

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

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

**31 MARCH 2021**



## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE 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 31 March 2021, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-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 2,627,250 during the three months ended 31 March 2021 and, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 21,313,223. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 23,375,004.

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)**

***Emphasis of Matter***

We draw attention to Note 11 to the interim condensed consolidated financial information, which describes that, during the year 2015, the contractor of one of the properties of the Group in the Kingdom of Saudi Arabia has claimed an amount equivalent to KD 41 million from the Parent Company and the Parent Company has filed a counter claim against the same contractor for delay in completing the project for an amount equivalent to KD 51 million. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been made in this interim condensed consolidated financial information of the Group as at 31 March 2021.

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 three-month period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, during the three-month period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

11 May 2021  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2021

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2021 KD</i>	<i>2020 KD</i>
Operating revenue	4	779,425	2,179,156
Operating costs	4	(1,349,506)	(2,143,861)
<b>Net results from hotel operations</b>		<b>(570,081)</b>	<b>35,295</b>
Management fees		102,841	116,277
Net income from Sukouk		35,009	108,313
Reversal of provisions no longer required		31,173	-
Net income (loss) from investment properties	6	250,487	(119,094)
Unrealised loss from financial assets at fair value through profit or loss		(110,765)	(262,381)
Income from deposits		1,246	6,014
Dividend income		-	197,243
Other income		20,692	81,099
Share of results of associates	7	(809,727)	(101,801)
General and administrative expenses		(290,650)	(859,511)
Depreciation expense		(19,763)	(36,123)
Write-down of inventories		(15,784)	-
Finance costs on Islamic finance payables		(365,326)	(675,410)
Finance costs on lease obligations		(216,719)	(222,966)
Net foreign exchange differences		(70,910)	775,121
Provision for expected credit losses		(553,524)	-
<b>Loss before tax</b>		<b>(2,581,801)</b>	<b>(957,924)</b>
Overseas taxation		(45,449)	(2,678)
<b>LOSS FOR THE PERIOD</b>		<b>(2,627,250)</b>	<b>(960,602)</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(2,172,853)	(953,550)
Non-controlling interests		(454,397)	(7,052)
<b>LOSS PROFIT FOR THE PERIOD</b>		<b>(2,627,250)</b>	<b>(960,602)</b>
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	5	<b>(7) Fils</b>	<b>(3) Fils</b>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2021

	<i>Three months ended 31 March</i>	
	<b>2021</b>	2020
	<b>KD</b>	<b>KD</b>
<b>LOSS FOR THE PERIOD</b>	<b>(2,627,250)</b>	(960,602)
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>55,773</b>	(225,934)
<b>Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>55,773</b>	(225,934)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of equity instruments designated at FVOCI	-	(87,031)
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>	-	(87,031)
<b>Other comprehensive income (loss) for the period</b>	<b>55,773</b>	(312,965)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(2,571,477)</b>	(1,273,567)
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>(2,140,481)</b>	(1,212,010)
Non-controlling interests	<b>(430,996)</b>	(61,557)
	<b>(2,571,477)</b>	(1,273,567)

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

**Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL**  
**POSITION (UNAUDITED)**  
As at 31 March 2021

		<b>31 March 2021 KD</b>	<b>(Audited) 31 December 2020 KD</b>	<b>31 March 2020 KD</b>
	<i>Notes</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Furniture and equipment		245,422	263,270	525,433
Right-of-use asset	6	48,340,062	49,079,942	53,740,422
Investment properties	6	16,347,674	16,582,932	22,040,693
Investment in associates	7	18,710,249	19,513,809	29,490,210
Financial assets at FVPL		1,664,809	1,775,574	4,487,303
Financial assets at FVOCI		313,594	313,594	746,932
		<b>85,621,810</b>	<b>87,529,121</b>	<b>111,030,993</b>
<b>Current assets</b>				
Accounts receivable and prepayments		4,548,507	5,102,883	10,276,517
Trading properties		530,370	530,370	530,370
Inventories		536,642	552,426	1,082,191
Wakala receivables		-	-	199,960
Bank balances and cash		3,265,772	3,300,397	6,348,105
		<b>8,881,291</b>	<b>9,486,076</b>	<b>18,437,143</b>
<b>TOTAL ASSETS</b>		<b>94,503,101</b>	<b>97,015,197</b>	<b>129,468,136</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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	11,939,162
Other reserve		(309,291)	(309,291)	(309,291)
Fair value reserve		(2,132,468)	(2,132,468)	(1,699,130)
Foreign currency translation reserve		(155,898)	(188,270)	(510,289)
Accumulated losses		(23,375,004)	(33,602,151)	(7,881,473)
<b>Equity attributable to equity holders of the Parent Company</b>		<b>18,166,501</b>	<b>20,306,982</b>	<b>46,138,979</b>
Non-controlling interests		(8,778,391)	(8,347,395)	(3,064,780)
<b>Total equity</b>		<b>9,388,110</b>	<b>11,959,587</b>	<b>43,074,199</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		525,838	733,201	911,725
Islamic finance payables	10	35,544,066	35,544,066	40,644,066
Obligations under finance lease		13,868,062	13,697,291	14,464,381
Accounts payable and accruals		4,982,511	4,996,086	5,083,704
		<b>54,920,477</b>	<b>54,970,644</b>	<b>61,103,876</b>
<b>Current liabilities</b>				
Islamic finance payables	10	12,315,340	12,615,341	7,538,665
Obligations under finance lease		1,012,306	1,014,966	1,032,135
Accounts payable and accruals		16,866,868	16,454,659	16,719,261
		<b>30,194,514</b>	<b>30,084,966</b>	<b>25,290,061</b>
<b>Total liabilities</b>		<b>85,114,991</b>	<b>85,055,610</b>	<b>86,393,937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>94,503,101</b>	<b>97,015,197</b>	<b>129,468,136</b>

  
**Abdullah Fuad Abdullah Al-Thaqeb**  
Chairman

  
**Elsa Najib Abdulmohsen Al Eisa**  
Acting Chief Executive Officer

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2021

	<i>Equity attributable to equity holders of the Parent Company</i>									
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Other reserve KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Accumulated losses KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
<b>As at 1 January 2021 (Audited)</b>	<b>32,200,000</b>	<b>12,400,000</b>	<b>11,939,162</b>	<b>(309,291)</b>	<b>(2,132,468)</b>	<b>(188,270)</b>	<b>(33,602,151)</b>	<b>20,306,982</b>	<b>(8,347,395)</b>	<b>11,959,587</b>
Loss for the period	-	-	-	-	-	-	(2,172,853)	(2,172,853)	(454,397)	(2,627,250)
Other comprehensive income for the period	-	-	-	-	-	32,372	-	32,372	23,401	55,773
Total comprehensive (loss) income for the period	-	-	-	-	-	32,372	(2,172,853)	(2,140,481)	(430,996)	(2,571,477)
Partial extinguishment of accumulated losses (note 9)	-	(12,400,000)	-	-	-	-	12,400,000	-	-	-
<b>At 31 March 2021</b>	<b>32,200,000</b>	<b>-</b>	<b>11,939,162</b>	<b>(309,291)</b>	<b>(2,132,468)</b>	<b>(155,898)</b>	<b>(23,375,004)</b>	<b>18,166,501</b>	<b>(8,778,391)</b>	<b>9,388,110</b>
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	-	-	-	-	-	-	(953,550)	(953,550)	(7,052)	(960,602)
Other comprehensive (loss) income for the period	-	-	-	-	(87,031)	(171,429)	-	(258,460)	(54,505)	(312,965)
Total comprehensive (loss) income for the period	-	-	-	-	(87,031)	(171,429)	(953,550)	(1,212,010)	(61,557)	(1,273,567)
At 31 March 2020	32,200,000	12,400,000	11,939,162	(309,291)	(1,699,130)	(510,289)	(7,881,473)	46,138,979	(3,064,780)	43,074,199

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

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended at 31 March 2021

	Notes	Three months ended 31 March	
		2021 KD	2020 KD
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(2,581,801)	(957,924)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation of right-of-use asset	6	672,916	707,484
Valuation losses on investment properties	6	232,617	627,537
Unrealised loss from financial assets at fair value through profit or loss		110,765	262,381
Provision for expected credit losses		553,524	-
Income from deposits		(1,246)	(6,014)
Dividend income		-	(197,243)
Share of results of associates		809,727	101,801
Depreciation of furniture and equipment		19,763	36,123
Finance costs		582,045	898,376
Reversal of provisions no longer required		(31,173)	-
Net foreign exchange differences		70,910	(775,121)
Write-down of inventories		15,784	-
Provision for employees' end of service benefits		6,933	36,034
		<b>460,764</b>	<b>733,434</b>
<i>Working capital changes:</i>			
Accounts receivable and prepayments		852	(825,255)
Inventories		-	13,981
Accounts payable and accruals		120,183	419,971
		<b>581,799</b>	<b>342,131</b>
<b>Cash flows from operations</b>		<b>581,799</b>	<b>342,131</b>
Employees' end of service benefits paid		(214,297)	(108,720)
Taxes paid		(39,742)	-
		<b>327,760</b>	<b>233,411</b>
<b>Net cash flows from operating activities</b>		<b>327,760</b>	<b>233,411</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment		(77)	(10,807)
Additions to right-of-use asset	6	(8,958)	(46,877)
Dividend income received from an associate		-	574,996
Dividend income received		-	197,243
Income received from deposits		1,246	6,014
Net movement in wakala receivables		-	79,453
		<b>(7,789)</b>	<b>800,022</b>
<b>Net cash flows (used in) from investing activities</b>		<b>(7,789)</b>	<b>800,022</b>
<b>FINANCING ACTIVITIES</b>			
Net repayment of Islamic finance payables		(300,000)	(300,000)
Net repayment of obligations under finance lease		(9,000)	(9,000)
Finance costs paid		(42,421)	(297,715)
Payment of prior years' dividends		(100)	(1,250)
		<b>(351,521)</b>	<b>(607,965)</b>
<b>Net cash flows used in financing activities</b>		<b>(351,521)</b>	<b>(607,965)</b>
<b>NET (DECREASE) INCREASE IN BANK BALANCES AND CASH</b>		<b>(31,550)</b>	<b>425,468</b>
Net foreign exchange difference		(3,075)	41,825
Bank balances and cash 1 January		3,300,397	5,880,812
		<b>3,265,772</b>	<b>6,348,105</b>
<b>BANK BALANCES AND CASH AT 31 MARCH</b>		<b>3,265,772</b>	<b>6,348,105</b>

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

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

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Munshaat Real Estate Projects Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 10 May 2021.

The annual general assembly meeting (“AGM”) of the Parent Company for the year ended 31 December 2020 has not been held yet. Accordingly, the shareholders of the Parent Company have not yet approved the consolidated financial statements for the year ended 31 December 2020. The interim condensed consolidated financial information for the three-month period ended 31 March 2021 do not include any adjustments, which might have been required.

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 PO 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 Shari’a principles as approved by the Group’s Fatwa and Shari’a 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 required the Group to temporarily cease its hotel operations completely for periods of four to five months in 2020. This has negatively impacted the Group’s financial performance for the year and also its liquidity position.

For the period ended 31 March 2021, the Group recognised a net loss of KD 2,627,250 and, as of that date, its current liabilities exceeded its current assets by KD 21,313,223. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 23,375,004.

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

- ▶ A decline in hotel operating revenue for the first three months of 2021 compared to the same period in 2020 by 64% which is offset against lower hotel operating costs by 53%.
- ▶ A decrease in net management fees and sukuk income for the first three months of 2021 compared to the same period in 2020 by 39%.
- ▶ Share of loss from associates of KD 809,727 (2020: KD 101,801) for the first three months of 2021.
- ▶ Impairment allowance on lease receivables in the first three months of 2021 of KD 553,524 in total due to delay of financial difficulties encountered by certain tenants as a result of the pandemic.

As a result of these effects, the Group’s operating results have declined significantly in 2021. Also, the Group’s liquidity headroom has been negatively impacted.

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 it is unknown what the longer term impact on the Group’s business will be. 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.

**Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**INFORMATION (UNAUDITED)**

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As at and for the period ended 31 March 2021

**2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)**

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 including repayment of Islamic finance payables for the next 12 months
- ▶ 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.
- ▶ 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.
- ▶ Management initiated discussions with lessors requesting an extension of the leasehold rights owned or managed by the Group to compensate for the periods of downtime for the hotels due to Covid-19.

Further, as required by Article (271) of the Companies Law, the board of directors of the Parent Company called for an extra ordinary general assembly (EGM) to discuss the going concern issue and determine whether the situation necessitates the dissolution of the Parent Company or take appropriate measures to continue in operations. As a result, an EGM was held on 1 February 2021 and the shareholders approved the board of directors' proposal to partially extinguish accumulated losses by fully utilising the full balance of share premium amounting to KD 12,400,000 (Note 9.2).

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 three months ended 31 March 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.

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**3 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES  
(continued)**

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

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**

	<i>Three months ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
<b>Operating revenue</b>		
Hotel revenue	<b>779,425</b>	2,179,156
<b>Operating costs</b>		
Hotel operating costs	<b>(676,590)</b>	(1,436,377)
Depreciation of right-of-use asset (Note 6)	<b>(672,916)</b>	(707,484)
	<b>(1,349,506)</b>	(2,143,861)
<b>Net results from hotel operations</b>	<b>(570,081)</b>	35,295

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 things to an extent, discretionary travel remained significantly lower than pre-COVID levels.

**5 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.

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**5 EARNING PER SHARE (EPS) (continued)**

	<i>Three months ended 31 March</i>	
	<b>2021</b>	<b>2020</b>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	<b>(2,172,853)</b>	(953,550)
Weighted average number of ordinary shares outstanding during the period (shares)	<b>322,000,000</b>	322,000,000
<b>Basic and diluted EPS (Fils)</b>	<b>(7) Fils</b>	(3) 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:

	<b>31 March 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>31 March 2020 KD</b>
At the beginning of the period/year	<b>49,079,942</b>	53,849,054	53,849,054
Impairment of right-of-use asset	-	(2,090,971)	-
Depreciation of right-of-use asset (Note 4)	<b>(672,916)</b>	(2,810,030)	(707,484)
Additions	<b>8,958</b>	55,659	46,877
Exchange differences	<b>(75,922)</b>	76,230	551,975
At the end of the period/year	<b>48,340,062</b>	49,079,942	53,740,422

**b. Investment properties**

	<b>31 March 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>31 March 2020 KD</b>
At the beginning of the period/year	<b>16,582,932</b>	22,588,450	22,588,450
Net loss from fair value remeasurement	<b>(232,617)</b>	(6,044,894)	(627,537)
Exchange differences	<b>(2,641)</b>	39,376	79,780
At the end of the period/year	<b>16,347,674</b>	16,582,932	22,040,693

- 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 232,617 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; 31 March 2020: KD 8,967,670) are pledged against Islamic finance payables (Note 10).

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**6 RIGHT-OF-USE ASSET AND INVESTMENT PROPERTIES**

**b. Investment properties (continued)**

	<i>Three months ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Net loss from fair value remeasurement	<b>(232,617)</b>	(627,537)
Rental income derived from investment properties	<b>483,104</b>	508,443
<b>Net income (loss) from investment properties</b>	<b>250,487</b>	(119,094)

**7 INVESTMENT IN ASSOCIATES**

The Group also 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:

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
<b>Reconciliation to carrying amounts:</b>			
At the beginning of the period/year	<b>19,513,809</b>	30,182,157	30,182,157
Dividends received	-	(574,996)	(574,996)
Share of loss	<b>(809,727)</b>	(10,177,846)	(101,801)
Exchange difference on translation of foreign operations	<b>6,167</b>	84,494	15,150
At the end of the period/year	<b>18,710,249</b>	19,513,809	29,490,210

As detailed in Note 2, due to the Covid-19 pandemic and resulting measures taken by various governments to contain the virus, the associates temporarily ceased commercial operations in KSA effective from 1 April 2020 until September 2020 causing a 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 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, 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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 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:

	<i>Major shareholder of the Ultimate Parent Company KD</i>	<i>Associates KD</i>	<i>Other related parties KD</i>	<i>Three months ended 31 March</i>	
				<i>2021 KD</i>	<i>2020 KD</i>
<b>Interim condensed consolidated statement of profit or loss:</b>					
Management fees income	-	-	102,841	<b>102,841</b>	116,277
Income from deposits	142	-	-	<b>142</b>	320
Finance costs	(322,905)	-	-	<b>(322,905)</b>	(600,661)
Management fees expense	-	-	(16,023)	<b>(16,023)</b>	(58,750)

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 8 RELATED PARTY DISCLOSURES (continued)

	<i>Major shareholder of the Ultimate Parent Company KD</i>	<i>Parent Company KD</i>	<i>Major shareholders KD</i>	<i>Associates KD</i>	<i>Other related parties KD</i>	<b>31 March 2021 KD</b>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
<b>Interim condensed consolidated statement of financial position:</b>								
Financial asset at FVPL	-	-	-	-	1,027,564	<b>1,027,564</b>	1,126,416	3,473,864
Financial asset at FVOCI	-	-	122,139	-	191,455	<b>313,594</b>	313,594	746,932
Bank balances and cash	1,639,116	-	-	-	-	<b>1,639,116</b>	1,139,827	2,981,423
Accounts receivable and prepayments	-	1,034	1,034	-	1,288,656	<b>1,290,724</b>	1,064,026	3,604,393
Accounts payable and accruals	-	-	97,004	1,016,146	180,713	<b>1,293,863</b>	1,168,566	1,676,147
Islamic finance payables	43,054,000	-	-	-	-	<b>43,054,000</b>	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:

	<i>Balance outstanding as at 31 March</i>		<i>Transaction values for period ended 31 March</i>	
	<i>2021 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2020 KD</i>
Salaries and short-term benefits	<b>64,839</b>	114,865	<b>53,429</b>	109,631
Post-employment benefits	<b>148,686</b>	326,488	<b>3,198</b>	11,592
	<b>213,525</b>	441,353	<b>56,627</b>	121,223

**Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries**  
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**8 RELATED PARTY DISCLOSURES (continued)**

**Compensation of key management personnel (continued)**

The Board of Directors at the meeting held on 27 April 2021 proposed directors' remuneration for an independent board member of KD 10,000 for the year ended 31 December 2020. This proposal is subject to the shareholders' approval at the AGM.

**9 SHARE CAPITAL AND SHARE PREMIUM**

**9.1 Share capital**

	<b>31 March 2021 KD</b>	<b>(Audited) 31 December 2020 KD</b>	<b>31 March 2020 KD</b>
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2020: 322,000,000 and 31 March 2020: 322,000,000) shares of 100 fils each, paid in cash.	<b>32,200,000</b>	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.

**10 ISLAMIC FINANCE PAYABLES**

	<b>31 March 2021 KD</b>	<b>(Audited) 31 December 2020 KD</b>	<b>31 March 2020 KD</b>
<b>Current</b>			
Murabaha payables	<b>4,805,406</b>	5,121,562	5,128,731
Tawarruq payable	<b>7,509,934</b>	7,509,934	2,409,934
Less: deferred finance costs payable	-	(16,155)	-
	<b>12,315,340</b>	12,615,341	7,538,665
<b>Non-current</b>			
Tawarruq payable	<b>35,544,066</b>	35,544,066	40,644,066
	<b>47,859,406</b>	48,159,407	48,182,731

Islamic finance payables bear an average finance cost of 3% (31 December 2020: 5.5%; 31 March 2020: 5.75 %) 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 associate and subsidiaries for which the legal formalities are still in progress as at the authorisation date of this interim condensed consolidated financial information.

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.

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**11 COMMITMENTS AND CONTINGENT LIABILITIES**

During the year ended 31 December 2015, the contractor of one of the properties of the Group in KSA has claimed a penalty 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 has been referred to the Saudi Arbitration Committee ("SAC") and the trial proceedings are still in progress as at the authorisation date of these interim condensed consolidated financial information. 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 20 March 2019 supported the Parent Company's position to a large extent.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action against the Group in the above case will succeed. Accordingly, no provision for any liability has been made in this interim condensed consolidated financial information.

**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:

	<i>Fair value measurement using</i>			
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
<b><i>As at 31 March 2021</i></b>				
Financial assets at FVOCI	<b>122,139</b>	-	<b>191,455</b>	<b>313,594</b>
Financial assets at FVPL	-	-	<b>1,664,809</b>	<b>1,664,809</b>
<b><i>As at 31 December 2020 (Audited)</i></b>				
Financial assets at FVOCI	122,139	-	191,455	313,594
Financial assets at FVPL	-	-	1,775,574	1,775,574
<b><i>As at 31 March 2020</i></b>				
Financial assets at FVOCI	124,795	-	622,137	746,932
Financial assets at FVPL	-	-	4,487,303	4,487,303

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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## 12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

## Reconciliation of Level 3 fair values

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

	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>KD</i>
<b>31 March 2021</b>		
As at 1 January 2021	191,455	1,775,574
Remeasurement recognised in profit or loss	-	(110,765)
<b>As at 31 March 2021</b>	<b>191,455</b>	<b>1,664,809</b>
	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>KD</i>
<b>31 December 2020</b>		
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)
<b>As at 31 December 2020</b>	<b>191,455</b>	<b>1,775,574</b>
	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>KD</i>
<b>31 March 2020</b>		
As at 1 January 2020	648,100	4,749,684
Remeasurement recognised in OCI	(25,963)	-
Remeasurement recognised in profit or loss	-	(262,381)
<b>As at 31 March 2020</b>	<b>622,137</b>	<b>4,487,303</b>

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.

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.

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**12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

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.

	<i>31 March 2021 (Unaudited)</i>		
	<i>Kuwait KD</i>	<i>KSA KD</i>	<i>Total KD</i>
<i>Statement of profit or loss</i>			
Revenues	<b>104,087</b>	<b>1,318,230</b>	<b>1,422,317</b>
Segment results	<b>808,116</b>	<b>(3,389,917)</b>	<b>(2,581,801)</b>
<i>Other disclosures</i>			
Depreciation and amortisation	<b>(18,158)</b>	<b>(672,916)</b>	<b>(691,074)</b>
<i>Statement of financial position</i>			
Total assets	<b>13,601,265</b>	<b>80,901,836</b>	<b>94,503,101</b>
Total liabilities	<b>26,706,050</b>	<b>58,408,941</b>	<b>85,114,991</b>
	<i>31 December 2020 (Audited)</i>		
	<i>Kuwait KD</i>	<i>KSA KD</i>	<i>Total KD</i>
<i>Statement of financial position</i>			
Total assets	13,673,090	83,342,107	97,015,197
Total liabilities	26,820,066	58,235,544	85,055,610
	<i>31 March 2020 (Unaudited)</i>		
	<i>Kuwait KD</i>	<i>KSA KD</i>	<i>Total KD</i>
<i>Statement of profit or loss</i>			
Revenues	122,291	2,877,011	2,999,302
Segment results	(138,928)	(818,996)	(957,924)
<i>Other disclosures</i>			
Depreciation and amortisation	(34,486)	(707,484)	(741,970)
<i>Statement of financial position</i>			
Total assets	16,954,980	112,513,156	129,468,136
Total liabilities	27,537,642	58,856,296	86,393,938

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**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 three months ended March 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.