837 and 31 March 2019: KD 321,864). The Group will continue to assess further the impact on cash flows as well as valuation inputs in the upcoming quarters as there is new information to consider.

# 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 2020

### 4 INVESTMENT PROPERTIES (continued)

- b) Investment properties amounting to KD 9,750,000 (31 December 2019: KD 9,750,000 and 31 March 2019: KD 9,750,000) are pledged as security in order to fulfil the collateral requirements for certain tawarruq facilities.

### 5 TREASURY SHARES

	<b>31 March 2020</b>	<i>(Audited)</i> 31 December 2019	31 March 2019
Number of treasury shares	2,954,777	963,405	53,000
Percentage of issued shares	1.64%	0.54%	0.03%
Cost of treasury shares (KD)	198,782	74,944	13,008
Market value of treasury shares (KD)	168,422	74,760	4,028
Weighted average market value per treasury share (fils)	57	77	76

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.

### 6 ANNUAL GENERAL ASSEMBLY (AGM)

The AGM of the Parent Company's shareholders held on 22 June 2020 approved the consolidated financial statements of the Group for the year ended 31 December 2019 and also approved the Board of Directors' proposal to distribute cash dividends of 5 fils per share amounting to KD 881,364 (2018: Nil) and Parent Company's directors' remuneration of KD 40,000 (2018: Nil) for the year then ended.

### 7 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

	<b>31 March 2020 KD</b>	<i>(Audited)</i> 31 December 2019 KD	31 March 2019 KD
<b>Balances included in interim condensed consolidated statement of financial position:</b>			
Receivables from related parties			
- Associates	-	13,332	14,000
Payables to related parties			
- Associates	258,938	262,330	245,456
- Other related parties	8,100	8,100	8,100
	<b>267,038</b>	270,430	253,556

The Group was not involved in any significant transactions with related parties during the three months ended 31 March 2020.

#### 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 31 March</i>	
	2020 KD	2019 KD
<b>Key management compensation:</b>		
Short term benefits	120,186	38,866
Employees' end of service benefits	8,177	5,261
	<b>128,363</b>	44,127

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**8 COMMITMENTS AND CONTINGENCIES**

The Group has no capital expenditure commitments as at 31 March 2020 (31 December 2019: Nil and 31 March 2019: Nil).

**9 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:

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 2020

9 SEGMENT INFORMATION (continued)

	<i>Three months ended</i> <i>31 March 2020 (unaudited)</i>				<i>Three months ended</i> <i>31 March 2019 (unaudited)</i>			
	<i>Real estate activities</i> <i>KD</i>	<i>Hajj &amp; Umrah services</i> <i>KD</i>	<i>Investment activities</i> <i>KD</i>	<i>Total</i> <i>KD</i>	<i>Real estate activities</i> <i>KD</i>	<i>Hajj &amp; Umrah services</i> <i>KD</i>	<i>Investment activities</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Rental income	671,112	-	7,849	678,961	821,677	-	8,026	829,703
Valuation losses from investment properties	(285,864)	-	-	(285,864)	(321,864)	-	-	(321,864)
Net investment income from financial assets	27,791	-	-	27,791	37,445	-	-	37,445
Share of results of associates	(100,510)	-	163,996	63,486	(40,183)	-	-	(40,183)
Net foreign exchange differences	-	-	121	121	-	-	63	63
Reverse of expenses no longer required	-	-	-	-	211,887	-	-	211,887
Other income	20,987	-	-	20,987	38,610	-	734	39,344
<b>Total income</b>	<b>333,516</b>	<b>-</b>	<b>171,966</b>	<b>505,482</b>	<b>747,572</b>	<b>-</b>	<b>8,823</b>	<b>756,395</b>
Staff costs	(28,838)	-	(113,288)	(142,126)	(22,112)	-	(111,884)	(133,996)
Administrative expenses	(35,667)	(3,936)	(40,019)	(79,622)	(61,347)	(974)	(37,165)	(99,486)
Real estate expense	(97,426)	-	-	(97,426)	(77,785)	-	-	(77,785)
Amortisation of leasehold prepayment	(40,581)	-	-	(40,581)	(40,581)	-	-	(40,581)
Finance costs	(39,542)	-	(1,012)	(40,554)	(8,758)	-	(46,395)	(55,153)
Depreciation	(86,331)	-	(222)	(86,553)	(89,476)	-	(403)	(89,879)
Taxation of overseas subsidiaries	(5,209)	-	-	(5,209)	-	-	-	-
KFAS, NLST and Zakat	(3,741)	-	(475)	(4,216)	(8,737)	-	(6,337)	(15,074)
<b>Total expenses and other charges</b>	<b>(337,335)</b>	<b>(3,936)</b>	<b>(155,016)</b>	<b>(496,287)</b>	<b>(308,796)</b>	<b>(974)</b>	<b>(202,184)</b>	<b>(511,954)</b>
<b>Profit (loss) for the period</b>	<b>(3,819)</b>	<b>(3,936)</b>	<b>16,950</b>	<b>9,195</b>	<b>438,776</b>	<b>(974)</b>	<b>(193,361)</b>	<b>244,441</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 2020

### 9 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>
<b>31 March 2020</b>				
Segment assets	<u>25,251,813</u>	<u>5,491</u>	<u>7,671,859</u>	<u>32,929,163</u>
Segment liabilities	<u>6,044,508</u>	<u>47,397</u>	<u>1,015,174</u>	<u>7,107,079</u>
<b>31 December 2019</b>				
Segment assets	<u>25,701,695</u>	<u>7,629</u>	<u>7,668,122</u>	<u>33,377,446</u>
Segment liabilities	<u>6,649,143</u>	<u>48,470</u>	<u>1,136,059</u>	<u>7,833,672</u>
<b>31 March 2019</b>				
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>

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.

### 10 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 2019.

#### **Financial assets:**

The fair value of unquoted investments at fair value through other comprehensive income at 31 March 2020 amounting to KD 1,108,172 (31 December 2019: KD 1,108,172 and 31 March 2019: KD 1,090,796) 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)

As at and for the period ended 31 March 2020

10 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>
<b>31 March 2020</b>		
As at 1 January 2020	1,108,172	1,108,172
Remeasurement recognised in OCI	-	-
As at 31 March 2020	<u>1,108,172</u>	<u>1,108,172</u>
<b>31 December 2019</b>		
As at 1 January 2019	1,155,685	1,155,685
Remeasurement recognised in OCI	42,706	42,706
Purchases / sales (net)	(90,219)	(90,219)
As at 31 December 2019	<u>1,108,172</u>	<u>1,108,172</u>
<b>31 March 2019</b>		
As at 1 January 2019	1,155,685	1,155,685
Remeasurement recognised in OCI	-	-
Purchases / sales (net)	(64,889)	(64,889)
As at 31 March 2019	<u>1,090,796</u>	<u>1,090,796</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>
<b>Unquoted securities</b>	Market approach	DLOM	30%	10 % increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 55,451.

\* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

## 11 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

The currently known impact of COVID-19 on the Group are:

- ▶ Rental income of KD 678,961 for the quarter, down by 19% sequentially and 18% year-over-year due to lower vacancy and government measures taken to temporarily close shopping malls.
- ▶ Operating profit of KD 18,620 for the quarter months, down 60% year-over-year

The economic impact of COVID-19 did not materially impact residential property revenue earned in the quarter. While residential property revenues were not immediately impacted by the pandemic, near term cash flows may be impacted and future revenues and cash flows produced by these operating properties are more uncertain than normal as a result of the rapid impact to the global economy in response to measures put in place to control the pandemic.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

### 11.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 31 March 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

#### 11.1.1 Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as its financial assets constitute cash and cash equivalents and tenant receivables. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss on cash and short-term deposits was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies. The Group's exposure to tenant credit risk is influenced mainly by the individual characteristics of each tenant. Tenant credit risk is managed by requiring tenants to pay rent advances therefore, substantially eliminating the Group's credit risk in this respect.

#### 11.1.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ Monitoring liquidity ratios and net current assets against internal standards.
- ▶ Maintaining debt financing plans.

The Group expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities.

### 11.2 Use of estimates and assumptions

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**11 IMPACT OF COVID-19**

**11.2 Use of estimates and assumptions (continued)**

*Trading properties, investment properties and investment in associates (non-financial assets)*

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

*Tenant and other receivables*

The Group uses the simplified model in calculation the ECL for trade receivables that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**11.3 Subsequent events**

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.