

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

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

31 MARCH 2021



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE 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 2021, 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 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, during the three-month period ended 31 March 2021 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

5 May 2021

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 2021

	Notes	Three months ended 31 March	
		2021 KD	2020 KD
Income			
Rental income		680,820	678,961
Valuation losses from investment properties	5	-	(285,864)
Net investment income from financial assets		4,384	27,791
Share of results of associates		(387,796)	63,486
Net foreign exchange differences		-	121
Other income		19,022	20,987
Total income		316,430	505,482
Expenses			
Staff costs		(133,681)	(142,126)
Administrative expenses		(52,907)	(79,622)
Real estate expense		(83,958)	(97,426)
Amortisation of leasehold prepayment		(40,581)	(40,581)
Finance costs		(30,726)	(40,554)
Depreciation expense		(87,379)	(86,553)
Total expenses		(429,232)	(486,862)
(LOSS) PROFIT BEFORE TAX		(112,802)	18,620
Taxation of overseas subsidiaries		(6,482)	(5,209)
Contribution to Kuwait Foundation for Advancement of Sciences (“KFAS”)		(3,784)	(1,811)
National Labour Support Tax (“NLST”)		-	(475)
Zakat		(4,029)	(1,930)
(LOSS) PROFIT FOR THE PERIOD		(127,097)	9,195
Attributable to:			
Equity holders of the Parent Company		(136,255)	9,593
Non-controlling interests		9,158	(398)
		(127,097)	9,195
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	(0.77) fils	0.05 fils

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 2021

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
(LOSS) PROFIT FOR THE PERIOD	(127,097)	9,195
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(12,469)	392,953
	(12,469)	392,953
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Net loss on equity instruments at fair value through other comprehensive income	(151,897)	-
	(151,897)	-
Other comprehensive income for the period	(164,366)	392,953
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(291,463)	402,148
Attributable to:		
Equity holders of the Parent Company	(300,351)	194,441
Non-controlling interests	8,888	207,707
	(291,463)	402,148

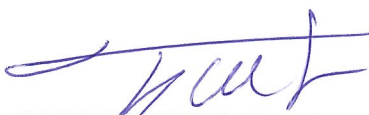
The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

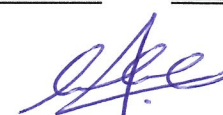
Mashaer Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2021

		31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
ASSETS				
Non-current assets				
Property and equipment		38,420	42,822	22,250
Right-of-use assets		136,598	218,555	464,426
Investment properties	5	17,919,186	17,912,023	19,989,871
Investment in associates		3,123,740	3,524,600	5,959,400
Investment securities		972,018	1,123,915	1,108,172
Accounts receivable and other assets		-	-	196,757
		<u>22,189,962</u>	<u>22,821,915</u>	<u>27,740,876</u>
Current assets				
Accounts receivable and other assets		1,340,514	1,404,329	1,748,034
Term deposits		1,612,643	1,754,965	2,344,336
Cash and bank balances		371,793	429,598	1,095,917
		<u>3,324,950</u>	<u>3,588,892</u>	<u>5,188,287</u>
TOTAL ASSETS		<u>25,514,912</u>	<u>26,410,807</u>	<u>32,929,163</u>
EQUITY AND LIABILITIES				
Equity				
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	180,293
Voluntary reserve		180,293	180,293	180,293
Foreign currency translation reserve		(5,963,038)	(5,949,974)	(5,687,556)
Treasury shares	6	(209,965)	(209,965)	(198,782)
Treasury shares reserve		2,761	2,761	2,761
Fair value reserve		(698,367)	(547,335)	(562,971)
(Accumulated losses) / retained earnings		(4,649,286)	(4,513,031)	1,307,593
Equity attributable to equity holders of the Parent Company		<u>17,025,024</u>	<u>17,325,375</u>	<u>23,403,964</u>
Non-controlling interests		2,252,218	2,243,330	2,418,120
Total equity		<u>19,277,242</u>	<u>19,568,705</u>	<u>25,822,084</u>
Liabilities				
Non-current liabilities				
Tawarruq and murabaha facilities		1,933,711	2,038,333	2,455,834
Employees' end of service benefits		345,628	339,430	315,526
		<u>2,279,339</u>	<u>2,377,763</u>	<u>2,771,360</u>
Current liabilities				
Tawarruq and murabaha facilities		522,301	669,072	609,783
Amounts due to related parties	8	256,850	256,850	267,038
Accounts payable and other liabilities		2,834,780	3,194,017	3,124,387
Lease liabilities		344,400	344,400	334,511
		<u>3,958,331</u>	<u>4,464,339</u>	<u>4,335,719</u>
Total liabilities		<u>6,237,670</u>	<u>6,842,102</u>	<u>7,107,079</u>
TOTAL EQUITY AND LIABILITIES		<u>25,514,912</u>	<u>26,410,807</u>	<u>32,929,163</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 2021

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 / (Accumulated losses) KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total KD</i>
As at 1 January 2021	17,942,989	10,239,344	180,293	180,293	(5,949,974)	(209,965)	2,761	(547,335)	(4,513,031)	17,325,375	2,243,330	19,568,705
(Loss) profit for the period	-	-	-	-	-	-	-	-	(136,255)	(136,255)	9,158	(127,097)
Other comprehensive income (loss) for the period	-	-	-	-	(13,064)	-	-	(151,032)	-	(164,096)	(270)	(164,366)
Total comprehensive (loss) income for the period	-	-	-	-	(13,064)	-	-	(151,032)	(136,255)	(300,351)	8,888	(291,463)
At 31 March 2021	17,942,989	10,239,344	180,293	180,293	(5,963,038)	(209,965)	2,761	(698,367)	(4,649,286)	17,025,024	2,252,218	19,277,242
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 for the period	-	-	-	-	184,848	-	-	-	-	184,848	208,105	392,953
Total comprehensive income for the period	-	-	-	-	184,848	-	-	-	9,593	194,441	207,707	402,148
Purchase of treasury shares	-	-	-	-	-	(123,838)	-	-	-	(123,838)	-	(123,838)
At 31 March 2020	17,942,989	10,239,344	180,293	180,293	(5,687,556)	(198,782)	2,761	(562,971)	1,307,593	23,403,964	2,418,120	25,822,084

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 2021

	Notes	Three months ended 31 March	
		2021 KD	2020 KD
OPERATING ACTIVITIES			
(Loss) profit before tax		(112,802)	18,620
<i>Adjustments to reconcile (loss) profit before tax to net cash flows:</i>			
Net investment income from financial assets		(4,384)	(27,791)
Share of results of associates		387,796	(63,486)
Net foreign exchange differences		-	(121)
Employees' end of service benefits		12,356	(5,871)
Amortisation of leasehold prepayments		40,581	40,581
Valuation losses from investment properties	5	-	285,864
Write of property and equipment		-	25,484
Finance cost on debts and borrowings		30,726	40,554
Depreciation of property and equipment		5,422	2,983
Depreciation of right-of-use assets		81,957	83,570
		441,652	400,387
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		23,234	80,632
Amounts due from related parties		-	13,332
Accounts payable and other liabilities		(371,176)	(578,754)
Amounts due to related parties		-	(3,392)
		93,710	(87,795)
Net cash flows from (used in) operations		(6,158)	-
Employees' end of service benefits paid		(2,356)	-
Taxes paid		-	-
		85,196	(87,795)
Net cash flows from (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(1,020)	-
Capital expenditure on investment properties	5	(7,163)	(5,088)
Net movement in term deposits		142,322	167,539
Dividends received from an associate		-	120,425
Net investment income received		4,384	27,791
		138,523	310,667
Net cash flows from (used in) investing activities			
FINANCING ACTIVITIES			
Finance costs paid		(30,726)	(40,554)
Net repayment of tawarruq and murabaha payables		(251,393)	(148,001)
Purchase of treasury shares		-	(123,838)
		(282,119)	(312,393)
Net cash flows (used in) from financing activities			
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES			
Foreign currency translation adjustments		595	55,169
Cash and bank balances at 1 January		429,598	1,130,269
		371,793	1,095,917
CASH AND BANK BALANCES AS AT 31 March			

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 2021

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of the Mashaer Holding Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2021 was authorised for issue in accordance with a resolution of the directors of the Parent Company on 5 May 2021.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders at the AGM held on 29 April 2021.

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 Boursa Kuwait.

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 the Islamic Shari‘a as approved by the Parent Company’s Fatwa and Shari‘a Supervisory Board.

The Parent Company head office is located at Gravity Tower 6th Floor, Ahmad Al Jaber Street, Sharq and its registered postal address 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 2020.

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 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

The amendments include the following practical expedients:

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

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

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 2021

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.

The Group incurred a net loss of KD 127,097 during the period ended 31 March 2021 and, as of that date, the Group's current liabilities exceeded its current assets by KD 633,381 (31 December 2020: KD 875,447 and 31 March 2020 Current assets exceeded current liabilities by KD 852,568). The current liabilities include Tawarruq and murabaha payables of KD 522,301 (31 December 2020: KD 669,072 and 31 March 2020: KD 609,783), which are contractually due within 12 months from the end of the reporting period. Further, the Group's accumulated losses amounted to KD 4,649,286 as at the reporting date.

In addition to the above, the ongoing COVID-19 pandemic has caused disruption to business and economic activities and uncertainties in the global economic environment. As explained in Note 12, measures taken to contain the virus could impact the Group's financial performance, cash flows and financial position.

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 taking into consideration the following assumptions:

- ▶ The Group had positive operating cash flows of KD 85,196 for the period ended 31 March 2021.
- ▶ The Group has access to a sufficient variety of sources of funding and has a reasonable expectation that debt maturing within 12 months can be rolled over with existing lenders.
- ▶ The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows.
- ▶ The Group has taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus through compensating cost saving measures and reductions to discretionary capital expenditure.

As described above, management has a reasonable expectation that the Group has taken measures and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the interim condensed consolidated financial information has been prepared on a going concern basis.

4 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the (loss) 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 (loss) 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>31 March</i>	
	<i>2021</i>	<i>2020</i>
(Loss) profit for the period attributable to equity holders of the Parent Company (KD)	(136,255)	9,593
Weighted average number of shares outstanding (net of treasury shares)	176,272,702	177,788,106
Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company	(0.77) fils	0.05 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.

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 2021

5 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period/year	17,912,023	19,935,584	19,935,584
Capital expenditure on investment properties	7,163	8,021	5,088
Change in fair value	-	(2,031,582)	(285,864)
Exchange differences	-	-	335,063
At the end of the period/year	17,919,186	17,912,023	19,989,871

- a) The fair value of investment properties was independently determined at 31 December 2020 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.

As a result of the recent outbreak of COVID-19, management acknowledges that there continued to be uncertainty current period. However, the input factors on the fair value of investment properties, including capitalisation rates and discount rates remain significantly unchanged since 31 December 2020.

Management believes that in the current period, there is no further significant impacted by COVID-19, as rent collections for subsequent months are tracking near-normal and the credit quality of tenants indicate the current assumptions in the Group's cash flows are accurate based on best available information. 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.

- b) Investment properties amounting to KD 9,650,000 (31 December 2020: KD 9,650,000 and 31 March 2020: KD 9,750,000) are pledged as security in order to fulfil the collateral requirements for certain tawarruq facilities.

6 TREASURY SHARES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
Number of treasury shares	3,157,188	3,157,188	2,954,777
Percentage of issued shares	1.75%	1.75%	1.64%
Cost of treasury shares (KD)	209,965	209,965	198,782
Market value of treasury shares (KD)	186,274	183,117	168,422
Weighted average market value per treasury share (fils)	59	58	57

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.

7 ANNUAL GENERAL ASSEMBLY (AGM)

The AGM of the Parent Company's shareholders held on 29 April 2021 approved the consolidated financial statements of the Group for the year ended 31 December 2020 and also approved the Board of Directors' proposal distribute no cash dividends (2019: KD 881,364) and directors' remuneration (2019: 40,000) for the year then ended.

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 2021

8 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>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Balances included in interim condensed consolidated statement of financial position:			
Payables to related parties			
- Associates	256,850	256,850	258,938
- Other related parties	-	-	8,100
	<u>256,850</u>	<u>256,850</u>	<u>267,038</u>

The Group was not involved in any significant transactions with related parties during three months ended 31 March 2021.

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>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Key management compensation:		
Salaries and short-term benefits	33,133	120,186
Employees' end of service benefits	8,213	8,177
	<u>41,346</u>	<u>128,363</u>

9 COMMITMENTS AND CONTINGENCIES

The Group had no contingent liabilities or capital commitments as at the reporting date.

10 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 aboard, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialised financial institutions.

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 2021

10 SEGMENT INFORMATION (continued)

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>Three months ended 31 March 2021</i>				<i>Three months ended 31 March 2020</i>			
	<i>Real estate activities KD</i>	<i>Hajj & Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>	<i>Real estate activities KD</i>	<i>Hajj & Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>
Rental income	680,820	-	-	680,820	678,961	-	-	678,961
Valuation losses from investment properties	-	-	-	-	(285,864)	-	-	(285,864)
Net investment income from financial assets	4,384	-	-	4,384	27,791	-	-	27,791
Share of results of associates	(242,697)	(145,099)	-	(387,796)	(100,510)	163,996	-	63,486
Net foreign exchange differences	-	-	-	-	-	-	121	121
Other income	19,022	-	-	19,022	20,987	-	-	20,987
Total income	461,529	(145,099)	-	316,430	341,365	163,996	121	505,482
Staff costs	(32,050)	-	(101,631)	(133,681)	(28,838)	-	(113,288)	(142,126)
Administrative expenses	(30,082)	(910)	(21,915)	(52,907)	(35,667)	(3,936)	(40,019)	(79,622)
Real estate expense	(83,958)	-	-	(83,958)	(97,426)	-	-	(97,426)
Amortisation of leasehold prepayment	(40,581)	-	-	(40,581)	(40,581)	-	-	(40,581)
Finance costs	(29,233)	-	(1,493)	(30,726)	(39,542)	-	(1,012)	(40,554)
Depreciation expense	(87,032)	-	(347)	(87,379)	(86,331)	-	(222)	(86,553)
Taxation of overseas subsidiaries	(6,482)	-	-	(6,482)	(5,209)	-	-	(5,209)
KFAS, NLST and Zakat	(7,813)	-	-	(7,813)	(3,741)	-	(475)	(4,216)
Total expenses and other charges	(317,231)	(910)	(125,386)	(443,527)	(337,335)	(3,936)	(155,016)	(496,287)
PROFIT (LOSS) FOR THE PERIOD	144,298	(146,009)	(125,386)	(127,097)	4,030	160,060	(154,895)	9,195

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

10 SEGMENT INFORMATION (continued)

	<i>Real estate activities KD</i>	<i>Hajj & Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>
<i>31 March 2021</i>				
Segment assets	22,479,847	1,533,432	1,501,633	25,514,912
Segment liabilities	5,147,254	57,447	1,032,969	6,237,670
<i>31 December 2020</i>				
Segment assets	23,056,706	1,692,215	1,661,886	26,410,807
Segment liabilities	5,770,262	57,197	1,014,643	6,842,102
<i>31 March 2020</i>				
Segment assets	28,031,768	3,184,936	1,712,459	32,929,163
Segment liabilities	6,044,508	47,397	1,015,174	7,107,079

11 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.

Fair value hierarchy

All financial and non-financial assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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11 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>As at 31 March 2021</i>				
Investment securities	-	-	972,018	972,018
Investment properties	-	17,919,186	-	17,919,186
<i>As at 31 December 2020 (Audited)</i>				
Investment securities	-	-	1,123,915	1,123,915
Investment properties	-	17,912,023	-	17,912,023
<i>As at 31 March 2020</i>				
Investment securities	-	-	1,108,172	1,108,172
Investment properties	-	18,446,538	1,543,333	19,989,871

There were no transfers between different levels of the fair value hierarchy during the period / year.

Reconciliation of Level 3 fair values

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

	<i>Non-listed equity shares</i>		
	<i>31 March 2021 KD</i>	<i>31 December 2020 KD</i>	<i>31 March 2020 KD</i>
At the beginning of the period / year	1,123,915	1,108,172	1,108,172
Re-measurement recognised in OCI	(151,897)	15,743	-
At the end of the period/year	972,018	1,123,915	1,108,172

Management assessed that the carrying value of financial instruments at amortised cost is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

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>
Non-listed equity investments	Market approach	Sector PBV multiple	0.99	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD (160,681).
		DLOM	40%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 56,238.

* 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.

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As at and for the period ended 31 March 2021

12 IMPACT OF COVID-19

The COVID-19 pandemic has created unprecedented uncertainty. The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

At the date of the issue of the interim condensed consolidated financial information, an estimate of the future impact on the Group cannot be made with high certainty, as this will depend on resurgent infection rates around the world and potential of domestic outbreaks. Actual economic events and conditions in the future may materially differ from those estimated by the Group as of the reporting date.

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 2021.

12.1 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 2021, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2020.

12.1.1 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 bank balances, term deposit and tenant receivables. While bank balances and term deposit 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.

12.1.2 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 investments at an amount in excess of expected cash outflows on financial liabilities.

12.2 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 continues result in an 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:

Trade 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. The segmentation applied in previous year ended 31 December 2020, continue to be appropriate and reflect the different ways in which the COVID-19 outbreak affected different types of customers.

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.

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As at and for the period ended 31 March 2021

12 IMPACT OF COVID-19 (continued)

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, which have not significantly changed since 31 December 2020. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group recognises that certain geographies and sectors in which these assets are located may further be 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.

12.3 Going concern

The Group has performed and updated its assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The assessment has been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the assessment show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, the interim condensed consolidated financial information has been appropriately prepared on a going concern basis.

13 EVENTS AFTER THE REPORTING PERIOD

The Group is a plaintive in legal proceedings brought against a portfolio manager in respect of an investment transaction executed by the portfolio manager in a fiduciary capacity in prior years.

On 12 April 2021, the Court of First Instance has ruled in favour of the Group. The portfolio manager has announced to appeal before the Court of Appeal, the verdict in the application and interpretation of the law and flawed reasoning and other legal reasons.

The Group has been advised by its legal counsel that, at the date of authorisation of these interims consolidate financial information, the underlying verdict is not final and subject to review by a higher court. Accordingly, it is not practicable to determine the likelihood of the outcome of the legal case and to estimate the financial effect of such an event cannot be made at the end of the reporting period with a reasonable degree of certainty.