Munshaat Real Estate Projects Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2021

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF MUNSHAAT REAL ESTATE PROJECTS K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 June 2021, and the related interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of the 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 the 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 condensed consolidated 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.

Material Uncertainty Related to Going Concern and Impact of Covid-19

We draw attention to Note 2 in the interim condensed consolidated financial information, which indicates that the Group incurred a net loss of KD 14,325,427 (30 June 2020: KD 6,502,694) during the six months ended 30 June 2021 and, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 31,144,527 (31 December 2020: KD 20,598,890, 30 June 2020: KD 8,414,226). In addition to the above, the Group's accumulated losses at the reporting date amounted to KD 20,585,625 (31 December 2020: KD 33,602,151, 30 June 2020: KD 12,787,798).

Further, the COVID-19 pandemic has had a severe impact on the global hospitality industry. The travel and border restrictions implemented by the countries in which the Group operates has led to a significant fall in occupancy rates which impacted the Group's financial performance and cash flows. These events or conditions, along with other matters as set forth in Notes 2 and 14 to the interim condensed consolidated financial information, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF MUNSHAAT REAL ESTATE PROJECTS K.S.C.P. (continued)

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 account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any 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, as amended, during the six-month period ended 30 June 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 six-month period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM AL SAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

12 August 2021
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the period ended 30 June 2021

	Notes	*Three months ended 30 June* **2021** **KD**	*Three months ended 30 June* 2020 KD	*Six months ended 30 June* **2021** **KD**	*Six months ended 30 June* 2020 KD
Operating revenue	4	**702,911**	-	**1,482,336**	2,179,156
Operating costs	4	**(1,390,487)**	(995,792)	**(2,739,993)**	(3,139,653)
Net results from hotel operations		**(687,576)**	(995,792)	**(1,257,657)**	(960,497)
Management fees		**57,696**	31,077	**160,537**	147,354
Net income from Sukouk		**273,494**	(1,258)	**308,503**	107,055
Reversal of provisions no longer required		**8,900**	-	**40,073**	-
Net income (loss) from investment properties	6	**248,577**	(522,405)	**499,064**	(641,499)
Finance income		**1,518**	1,613	**2,764**	7,627
Dividend income		-	-	-	197,243
Other income		**107,317**	14,634	**128,009**	95,733
Gain on disposal of fixed assets		**188**	-	**188**	-
Unrealised loss from financial assets at fair value through profit or loss		**(85,670)**	(553,224)	**(196,435)**	(815,606)
Provision for litigation	11	**(9,551,847)**	-	**(9,551,847)**	-
Share of results of associates	7	**(578,370)**	(1,656,701)	**(1,388,097)**	(1,758,502)
General and administrative expenses		**(282,985)**	(476,590)	**(573,635)**	(1,336,101)
Depreciation expense		**(22,359)**	(39,262)	**(42,122)**	(75,385)
Write-down of inventories		**(15,656)**	(159,650)	**(31,440)**	(159,650)
Finance costs on Islamic finance payables		**(363,413)**	(648,734)	**(728,739)**	(1,324,144)
Finance costs on lease obligations		**(216,207)**	(222,970)	**(432,926)**	(445,936)
Net foreign exchange differences		**(125,642)**	(124,050)	**(196,552)**	651,072
Provision for expected credit losses		**(460,272)**	(166,847)	**(1,013,796)**	(166,847)
Loss before tax		**(11,692,307)**	(5,520,159)	**(14,274,108)**	(6,478,083)
Overseas taxation		**(5,870)**	(11,933)	**(51,319)**	(14,611)
Directors' remuneration		-	(10,000)	-	(10,000)
LOSS FOR THE PERIOD		**(11,698,177)**	(5,542,092)	**(14,325,427)**	(6,502,694)
Attributable to:					
Equity holders of the Parent Company		**(9,149,783)**	(4,906,326)	**(11,322,636)**	(5,859,875)
Non-controlling interests		**(2,548,394)**	(635,766)	**(3,002,791)**	(642,819)
LOSS FOR THE PERIOD		**(11,698,177)**	(5,542,092)	**(14,325,427)**	(6,502,694)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**(28) Fils**	(15) Fils	**(35) Fils**	(18) Fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2021

	Three months ended 30 June		*Six months ended 30 June*	
	2021	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*
LOSS FOR THE PERIOD	**(11,698,177)**	(5,542,092)	**(14,325,427)**	(6,502,694)
Other comprehensive income (loss)				
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	**132,717**	23,393	**188,490**	(202,541)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	**132,717**	23,393	**188,490**	(202,541)
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:				
Changes in fair value of equity instruments designated at FVOCI	**(20,063)**	8,496	**(20,063)**	(78,535)
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods	**(20,063)**	8,496	**(20,063)**	(78,535)
Other comprehensive income (loss) for the period	**112,654**	31,889	**168,427**	(281,076)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(11,585,523)**	(5,510,203)	**(14,157,000)**	(6,783,770)
Attributable to:				
Equity holders of the Parent Company	**(9,080,999)**	(4,882,651)	**(11,221,480)**	(6,094,661)
Non-controlling interests	**(2,504,524)**	(627,552)	**(2,935,520)**	(689,109)
	(11,585,523)	(5,510,203)	**(14,157,000)**	(6,783,770)

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2021

	Notes	*30 June 2021 KD*	*(Audited) 31 December 2020 KD*	*30 June 2020 KD*
ASSETS				
Non-current assets				
Furniture and equipment		**224,738**	263,270	484,624
Right-of-use asset	6	**47,565,197**	49,079,942	52,958,556
Investment properties	6	**16,112,563**	16,582,932	21,009,183
Investment in associates	7	**18,143,602**	19,513,809	27,831,300
Financial assets at FVPL		**1,579,139**	1,775,574	3,724,774
Financial assets at FVOCI		**293,531**	313,594	755,429
		83,918,770	87,529,121	106,763,866
Current assets				
Accounts receivable and prepayments		**1,579,983**	5,102,883	8,411,381
Trading properties		**530,370**	530,370	530,370
Inventories		**516,659**	552,426	922,541
Bank balances and cash		**4,104,291**	3,300,397	9,404,596
		6,731,303	9,486,076	19,268,888
TOTAL ASSETS		**90,650,073**	97,015,197	126,032,754
EQUITY AND LIABILITIES				
Equity				
Share capital	9	**32,200,000**	32,200,000	32,200,000
Share premium	9	**-**	12,400,000	12,400,000
Statutory reserve		**-**	11,939,162	11,939,162
Other reserve		**(309,291)**	(309,291)	(309,291)
Fair value reserve		**(2,152,531)**	(2,132,468)	(1,690,634)
Foreign currency translation reserve		**(67,051)**	(188,270)	(495,111)
Accumulated losses		**(20,585,625)**	(33,602,151)	(12,787,798)
Equity attributable to equity holders of the Parent Company		**9,085,502**	20,306,982	41,256,328
Non-controlling interests		**(11,282,915)**	(8,347,395)	(4,080,803)
Total equity		**(2,197,413)**	11,959,587	37,175,525
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**457,747**	733,201	825,002
Islamic finance payables	10	**35,544,066**	35,544,066	40,644,066
Obligations under finance lease		**14,009,545**	13,697,291	14,633,684
Accounts payable and accruals		**4,960,298**	4,996,086	5,071,363
		54,971,656	54,970,644	61,174,115
Current liabilities				
Islamic finance payables	10	**12,315,341**	12,615,341	7,489,613
Obligations under finance lease		**1,007,954**	1,014,966	1,029,717
Accounts payable and accruals	11	**24,552,535**	16,454,659	19,163,784
		37,875,830	30,084,966	27,683,114
Total liabilities		**92,847,486**	85,055,610	88,857,229
TOTAL EQUITY AND LIABILITIES		**90,650,073**	97,015,197	126,032,754

Nawaf Musaid Abdulaziz Al-Osaimi
Chairman

Eisa Najib Abdulmohsen Al Eisa
Acting Chief Executive Officer

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2021

	Equity attributable to equity holders of the Parent Company									
	Share capital KD	***Share premium KD***	***Statutory reserve KD***	***Other reserve KD***	***Fair value reserve KD***	***Foreign currency translation reserve KD***	***Accumulated losses KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2021 (Audited)	32,200,000	12,400,000	11,939,162	(309,291)	(2,132,468)	(188,270)	(33,602,151)	20,306,982	(8,347,395)	11,959,587
Loss for the period	-	-	-	-	-	-	(11,322,636)	(11,322,636)	(3,002,791)	(14,325,427)
Other comprehensive (loss) income for the period	-	-	-	-	(20,063)	121,219	-	101,156	67,271	168,427
Total comprehensive (loss) income for the period	-	-	-	-	(20,063)	121,219	(11,322,636)	(11,221,480)	(2,935,520)	(14,157,000)
Partial extinguishment of accumulated losses (Note 9)	-	(12,400,000)	(11,939,162)	-	-	-	24,339,162	-	-	-
At 30 June 2021	**32,200,000**	**-**	**-**	**(309,291)**	**(2,152,531)**	**(67,051)**	**(20,585,625)**	**9,085,502**	**(11,282,915)**	**(2,197,413)**
As at 1 January 2020 (Audited)	32,200,000	12,400,000	11,939,162	(309,291)	(1,612,099)	(338,860)	(6,927,923)	47,350,989	(3,003,223)	44,347,766
Loss for the period	-	-	-	-	-	-	(5,859,875)	(5,859,875)	(642,819)	(6,502,694)
Other comprehensive loss for the period	-	-	-	-	(78,535)	(156,251)	-	(234,786)	(46,290)	(281,076)
Total comprehensive loss for the period	-	-	-	-	(78,535)	(156,251)	(5,859,875)	(6,094,661)	(689,109)	(6,783,770)
Capital redemptions in a subsidiary	-	-	-	-	-	-	-	-	(388,471)	(388,471)
At 30 June 2020	32,200,000	12,400,000	11,939,162	(309,291)	(1,690,634)	(495,111)	(12,787,798)	41,256,328	(4,080,803)	37,175,525

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended at 30 June 2021

	Notes	*Six months ended 30 June* **2021** **KD**	*2020* *KD*
OPERATING ACTIVITIES			
Loss before tax		**(14,274,108)**	(6,478,083)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of right-of-use asset	6	**1,345,143**	1,415,052
Valuation losses on investment properties	6	**464,196**	1,649,437
Unrealised loss from financial assets at fair value through profit or loss		**196,435**	815,606
Provision for expected credit losses		**1,013,796**	166,847
Income from deposits		**(2,764)**	(7,627)
Dividend income		**-**	(197,243)
Share of results of associates		**1,388,097**	1,758,502
Depreciation of furniture and equipment		**42,122**	75,385
Provision for legal expenses		**9,551,847**	-
Gain on disposal of fixed assets		**(188)**	-
Finance costs on Islamic finance payables		**728,739**	1,324,144
Finance costs on lease obligations		**432,926**	445,936
Reversal of provisions no longer required		**(40,073)**	-
Net foreign exchange differences		**196,552**	(651,072)
Write-down of inventories		**31,440**	159,650
Provision for employees' end of service benefits		**17,898**	46,719
		1,092,058	523,253
Working capital changes:			
Accounts receivable and prepayments		**897,333**	1,082,338
Inventories		**4,327**	13,981
Accounts payable and accruals		**(581,855)**	1,857,857
Cash flows from operations		**1,411,863**	3,477,429
Employees' end of service benefits paid		**(293,180)**	(206,128)
Taxes paid		**121,064**	-
Net cash flows from operating activities		**1,239,747**	3,271,301
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(1,622)**	(11,636)
Additions to right-of-use asset	6	**(25,114)**	(46,874)
Dividend income received from an associate		**-**	574,996
Dividend income received		**-**	197,243
Income received from deposits		**2,764**	7,627
Proceeds from disposal of fixed assets		**191**	-
Net movement in wakala receivables		**-**	281,026
Proceeds from capital redemption of financial assets at fair value through profit or loss		**-**	209,304
Net cash flows (used in) from investing activities		**(23,781)**	1,211,686
FINANCING ACTIVITIES			
Net repayment of Islamic finance payables		**(300,000)**	(300,000)
Net repayment of obligations under finance lease		**(21,637)**	(18,000)
Finance costs paid		**(84,353)**	(352,023)
Capital redemption paid to non-controlling interests		**-**	(388,471)
Payment of prior years' dividends		**(250)**	(1,250)
Net cash flows used in financing activities		**(406,240)**	(1,059,744)
NET INCREASE IN BANK BALANCES AND CASH		**809,726**	3,423,243
Net foreign exchange difference		**(5,832)**	100,541
Bank balances and cash 1 January		**3,300,397**	5,880,812
BANK BALANCES AND CASH AT 30 JUNE		**4,104,291**	9,404,596

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 12 August 2021.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the Parent Company's shareholders at the annual general assembly meeting ("AGM") held on 23 June 2021. No dividends were declared by the Parent Company.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company's head office is located at ITS Tower, Mezzanine floor, Mubarak Al Kabeer Street, Sharq and its registered postal address is P.O. Box 1393, Dasman 15464, Kuwait.

The Parent Company of Munshaat Real Estate Projects Company K.S.C.P, is Aref Investment Group S.A.K. ("Ultimate Parent Company"), a closed shareholding company incorporated and domiciled in Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Sharīʿa principles as approved by the Group's Fatwa and Sharīʿa Supervisory Board. The Group is principally engaged real estate activities and operations.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have significantly impacted the Group. The capacity constraints and restrictions imposed by the government on Hajj and Umrah activities along with travel bans has negatively impacted the Group's financial performance for the period and also its liquidity position.

For the period ended 30 June 2021, the Group incurred a net loss of KD 14,325,427 and, as of that date, its current liabilities exceeded its current assets by KD 31,144,527 In addition to the above, the Group's accumulated losses at the reporting date amounted to KD 20,585,625.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and the impact of the highly uncertain economic environment remains judgmental. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

Management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond. The Group has taken and will take a number of measures to monitor and prevent the effects of the pandemic, preserve cash and boost liquidity.

- Management has prepared a detailed cashflow analysis for the next 12 months to assess the liquidity position of the Group and identify liquidity gaps under various scenarios. The management has concluded that the Group will be able to meet all its obligations due.
- Management has successfully negotiated with a related party financial institution to reschedule the principal repayment terms of Islamic finance payables from December 2020 until December 2021 and believes will be able to successfully re-negotiate rescheduling further if the need arises.
- Based on their past experience with the contractor, the management believe that it will be able to negotiate a settlement offer with the contractor, to settle the claim (Note 11).
- Management has taken actions to reduce operating losses by ceasing operations of hotels owned and by managed by the Group. Cost savings measure included employee furlough together with other employee cost reductions. Further, supplier costs decreased significantly due to temporary hotel closures, together with a reduction in non-essential operating and capital expenditure as a result of COVID-19.

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, based on the facts and circumstances known at this moment and the possible scenarios about how the pandemic and resulting government measures could evolve, management has determined that the use of the going concern assumption is warranted and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial information.

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

3.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting.* The Group has prepared the interim condensed consolidated financial information on the basis that it will continue to operate as a going concern. The management considered that material uncertainties exist that may cast doubt significant doubt over this assumption (Refer to Note 2 for further details). 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 include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

3.2 New standards, interpretations 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 and interpretations apply for the first time in 2021, but do not have an 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.

4 OPERATING REVENUE AND COSTS

	Three months ended 30 June		*Six months ended 30 June*	
	2021	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*
Operating revenue				
Hotel revenue	**702,911**	-	**1,482,336**	2,179,156
Operating costs				
Hotel operating costs	**(718,260)**	(288,224)	**(1,394,850)**	(1,724,601)
Depreciation of right-of-use asset (Note 6)	**(672,227)**	(707,568)	**(1,345,143)**	(1,415,052)
	(1,390,487)	(995,792)	**(2,739,993)**	(3,139,653)
Net results from hotel operations	**(687,576)**	(995,792)	**(1,257,657)**	(3,139,653)

Despite several measures taken by the Group to drastically cut costs, net results from hotel operations witnessed a substantial decline due to the severe impact of the pandemic on hotel occupancy rates. While widespread vaccination rollout could ease situation to an extent, discretionary travel remained significantly lower than pre-COVID levels.

5 (LOSS) / EARNING 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 for the period 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 per share are identical.

	Three months ended 30 June		*Six months ended 30 June*	
	2021	*2020*	***2021***	*2020*
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	**(9,149,783)**	(4,906,326)	**(11,322,636)**	(5,859,875)
Weighted average number of ordinary shares outstanding during the period (shares)	**322,000,000**	322,000,000	**322,000,000**	322,000,000
Basic and diluted EPS (Fils)	**(28) Fils**	(15) Fils	**(35) Fils**	(18) 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.

6 RIGHT-OF-USE ASSET AND INVESTMENT PROPERTIES

a. Right-of-use asset

Set out below are the carrying amounts of ROU asset recognised and the movements during the period:

	30 June 2021 KD	*(Audited) 31 December 2020 KD*	*30 June 2020 KD*
At the beginning of the period/year	**49,079,942**	53,849,054	53,849,054
Impairment of right-of-use asset	**-**	(2,090,971)	-
Depreciation of right-of-use asset (Note 4)	**(1,345,143)**	(2,810,030)	(1,415,052)
Additions	**25,114**	55,659	46,874
Exchange differences	**(194,716)**	76,230	477,680
At the end of the period/year	**47,565,197**	49,079,942	52,958,556

b. Investment properties

	30 June 2021 KD	*(Audited) 31 December 2020 KD*	*30 June 2020 KD*
At the beginning of the period/year	**16,582,932**	22,588,450	22,588,450
Net loss from fair value remeasurement	**(464,196)**	(6,044,894)	(1,649,437)
Exchange differences	**(6,173)**	39,376	70,170
At the end of the period/year	**16,112,563**	16,582,932	21,009,183

a) The fair value of investment properties was independently determined as at 31 December 2020 by accredited independent valuers who are specialised in valuing such type of properties. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the interim period. For properties located in KSA, management updated certain assumptions to reflect the latest information and developments mainly based on market conditions existing at the end of the interim reporting period resulting in a remeasurement loss of KD 464,196 for the period then ended. For properties located in Kuwait, management believes that there are no significant circumstances during the interim period that have arisen since year-end which may have a significant impact on fair value.

b) Investment properties with a carrying value of KD 8,572,037 (31 December 2020: KD 8,572,037; 30 June 2020: KD 8,572,037) are pledged against Islamic finance payables (Note 10).

	Three months ended 30 June		*Six months ended 30 June*	
	2021 KD	*2020 KD*	***2021 KD***	*2020 KD*
Net loss from fair value remeasurement	**(231,579)**	(1,021,900)	**(464,196)**	(1,649,437)
Rental income derived from investment properties	**480,156**	499,495	**963,260**	1,007,938
Net income (loss) from investment properties	**248,577**	(522,405)	**499,064**	(641,499)

7 INVESTMENT IN ASSOCIATES

The Group holds interests in a number of associates operating in KSA and accounted for using the equity method.

The movement in the carrying amount of investment in associates during the period/ year is, as follows:

Reconciliation to carrying amounts:	***30 June 2021 KD***	*(Audited) 31 December 2020 KD*	*30 June 2020 KD*
At the beginning of the period/year	**19,513,809**	30,182,157	30,182,157
Dividends received	**-**	(574,996)	(574,996)
Share of loss	**(1,388,097)**	(10,177,846)	(1,758,502)
Exchange difference on translation of foreign operations	**17,890**	84,494	(17,359)
At the end of the period/year	**18,143,602**	19,513,809	27,831,300

Investment in associates with a carrying value of KD 16,488,766 (31 December 2020: KD 17,671,316; 30 June 2020: KD 24,174,752) are pledged against Islamic finance payables (Note 10).

As detailed in Note 2, due to the COVID-19 pandemic and resulting measures taken by various governments to contain the virus had severe impact on commercial operations of associates in KSA which caused significant deterioration in financial conditions for the associates and an increase in economic uncertainty, hence triggering the requirement for impairment tests of certain non-financial assets such as ROU assets. The Group carried out an assessment during the third and fourth quarters of the immediately preceding annual reporting period resulting in a total impairment loss of KD 10,177,846 recognised in the interim condensed consolidated statement of profit or loss for the year ended 31 December 2020.

Since the impairment test was performed at the end of the last annual reporting period, in light of current economic situation management believes that there are no new triggering events during the current interim period that require the Group to perform an impairment test in accordance with IAS 36.

8 RELATED PARTY DISCLOSURES

Related parties represent major shareholders of Ultimate Parent Company, Ultimate Parent Company, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties including hotel operator. Pricing policies and terms of these transactions are approved by the Parent Company's management.

The table below shows the aggregate value of transactions and outstanding balances with related parties:

	Major shareholder of the Ultimate Parent Company	*Associates*	*Other related parties*	*Six months ended 30 June*	
				2021	*2020*
	KD	*KD*	*KD*	***KD***	*KD*
Interim condensed consolidated statement of profit or loss:					
Management fees income	-	-	160,537	**160,537**	147,354
Income from deposits	284	-	-	**284**	404
Finance costs	(644,386)	-	-	**(644,386)**	(1,199,880)
Management fees expense	-	-	(30,453)	**(30,453)**	(58,679)

8 RELATED PARTY DISCLOSURES (continued)

	Major shareholder of the Ultimate Parent Company	*Parent Company*	*Major shareholders*	*Associates*	*Other related parties*	***30 June 2021***	*(Audited) 31 December 2020*	*30 June 2020*
	KD	*KD*	*KD*	*KD*	*KD*	***KD***	*KD*	*KD*
Interim condensed consolidated statement of financial position:								
Financial asset at FVPL	-	-	-	-	941,894	**941,894**	1,126,416	2,711,335
Financial asset at FVOCI	-	-	122,139	-	171,392	**293,531**	313,594	755,429
Bank balances and cash	1,772,969	-	-	-	-	**1,772,969**	1,139,827	3,172,797
Accounts receivable and prepayments	-	1,034	1,034	-	274,918	**276,986**	1,064,026	1,744,836
Accounts payable and accruals	-	-	101,060	1,338,761	121,681	**1,561,502**	1,168,566	2,702,343
Islamic finance payables	43,054,000	-	-	-	-	**43,054,000**	43,054,000	43,054,000

Compensation of 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:

	Balance outstanding as at 30 June		*Transaction values for period ended 30 June*	
	2021	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*
Salaries and short-term benefits	**47,013**	130,583	**100,114**	235,289
Post-employment benefits	**120,009**	334,247	**5,347**	20,011
	167,022	464,830	**105,461**	255,300

9 SHARE CAPITAL , SHARE PREMIUM AND STATUTORY RESERVE

9.1 Share capital

	30 June 2021 KD	*(Audited) 31 December 2020 KD*	*30 June 2020 KD*
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2020: 322,000,000 and 30 June 2020: 322,000,000) shares of 100 fils each, paid in cash.	**32,200,000**	32,200,000	32,200,000

9.2 Share premium

Share premium represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

The Board of Directors of the Parent Company in their meeting held on 11 November 2020 proposed to partially extinguish accumulated losses as at 30 September 2019 through utilising the full balance of share premium as of that date. During the current interim period, this proposal has been approved by the shareholders at the extraordinary general assembly meeting ("EGM") held on 1 February 2021.

9.3 Statutory reserve

The Board of Directors of the Parent Company in their meeting held on 24 May 2021 proposed to partially extinguish accumulated losses as at 31 December 2020 through utilising the full balance of statutory reserve as of that date. During the current interim period, this proposal has been approved by the shareholders at the annual general assembly meeting ("AGM") held on 23 June 2021.

10 ISLAMIC FINANCE PAYABLES

	30 June 2021 KD	*(Audited) 31 December 2020 KD*	*30 June 2020 KD*
Current			
Murabaha payables	**4,805,407**	5,121,562	5,096,324
Tawarruq payable	**7,509,934**	7,509,934	2,409,934
Less: deferred finance costs payable	**-**	(16,155)	(16,645)
	12,315,341	12,615,341	7,489,613
Non-current			
Tawarruq payable	**35,544,066**	35,544,066	40,644,066
	47,859,407	48,159,407	48,133,679

Islamic finance payables bear an average finance cost of 3.25% (31 December 2020: 5.5%; 30 June 2020: 5.5%) per annum and are denominated in Kuwaiti Dinars.

Murabaha payables are secured over certain of the Group's investment properties. The tawarruq facility with a carrying amount of KD 43 million is secured over certain of the Group's investment properties, investment in associates and subsidiaries.

Banking covenants vary according to each loan agreement. A future breach of covenant may require the Group to repay the Islamic finance payable on demand. During the current interim period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

11 PROVISION FOR LITIGATION

During the year ended 31 December 2015, the contractor of one of the properties of the Group in KSA has claimed an amount of SAR 501 million (equivalent to KD 41 million) from the Parent Company for the delay in the execution of a certain project and various other related costs associated with the project. The Parent Company has filed a counter claim for an amount of SAR 627 million (equivalent to KD 51 million) against the same contractor for the delay in handing over the project and the operational losses incidental to the delay.

The dispute was referred to the Saudi Arbitration Committee ("SAC"), However due to the considerable discrepancy in the technical reports submitted by the two parties in dispute, a specialised technical expert was appointed by SAC whose final report issued on 23 May 2020 supported the group's position to a large extent.

On 9 June 2021, the Saudi Arbitration Committee ("SAC") issued the final verdict and ruled in favour of the claimant for which the Group is liable to pay a total amount of SAR 155 million (equivalent to KD 12.5 million) pertaining to final payment, retention payments, the compensation for delay in the execution of project, and other project related costs.

The management of the Group appointed a new legal counsel in KSA to review the SAC ruling and file an objection letter to potentially negate the legal obligation. However, based on the advice and updates from the legal counsel, the Group has recorded a provision for the full amount to settle the claim. The Group has previously recognised liability of SAR 37 million (equivalent to KD 3 million), in relation to this claim. Accordingly, during the period, the Group has recorded a provision charge amounting to SAR 118 (equivalent to KD 9.5 million) in the interim condensed consolidated statement of profit or loss. The amount has been included under 'Accounts payable and accruals' in the interim condensed consolidated statement of financial position.

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy
All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest 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 financial instruments 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:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
As at 30 June 2021				
Financial assets at FVOCI	**122,139**	**-**	**171,392**	**293,531**
Financial assets at FVPL	**-**	**-**	**1,579,139**	**1,579,139**
As at 31 December 2020 (Audited)				
Financial assets at FVOCI	122,139	-	191,455	313,594
Financial assets at FVPL	-	-	1,775,574	1,775,574
As at 30 June 2020				
Financial assets at FVOCI	133,292	-	622,137	755,429
Financial assets at FVPL	-	-	3,724,774	3,724,774

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Reconciliation of Level 3 fair values

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

	Unquoted equity securities	
30 June 2021	***Financial assets at FVOCI KD***	***Financial assets at FVPL KD***
As at 1 January 2021	**191,455**	**1,775,574**
Remeasurement recognised in OCI	**(20,063)**	**-**
Remeasurement recognised in profit or loss	**-**	**(196,435)**
As at 30 June 2021	**171,392**	**1,579,139**

	Unquoted equity securities	
31 December 2020	*Financial assets at FVOCI KD*	*Financial assets at FVPL KD*
As at 1 January 2020	648,100	4,749,684
Remeasurement recognised in OCI	(456,645)	-
Remeasurement recognised in profit or loss	-	(2,764,806)
Purchases / sales / redemption (net)	-	(209,304)
As at 31 December 2020	191,455	1,775,574

	Unquoted equity securities	
30 June 2020	*Financial assets at FVOCI KD*	*Financial assets at FVPL KD*
As at 1 January 2020	648,100	4,749,684
Remeasurement recognised in OCI	(25,963)	-
Remeasurement recognised in profit or loss	-	(815,606)
Purchases / sales / redemption (net)	-	(209,304)
As at 30 June 2020	622,137	3,724,774

The valuation techniques and inputs used in this 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.

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

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

13 SEGMENT INFORMATION

For management purposes, the Group organises its operations by geographic regions, primarily Kuwait and KSA.

The table below presents revenue and results and assets and liabilities information regarding the Group's geographic segments. The Group, including associates are primarily engaged in real estate activities and accordingly no separate business segment is presented.

	30 June 2021 (Unaudited)			
	Kuwait KD	***KSA KD***	***Other KD***	***Total KD***
Interim condensed consolidated statement of profit or loss				
Revenues	**163,301**	**2,882,108**	**-**	**3,045,409**
Segment results	**(1,262,778)**	**(13,007,376)**	**(55,273)**	**(14,325,427)**
Other disclosures				
Depreciation and amortisation	**(31,389)**	**(1,348,346)**	**(7,530)**	**(1,387,265)**
Interim condensed consolidated statement of financial position				
Total assets	**13,466,111**	**76,230,274**	**953,688**	**90,650,073**
Total liabilities	**54,855,397**	**37,729,573**	**262,516**	**92,847,486**

	31 December 2020 (Audited)			
	Kuwait KD	*KSA KD*	*Other KD*	*Total KD*
Statement of financial position				
Total assets	13,030,291	83,329,515	655,391	97,015,197
Total liabilities	26,205,581	58,235,544	614,485	85,055,610

13 SEGMENT INFORMATION (continued)

	30 June 2020 (Unaudited)			
	Kuwait KD	*KSA KD*	*Other KD*	*Total KD*
Interim condensed consolidated statement of profit or loss				
Revenues	154,981	3,383,009	5,795	3,543,785
Segment results	(1,289,725)	(5,091,691)	(96,667)	(6,478,083)
Other disclosures				
Depreciation and amortisation	(66,445)	(1,418,323)	(5,670)	(1,490,437)
Interim condensed consolidated statement of financial position				
Total assets	14,803,343	110,166,484	1,062,926	126,032,754
Total liabilities	26,686,278	61,371,780	799,171	88,857,229

14 IMPACT OF COVID-19 OUTBREAK

The COVID-19 pandemic continues to spread across global geographies causing disruption to business and economic activities and bringing significant uncertainties to the global economic environment. Government authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

The effects of COVID-19 pandemic have been significant on the Group's annual consolidated financial statements for the year ended 31 December 2020. As compared to the year ended 31 December 2020, the Group has not yet experienced any further significant adverse effects on its operations during the six months ended 30 June 2021. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its financial position and the related impact on a regular basis.

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