

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

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

30 SEPTEMBER 2022

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 2022, 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 2022 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 2022 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

10 November 2022
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 September 2022

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022 KD	2021 KD	2022 KD	2021 KD
INCOME					
Rental income		380,604	720,663	1,099,438	2,067,189
Net investment income from financial assets		21,597	14,591	42,456	42,824
Share of results of associates		89,764	(602,970)	118,439	(1,485,161)
Reversal of provisions no longer required		27,790	-	212,114	-
Net foreign exchange differences		729	-	729	-
Other income		9,642	1,530	66,052	41,937
Total income		530,126	133,814	1,539,228	666,789
EXPENSES					
Staff costs		(143,020)	(146,183)	(417,268)	(429,630)
General and administrative expenses		(36,005)	(55,524)	(126,874)	(192,554)
Real estate expenses		(72,857)	(77,519)	(207,303)	(236,912)
Amortisation of leasehold prepayment		-	(16,858)	-	(98,471)
Finance costs		(25,123)	(28,079)	(80,558)	(87,018)
Depreciation expense		(3,346)	(59,485)	(10,669)	(234,284)
Total expenses		(280,351)	(383,648)	(842,672)	(1,278,869)
PROFIT (LOSS) BEFORE TAX		249,775	(249,834)	696,556	(612,080)
Taxation of overseas subsidiaries		(25,676)	(12,982)	(64,295)	(26,790)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		-	-	-	-
National Labour Support Tax ("NLST")		(5,432)	-	(15,312)	-
Zakat		(3,203)	-	(9,025)	-
PROFIT (LOSS) FOR THE PERIOD		215,464	(262,816)	607,924	(638,870)
Attributable to:					
Equity holders of the Parent Company		182,970	(283,008)	523,867	(491,975)
Non-controlling interests		32,494	20,192	84,057	(146,895)
		215,464	(262,816)	607,924	(638,870)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS	4	1.04 Fils	(1.61) Fils	2.97 Fils	(2.79) Fils

The attached notes 1 to 11 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 2022

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
PROFIT (LOSS) FOR THE PERIOD	215,464	(262,816)	607,924	(638,870)
Other comprehensive loss				
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(5,337)	-	(1,096,988)	(13,064)
	(5,337)	-	(1,096,988)	(13,064)
<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)
	-	(4,726)	-	(155,343)
Other comprehensive loss for the period	(5,337)	(4,726)	(1,096,988)	(168,407)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	210,127	(267,542)	(489,064)	(807,277)
Attributable to:				
Equity holders of the Parent Company	177,685	(283,008)	(369,755)	(655,386)
Non-controlling interests	32,442	15,466	(119,309)	(151,891)
	210,127	(267,542)	(489,064)	(807,277)

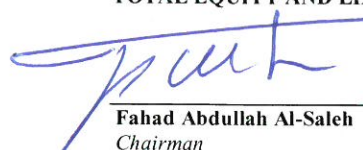
The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

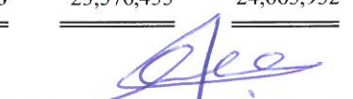
Mashaer Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

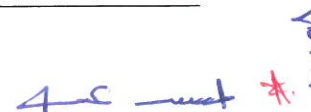
As at 30 September 2022

	Notes	30 September 2022 KD	(Audited) 31 December 2021 KD	30 September 2021 KD
ASSETS				
Non-current assets				
Property and equipment		16,885	25,864	30,384
Investment properties	5	18,256,299	19,262,280	19,475,337
Investment in associates		665,156	1,186,717	2,026,376
Investment securities		972,703	972,703	972,703
Accounts receivable and other assets		254,378	-	-
		<u>20,165,421</u>	<u>21,447,564</u>	<u>22,504,800</u>
Current assets				
Accounts receivable and other assets		842,681	1,118,483	1,121,264
Term deposits		1,267,680	612,995	684,495
Cash and cash equivalents		254,371	397,391	353,373
		<u>2,364,732</u>	<u>2,128,869</u>	<u>2,159,132</u>
TOTAL ASSETS		<u><u>22,530,153</u></u>	<u><u>23,576,433</u></u>	<u><u>24,663,932</u></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		(7,010,100)	(6,116,478)	(5,963,038)
Treasury shares	6	(209,965)	(209,965)	(209,965)
Treasury shares reserve		2,761	2,761	2,761
Fair value reserve		(118,682)	(118,682)	(118,682)
Accumulated losses		(6,153,290)	(6,677,157)	(5,584,006)
Equity attributable to equity holders of the Parent Company		<u>15,053,643</u>	<u>15,423,398</u>	<u>16,669,989</u>
Non-controlling interests		2,176,427	2,295,736	2,091,439
Total equity		<u>17,230,070</u>	<u>17,719,134</u>	<u>18,761,428</u>
Liabilities				
Non-current liabilities				
Tawarruq and murabaha facilities		1,722,050	2,193,012	2,266,465
Employees' end of service benefits		394,428	376,196	370,060
		<u>2,116,478</u>	<u>2,569,208</u>	<u>2,636,525</u>
Current liabilities				
Tawarruq and murabaha facilities		586,594	527,177	533,822
Amounts due to related parties	8	233,320	256,779	256,705
Accounts payable and other liabilities		2,019,291	2,159,735	2,131,052
Lease liabilities		344,400	344,400	344,400
		<u>3,183,605</u>	<u>3,288,091</u>	<u>3,265,979</u>
Total liabilities		<u>5,300,083</u>	<u>5,857,299</u>	<u>5,902,504</u>
TOTAL EQUITY AND LIABILITIES		<u><u>22,530,153</u></u>	<u><u>23,576,433</u></u>	<u><u>24,663,932</u></u>


Fahad Abdullah Al-Saleh
Chairman


Abdulaziz Zaid Al-Subaie
Chief Executive Officer

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2022

	<i>Equity attributable to the equity holders of the Parent Company</i>											
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Foreign currency translation reserve</i>	<i>Treasury shares</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Sub-total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January 2022	17,942,989	10,239,344	180,293	180,293	(6,116,478)	(209,965)	2,761	(118,682)	(6,677,157)	15,423,398	2,295,736	17,719,134
Profit for the period	-	-	-	-	-	-	-	-	523,867	523,867	84,057	607,924
Other comprehensive loss for the period	-	-	-	-	(893,622)	-	-	-	-	(893,622)	(203,366)	(1,096,988)
Total comprehensive loss for the period	-	-	-	-	(893,622)	-	-	-	523,867	(369,755)	(119,309)	(489,064)
At 30 September 2022	17,942,989	10,239,344	180,293	180,293	(7,010,100)	(209,965)	2,761	(118,682)	(6,153,290)	15,053,643	2,176,427	17,230,070
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)
Realised 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

The attached notes 1 to 11 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 2022

	Notes	Nine months ended 30 September	
		2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit (loss) before tax		696,556	(612,080)
<i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i>			
Net investment income from financial assets		(42,456)	(42,824)
Share of results of associates		(118,439)	1,485,161
Employees' end of service benefits		38,517	36,788
Amortisation of leasehold prepayments		-	98,471
Finance cost on debts and borrowings		80,558	87,018
Net foreign exchange difference		(729)	-
Reversal of provisions no longer required		(212,114)	-
Depreciation of property and equipment		10,669	15,729
Depreciation of right-of-use assets		-	218,555
		452,562	1,286,818
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		102,512	184,594
Accounts payable and other liabilities		(90,873)	(1,087,399)
Amounts due to related parties		(23,459)	(145)
Net cash flows from operations		440,742	383,868
Employees' end of service benefits paid		(20,285)	(6,158)
Taxes paid		(6,448)	(2,356)
Net cash flows from operating activities		414,009	375,354
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(1,690)	(3,291)
Additions to investment properties		-	(1,547,875)
Capital expenditure on investment properties	5	(3,111)	(15,439)
Net movement in term deposits		(654,685)	1,070,470
Dividends received from an associate		640,000	-
Net investment income from financial assets		42,456	42,824
Net cash flows from (used in) investing activities		22,970	(453,311)
FINANCING ACTIVITIES			
Finance costs paid		(80,558)	(87,018)
(Repayment of) proceeds from tawarruq and murabaha payables		(411,545)	92,882
Net cash flows (used in) from financing activities		(492,103)	5,864
NET DECREASE IN CASH AND CASH EQUIVALENTS		(55,124)	(72,093)
Foreign currency translation adjustments		(87,896)	(4,132)
Cash and cash equivalents at 1 January		397,391	429,598
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		254,371	353,373

The attached notes 1 to 11 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 2022

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 2022 was authorised for issue in accordance with a resolution of the directors of the Parent Company on 10 November 2022.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the shareholders at the AGM held on 14 April 2022. No dividends have been declared by the Parent Company.

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 for the nine months ended 30 September 2022 has been prepared in accordance with International Accounting Standard 34: “*Interim Financial Reporting*” (“IAS 34”). The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern. The management consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

2.2 New standards, interpretations, and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contracts within the scope of these amendments arisen during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

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.

Although, the Group generated a profit of KD 607,924 during the period ended 30 September 2022 and, as of that date, the Group's current liabilities exceeded its current assets by KD 818,873. The current liabilities include Tawarruq and murabaha payables of KD 586,594, which are contractually due within 12 months from the end of the reporting period. Further, the Group's accumulated losses amounted to KD 6,153,290 as at the reporting date.

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 414,009 for the period ended 30 September 2022;
- ▶ 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 has not defaulted on its contractual payments of Tawarruq and murabaha facilities during the period ended 30 September 2022; and
- ▶ The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows.

As described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The interim condensed consolidated financial information does not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities which may be necessary if the Group is unable to continue as a going concern.

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 2022

4 EARNINGS PER SHARE (EPS)

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	182,970	(283,008)	523,867	(491,975)
Weighted average number of shares outstanding (net of treasury shares)	176,272,702	176,272,702	176,272,702	176,272,702
Basic and diluted EPS attributable to equity holders of the Parent Company	1.04 fils	(1.61) fils	2.97 fils	(2.79) 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.

5 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at the beginning of the period/year	19,262,280	17,912,023	17,912,023
Additions	-	1,547,875	1,547,875
Capital expenditure	3,111	16,703	15,439
Change in fair value	-	(214,321)	-
Exchange differences	(1,009,092)	-	-
At the end of the period/year	18,256,299	19,262,280	19,475,337

The fair value of investment properties was independently determined at 31 December 2021 by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied were consistent with the principles in IFRS 13 and fair value was determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm').

Investment properties amounting to KD 8,150,000 (31 December 2021: KD 9,500,000 and 30 September 2021: KD 9,650,000) are pledged as security in order to fulfil the collateral requirements for certain tawarruq facilities.

The fair value hierarchy of investment properties at 30 September 2022 and 2021 are disclosed in Note 11.

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 2022

6 TREASURY SHARES

	30 September 2022	<i>(Audited)</i> 31 December 2021	30 September 2021
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)	167,331	221,003	170,488
Weighted average market value per treasury share (fils)	53	70	54

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 14 April 2022 approved the consolidated financial statements of the Group for the year ended 31 December 2021 and also approved the Board of Directors' proposal to neither distribute cash dividends (2020: Nil) nor directors' remuneration (2020: Nil) for the year then ended.

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 2022	<i>(Audited)</i> 31 December 2021	30 September 2021
	KD	KD	KD
Interim condensed consolidated statement of financial position:			
Payables to related parties			
- Associates	233,320	256,779	256,705

The Group was not involved in any significant transactions with related parties during the nine months ended 30 September 2022, except for key management personnel compensation as disclosed below.

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 and outstanding balances related to key management personnel were as follows:

	<i>Transactions value for the nine months ended</i>		<i>Balance outstanding as at</i>		
	30 September 2022	30 September 2021	30 September 2022	31 December 2021	30 September 2021
	KD	KD	KD	KD	KD
Salaries and short-term benefits	161,789	130,354	21,274	24,597	15,610
End of service benefits	30,809	24,830	25,117	28,478	19,137
	192,598	155,184	46,391	53,075	34,747

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

9 COMMITMENTS AND CONTINGENCIES

9.1 Capital commitments

The Group has no capital commitments at the reporting date.

9.2 Legal claim contingencies

The Group is a plaintiff 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 appealed this verdict before the Court of Appeal. On 10 February 2022, an appeal judgment was handed down in favour of the Group against the portfolio manager in respect of the legal claim made by the Group.

The Group expects the portfolio manager to appeal before the Court of Cassation and, having received legal advice, the management believes that a favourable outcome is highly probable. However, the contingent asset will only be recognised as a receivable in forthcoming reporting periods as the receipt of the amount is dependent on the outcome of the execution process.

Further, the Group operates in the real estate industry and is subject to legal disputes with tenants in the normal course of business. Management does not believe that such proceedings will have a material effect on its results and financial position.

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 30 September 2022

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>Nine months ended 30 September 2022</i>				<i>Nine months ended 30 September 2021</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	1,099,438	-	-	1,099,438	2,067,189	-	-	2,067,189
Net investment income from financial assets	32,874	-	9,582	42,456	27,085	-	15,739	42,824
Share of results of associates	118,439	-	-	118,439	(551,700)	(933,461)	-	(1,485,161)
Reversal of provisions no longer required	95,200	52,635	64,279	212,114	-	-	-	-
Net foreign exchange differences	-	729	-	729	-	-	-	-
Other income	63,352	2,700	-	66,052	41,012	200	725	41,937
Total income	1,409,303	56,064	73,861	1,539,228	1,583,586	(933,261)	16,464	666,789
Staff costs	(94,423)	-	(322,845)	(417,268)	(93,797)	-	(335,833)	(429,630)
General and administrative expenses	(56,552)	(5,008)	(65,314)	(126,874)	(104,828)	(5,169)	(82,557)	(192,554)
Real estate expenses	(207,303)	-	-	(207,303)	(236,912)	-	-	(236,912)
Amortisation of leasehold prepayment	-	-	-	-	(98,471)	-	-	(98,471)
Finance costs	(77,656)	-	(2,902)	(80,558)	(82,471)	-	(4,547)	(87,018)
Depreciation expense	(9,356)	-	(1,313)	(10,669)	(233,140)	-	(1,144)	(234,284)
Taxation of overseas subsidiaries	(64,295)	-	-	(64,295)	(26,790)	-	-	(26,790)
KFAS, NLST and Zakat	(8,514)	(511)	(15,312)	(24,337)	-	-	-	-
Total expenses and other charges	(518,099)	(5,519)	(407,686)	(931,304)	(876,409)	(5,169)	(424,081)	(1,305,659)
PROFIT (LOSS) FOR THE PERIOD	891,204	50,545	(333,825)	607,924	707,177	(938,430)	(407,617)	(638,870)

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 2022

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 2022				
Segment assets	20,469,364	30,279	2,030,510	22,530,153
Segment liabilities	4,195,878	47,786	1,056,419	5,300,083
31 December 2021 (Audited)				
Segment assets	20,994,367	11,851	2,570,215	23,576,433
Segment liabilities	4,698,365	80,447	1,078,487	5,857,299
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

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	<u><i>Fair value measurement using</i></u>		<i>Total KD</i>
	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
As at 30 September 2022			
Investment securities	-	972,703	972,703

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 2022

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	<i>Fair value measurement using</i>		
	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>As at 31 December 2021 (Audited)</i>			
Investment securities	-	972,703	972,703
<i>As at 30 September 2021</i>			
Investment securities	-	972,703	972,703

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 2022</i>	<i>31 December 2021</i>	<i>30 September 2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period /year	972,703	1,123,915	1,123,915
Remeasurement recognised in OCI	-	(150,617)	(155,343)
Exchange differences	-	(595)	4,131
At the end of the period/year	972,703	972,703	972,703

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>Input</i>	<i>Sensitivity of the input to fair value</i>
Non-listed equity investments	Market approach	Sector PBV multiple	0.66 - 0.99	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD 8,898.
		DLOM	30% - 40%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 3,114.

* 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.