

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

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

30 SEPTEMBER 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 30 September 2021, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, 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 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 nine-month period ended 30 September 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

9 November 2021

Kuwait

A member firm of Ernst & Young Global Limited

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 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
		KD	KD	KD	KD
Income					
Rental income		720,663	241,130	2,067,189	1,142,048
Valuation losses from investment properties	5	-	(285,864)	-	(1,357,593)
Net investment income from financial assets		14,591	13,656	42,824	66,807
Share of results of associates		(602,970)	(631,335)	(1,485,161)	(1,447,570)
Net foreign exchange differences		-	79	-	200
Other income		1,530	19,298	41,937	54,246
Total income		133,814	(643,036)	666,789	(1,541,862)
Expenses					
Staff costs		(146,183)	(132,264)	(429,630)	(401,627)
Administrative expenses		(55,524)	(41,051)	(192,554)	(173,301)
Real estate expense		(77,519)	(78,889)	(236,912)	(251,525)
Amortisation of leasehold prepayment		(16,858)	(41,483)	(98,471)	(123,096)
Finance costs		(28,079)	(40,573)	(87,018)	(121,657)
Allowance for expected credit losses		-	-	-	(126,692)
Depreciation expense		(59,485)	(83,060)	(234,284)	(254,344)
Total expenses		(383,648)	(417,320)	(1,278,869)	(1,452,242)
LOSS BEFORE TAX		(249,834)	(1,060,356)	(612,080)	(2,994,104)
Taxation of overseas subsidiaries		(12,982)	(3,102)	(26,790)	(5,522)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		-	-	-	-
National Labour Support Tax ("NLST")		-	-	-	-
Zakat		-	-	-	-
LOSS FOR THE PERIOD		(262,816)	(1,063,458)	(638,870)	(2,999,626)
Attributable to:					
Equity holders of the Parent Company		(283,008)	(1,059,559)	(491,975)	(2,980,218)
Non-controlling interests		20,192	(3,899)	(146,895)	(19,408)
		(262,816)	(1,063,458)	(638,870)	(2,999,626)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	(1.60) fils	(6.01) fils	(2.79) fils	(16.86) 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 2021


	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
LOSS FOR THE PERIOD	(262,816)	(1,063,458)	(638,870)	(2,999,626)
Other comprehensive income				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	-	374,922	(13,064)	375,223
	-	374,922	(13,064)	375,223
<i>Other comprehensive loss 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	(4,726)	-	(155,343)	15,743
	(4,726)	-	(155,343)	15,743
Other comprehensive (loss) income for the period	(4,726)	374,922	(168,407)	390,966
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(267,542)	(688,536)	(807,277)	(2,608,660)
Attributable to:				
Equity holders of the Parent Company	(283,008)	(688,329)	(655,386)	(2,695,260)
Non-controlling interests	15,466	(207)	(151,891)	86,600
	(267,542)	(688,536)	(807,277)	(2,608,660)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 September 2021

		30 September 2021 KD	(Audited) 31 December 2020 KD	30 September 2020 KD
ASSETS				
Non-current assets				
Property and equipment		30,384	42,822	14,669
Right-of-use assets		-	218,555	300,512
Investment properties	5	19,475,337	17,912,023	18,921,534
Investment in associates		2,026,376	3,524,600	4,447,752
Investment securities		972,703	1,123,915	1,123,915
		<u>22,504,800</u>	<u>22,821,915</u>	<u>24,808,382</u>
Current assets				
Accounts receivable and other assets		1,121,264	1,404,329	1,627,194
Term deposits		684,495	1,754,965	2,035,070
Cash and bank balances		353,373	429,598	424,595
		<u>2,159,132</u>	<u>3,588,892</u>	<u>4,086,859</u>
TOTAL ASSETS		<u>24,663,932</u>	<u>26,410,807</u>	<u>28,895,241</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)	(5,603,081)
Treasury shares	6	(209,965)	(209,965)	(209,965)
Treasury shares reserve		2,761	2,761	2,761
Fair value reserve		(118,682)	(547,335)	(547,336)
Accumulated losses		(5,584,006)	(4,513,031)	(2,563,582)
Equity attributable to equity holders of the Parent Company		<u>16,669,989</u>	<u>17,325,375</u>	<u>19,621,716</u>
Non-controlling interests		2,091,439	2,243,330	2,297,013
Total equity		<u>18,761,428</u>	<u>19,568,705</u>	<u>21,918,729</u>
Liabilities				
Non-current liabilities				
Tawarruq and murabaha facilities		2,266,465	2,038,333	2,150,217
Employees' end of service benefits		370,060	339,430	334,747
		<u>2,636,525</u>	<u>2,377,763</u>	<u>2,484,964</u>
Current liabilities				
Tawarruq and murabaha facilities		533,822	669,072	741,279
Amounts due to related parties	8	256,705	256,850	259,623
Accounts payable and other liabilities		2,131,052	3,194,017	3,146,246
Lease liabilities		344,400	344,400	344,400
		<u>3,265,979</u>	<u>4,464,339</u>	<u>4,491,548</u>
Total liabilities		<u>5,902,504</u>	<u>6,842,102</u>	<u>6,976,512</u>
TOTAL EQUITY AND LIABILITIES		<u>24,663,932</u>	<u>26,410,807</u>	<u>28,895,241</u>


Fahad Abdullah Al-Saleh
Chairman


Abdulaziz Zaid Al-Subaie
Chief Executive Officer

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

2021

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 2021

Equity attributable to the equity holders of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Accumulated losses Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
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 for the period	-	-	-	-	-	-	-	-	(491,975)	(491,975)	(146,895)	(638,870)
Other comprehensive loss for the period	-	-	-	-	(13,064)	-	-	(150,347)	-	(163,411)	(4,996)	(168,407)
Total comprehensive loss for the period	-	-	-	-	(13,064)	-	-	(150,347)	(491,975)	(655,386)	(151,891)	(807,277)
Realized loss on derecognition of investment securities at FVOCI	-	-	-	-	-	-	-	579,000	(579,000)	-	-	-
At 30 September 2021	17,942,989	10,239,344	180,293	180,293	(5,963,038)	(209,965)	2,761	(118,682)	(5,584,006)	16,669,989	2,091,439	18,761,428
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
Loss for the period	-	-	-	-	-	-	-	-	(2,980,218)	(2,980,218)	(19,408)	(2,999,626)
Other comprehensive income for the period	-	-	-	-	269,323	-	-	15,635	-	284,958	106,008	390,966
Total comprehensive income (loss) for the period	-	-	-	-	269,323	-	-	15,635	(2,980,218)	(2,695,260)	86,600	(2,608,660)
Purchase of treasury shares	-	-	-	-	-	(135,021)	-	-	-	(135,021)	-	(135,021)
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(881,364)	(881,364)	-	(881,364)
At 30 September 2020	17,942,989	10,239,344	180,293	180,293	(5,603,081)	(209,965)	2,761	(547,336)	(2,563,582)	19,621,716	2,297,013	21,918,729

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 2021

	Notes	Nine months ended 30 September	
		2021 KD	2020 KD
OPERATING ACTIVITIES			
Loss before tax		(612,080)	(2,994,104)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Net investment income from financial assets		(42,824)	(66,807)
Share of results of associates		1,485,161	1,447,570
Net foreign exchange differences		-	(200)
Employees' end of service benefits		36,788	31,987
Amortisation of leasehold prepayments		98,471	123,096
Valuation losses from investment properties	5	-	1,357,593
Finance cost on debts and borrowings		87,018	106,931
Finance cost on lease liabilities		-	14,726
Allowances for expected credit losses		-	126,692
Depreciation of property and equipment		15,729	8,473
Depreciation of right-of-use assets		218,555	245,871
		1,286,818	401,828
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		184,594	181,211
Amounts due from related parties		-	13,332
Accounts payable and other liabilities		(1,087,399)	(442,640)
Amounts due to related parties		(145)	(10,807)
Net cash flows from operations		383,868	142,924
Employees' end of service benefits paid		(6,158)	(18,637)
Taxes paid		(2,356)	(60,810)
Receipt of government grants		-	7,890
Net cash flows from operating activities		375,354	71,367
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(3,291)	-
Additions to investment properties	5	(1,547,875)	-
Capital expenditure on investment properties	5	(15,439)	(8,479)
Net movement in term deposits		1,070,470	476,805
Dividends received from an associate		-	120,425
Proceeds from sale of an associate		-	592
Net investment income received		42,824	66,807
Net cash flows (used in) from investing activities		(453,311)	656,150
FINANCING ACTIVITIES			
Finance costs paid		(87,018)	(106,931)
Net repayment of tawarruq and murabaha payables		92,882	(322,122)
Purchase of treasury shares		-	(135,021)
Dividends paid to equity holders of the Parent Company		-	(881,364)
Payment of lease liabilities		-	(14,726)
Net cash flows from (used in) financing activities		5,864	(1,460,164)
NET DECREASE IN CASH AND BANK BALANCES		(72,093)	(732,647)
Foreign currency translation adjustments		(4,132)	26,973
Cash and bank balances at 1 January		429,598	1,130,269
CASH AND BANK BALANCES AS AT 30 SEPTEMBER		353,373	424,595

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 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 nine months ended 30 September 2021 was authorised for issue in accordance with a resolution of the directors of the Parent Company on 9 November 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 16 October 2006 at 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 Sharī'a as approved by the Parent Company's Fatwa and Sharī'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 30 September 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 638,870 during the period ended 30 September 2021 and, as of that date, the Group's current liabilities exceeded its current assets by KD 1,106,847 (31 December 2020: KD 875,447 and 30 September 2020: KD 404,689). The current liabilities include Tawarruq and murabaha payables of KD 533,822 (31 December 2020: KD 669,072 and 30 September 2020: KD 741,279), which are contractually due within 12 months from the end of the reporting period. Further, the Group's accumulated losses amounted to KD 5,584,006 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 375,354 for the period ended 30 September 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 LOSS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss 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 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 loss per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Loss for the period attributable to equity holders of the Parent Company (KD)	(283,008)	(1,059,559)	(491,975)	(2,980,218)
Weighted average number of shares outstanding (net of treasury shares)	176,272,702	176,272,702	176,272,702	176,781,564
Basic and diluted loss per share attributable to equity holders of the Parent Company	(1.60) fils	(6.01) fils	(2.79) fils	(16.86) 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 30 September 2021

5 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 September</i> <i>2020</i> <i>KD</i>
At the beginning of the period/year	17,912,023	19,935,584	19,935,584
Additions	1,547,875	-	-
Capital expenditure	15,439	8,021	8,479
Change in fair value	-	(2,031,582)	(1,357,593)
Exchange differences	-	-	335,064
	<u>19,475,337</u>	<u>17,912,023</u>	<u>18,921,534</u>
At the end of the period/year	<u>19,475,337</u>	<u>17,912,023</u>	<u>18,921,534</u>

- 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 11,197,875 (31 December 2020: KD 9,650,000 and 30 September 2020: KD 9,250,000) are pledged as security in order to fulfil the collateral requirements for certain tawarruq facilities.

6 TREASURY SHARES

	<i>30 September</i> <i>2021</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i>	<i>30 September</i> <i>2020</i>
Number of treasury shares	3,157,188	3,157,188	3,157,188
Percentage of issued shares	1.75%	1.75%	1.75%
Cost of treasury shares (KD)	209,965	209,965	209,965
Market value of treasury shares (KD)	170,488	183,117	179,960
Weighted average market value per treasury share (fils)	54	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 to 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 30 September 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

	30 September	<i>(Audited)</i> 31 December	30 September
	2021	2020	2020
	KD	KD	KD
Balances included in interim condensed consolidated statement of financial position:			
Payables to related parties			
- Associates	256,705	256,850	259,623
	<u>256,705</u>	<u>256,850</u>	<u>259,623</u>

The Group was not involved in any significant transactions with related parties during nine months ended 30 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2021	2020	2021	2020
	KD	KD	KD	KD
Key management compensation:				
Salaries and short-term benefits	50,465	43,020	130,354	202,314
Employees' end of service benefits	8,334	5,942	24,830	20,035
	<u>58,799</u>	<u>48,962</u>	<u>155,184</u>	<u>222,349</u>

9 COMMITMENTS AND CONTINGENCIES

Legal claim contingency

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 interim condensed consolidated 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.

Commitments

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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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 abroad, 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)

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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:

	Nine months ended 30 September 2021			Nine months ended 30 September 2020			
	Real estate activities KD	Hajj & Umrah services KD	Investment activities KD	Real estate activities KD	Hajj & Umrah services KD	Investment activities KD	Total KD
Rental income	2,067,189	-	-	1,142,048	-	-	1,142,048
Valuation losses from investment properties	-	-	-	(1,357,593)	-	-	(1,357,593)
Net investment income from financial assets	27,085	-	15,739	57,276	-	9,531	66,807
Share of results of associates	(551,700)	(933,461)	-	(672,081)	(775,489)	-	(1,447,570)
Net foreign exchange differences	-	-	-	-	-	200	200
Other income	41,012	200	725	48,426	-	5,820	54,246
Total income	1,583,586	(933,261)	16,464	(781,924)	(775,489)	15,551	(1,541,862)
Staff costs	(93,797)	-	(335,833)	(80,123)	-	(321,504)	(401,627)
Administrative expenses	(104,828)	(5,169)	(82,557)	(74,776)	(7,191)	(91,334)	(173,301)
Real estate expense	(236,912)	-	-	(251,525)	-	-	(251,525)
Amortisation of leasehold prepayment	(98,471)	-	-	(123,096)	-	-	(123,096)
Finance costs	(82,471)	-	(4,547)	(117,120)	-	(4,537)	(121,657)
Allowance for expected credit losses	-	-	-	(126,692)	-	-	(126,692)
Depreciation expense	(233,140)	-	(1,144)	(253,592)	-	(752)	(254,344)
Taxation of overseas subsidiaries	(26,790)	-	-	(5,522)	-	-	(5,522)
Total expenses and other charges	(876,409)	(5,169)	(424,081)	(1,032,446)	(7,191)	(418,127)	(1,457,764)
LOSS FOR THE PERIOD	707,177	(938,430)	(407,617)	(1,814,370)	(782,680)	(402,576)	(2,999,626)

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 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>
30 September 2021				
Segment assets	22,437,604	1,657,722	568,606	24,663,932
Segment liabilities	4,770,119	79,072	1,053,313	5,902,504
31 December 2020				
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
30 September 2020				
Segment assets	25,516,168	2,248,843	1,130,230	28,895,241
Segment liabilities	5,879,870	54,522	1,042,120	6,976,512

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

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11 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>		<i>Total KD</i>
	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>As at 30 September 2021</i>			
Investment securities	-	972,703	972,703
Investment properties	19,475,337	-	19,475,337
<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 30 September 2020</i>			
Investment securities	-	1,123,915	1,123,915
Investment properties	17,949,929	971,605	18,921,534

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>30 September 2021 KD</i>	<i>31 December 2020 KD</i>	<i>30 September 2020 KD</i>
At the beginning of the period /year	1,123,915	1,108,172	1,108,172
Re-measurement recognised in OCI	(155,343)	15,743	15,743
Forex	4,131	-	-
At the end of the period/year	972,703	1,123,915	1,123,915

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 (8,881).
		DLOM	30%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 3,108.

* 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 30 September 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 30 September 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 30 September 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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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.