

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

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

30 SEPTEMBER 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF 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 September 2022, 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 nine-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 nine-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

We draw attention to Note 2 in the interim condensed consolidated financial information, which states that although the Group generated a net profit of KD 2,397,068 during the nine months ended 30 September 2022, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 19,517,479. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 18,333,573. These events or conditions, along with other matters as set forth in Note 2 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 BOARD OF DIRECTORS 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 nine-month period ended 30 September 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, during the nine-month period ended 30 September 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



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

25 October 2022
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 30 September 2022

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Operating revenue	4	2,886,469	763,504	8,644,734	2,245,840
Operating costs	4	(2,352,695)	(1,327,132)	(6,693,456)	(4,067,125)
Net results from hotel operations		533,774	(563,628)	1,951,278	(1,821,285)
Management fees		134,300	56,446	355,741	216,983
Net income from Sukouk		(172,625)	7,541	219,712	316,044
Net income from investment properties	6	784,995	263,199	983,717	762,263
Income from saving accounts		2,739	1,720	7,807	4,484
Other income		67,687	78,960	274,432	207,157
Gain from extinguishment of financial liabilities		763,791	482,473	763,791	482,473
Unrealised gain (loss) from financial assets at fair value through profit or loss		(153,436)	(68,654)	34,596	(265,089)
Share of results of associates	7	497,736	(736,272)	613,517	(2,124,369)
Provision for litigation		-	-	-	(9,551,847)
Realized gain from investments carried at fair value through profit or loss		-	-	310,601	-
General and administrative expenses		(234,314)	(417,700)	(783,898)	(991,335)
Depreciation expense of furniture and equipment		(18,919)	(19,927)	(56,904)	(62,049)
Write-down of inventories		(16,872)	(15,784)	(49,888)	(47,224)
Finance costs on Islamic finance payables		(402,378)	(365,935)	(1,198,650)	(1,094,674)
Finance costs on lease obligations		(219,976)	(215,647)	(652,583)	(648,573)
Net foreign exchange differences		352,927	33,942	686,402	(162,610)
Net charge of provision for expected credit losses		(1,246,478)	(466,718)	(975,487)	(1,440,441)
PROFIT (LOSS) BEFORE TAX		672,951	(1,945,984)	2,484,184	(16,220,092)
Overseas taxation		(5,798)	(5,694)	(16,557)	(57,013)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		-	-	-	-
National Labour Support Tax ("NLST")		(14,168)	-	(45,066)	-
Zakat		(6,926)	-	(25,493)	-
PROFIT (LOSS) FOR THE PERIOD		646,059	(1,951,678)	2,397,068	(16,277,105)
Attributable to:					
Equity holders of the Parent Company		549,816	(1,632,752)	1,736,259	(12,955,388)
Non-controlling interests		96,243	(318,926)	660,809	(3,321,717)
PROFIT (LOSS) FOR THE PERIOD		646,059	(1,951,678)	2,397,068	(16,277,105)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	1.71 Fils	(5.07) Fils	5.39 Fils	(40.23) Fils

The attached notes 1 to 12 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 30 September 2022

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
PROFIT (LOSS) FOR THE PERIOD	646,059	(1,951,678)	2,397,068	(16,277,105)
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(435,857)	(67,959)	(895,638)	120,531
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	(435,857)	(67,959)	(895,638)	120,531
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Changes in fair value of equity instruments designated at FVOCI	14,219	(9,771)	(36,299)	(29,834)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	14,219	(9,771)	(36,299)	(29,834)
Other comprehensive (loss) income for the period	(421,638)	(77,730)	(931,937)	90,697
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	224,421	(2,029,408)	1,465,131	(16,186,408)
Attributable to:				
Equity holders of the Parent Company	288,251	(1,687,800)	1,131,196	(12,909,280)
Non-controlling interests	(63,830)	(341,608)	333,935	(3,277,128)
	224,421	(2,029,408)	1,465,131	(16,186,408)

The attached notes 1 to 12 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 30 September 2022

		30 September 2022 KD	(Audited) 31 December 2021 KD	30 September 2021 KD
	Notes			
ASSETS				
Non-current assets				
Furniture and equipment		166,534	221,009	204,806
Right-of-use asset	6.a	45,642,772	46,353,799	46,943,246
Investment properties	6.b	14,788,244	15,033,637	15,881,965
Investment in associates	7	18,578,099	17,989,328	17,401,432
Investment securities		935,756	1,444,349	-
Financial assets at FVPL		-	-	1,510,485
Financial assets at FVOCI		-	-	283,760
		80,111,405	81,042,122	82,225,694
Current assets				
Accounts receivable and prepayments		1,047,135	1,501,198	1,360,690
Trading properties		547,729	547,729	530,370
Inventories		472,432	522,320	500,875
Wakala receivable		450,000	-	-
Bank balances and cash		7,499,379	3,603,582	4,442,805
		10,016,675	6,174,829	6,834,740
TOTAL ASSETS		90,128,080	87,216,951	89,060,434
EQUITY AND LIABILITIES				
Equity				
Share capital	9	32,200,000	32,200,000	32,200,000
Other reserve		(309,291)	(309,291)	(309,291)
Fair value reserve		(2,111,951)	(2,075,652)	(2,162,302)
Foreign currency translation reserve		(726,813)	(158,049)	(112,328)
Accumulated losses		(18,333,573)	(20,069,832)	(22,218,377)
Equity attributable to equity holders of the Parent Company		10,718,372	9,587,176	7,397,702
Non-controlling interests		(11,866,172)	(12,200,107)	(11,624,523)
Total deficit		(1,147,800)	(2,612,931)	(4,226,821)
Liabilities				
Non-current liabilities				
Employees' end of service benefits		622,522	599,355	471,038
Islamic finance payables	10	42,192,920	35,544,066	35,544,066
Obligations under finance lease		13,812,346	13,516,056	13,274,104
Accounts payable and accruals		5,113,938	4,983,745	4,970,170
		61,741,726	54,643,222	54,259,378
Current liabilities				
Islamic finance payables	10	5,373,398	12,322,253	12,278,075
Obligations under finance lease		1,038,059	1,012,548	1,009,888
Accounts payable and accruals		23,122,697	21,851,859	25,739,914
		29,534,154	35,186,660	39,027,877
Total liabilities		91,275,880	89,829,882	93,287,255
TOTAL EQUITY AND LIABILITIES		90,128,080	87,216,951	89,060,434

Nawaf Musaid Abdulaziz Al-Osaimi
Chairman

Eisa Najib Abdulmohsen Al Eisa
Chief Executive Officer

The attached notes 1 to 12 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 30 September 2022

	<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 (deficit) equity KD</i>
As at 1 January 2022 (Audited)	32,200,000	-	-	(309,291)	(2,075,652)	(158,049)	(20,069,832)	9,587,176	(12,200,107)	(2,612,931)
Profit for the period	-	-	-	-	-	-	1,736,259	1,736,259	660,809	2,397,068
Other comprehensive loss for the period	-	-	-	-	(36,299)	(568,764)	-	(605,063)	(326,874)	(931,937)
Total comprehensive (loss) income for the period	-	-	-	-	(36,299)	(568,764)	1,736,259	1,131,196	333,935	1,465,131
At 30 September 2022	32,200,000	-	-	(309,291)	(2,111,951)	(726,813)	(18,333,573)	10,718,372	(11,866,172)	(1,147,800)
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	-	-	-	-	-	-	(12,955,388)	(12,955,388)	(3,321,717)	(16,277,105)
Other comprehensive (loss) income for the period	-	-	-	-	(29,834)	75,942	-	46,108	44,589	90,697
Total comprehensive (loss) income for the period	-	-	-	-	(29,834)	75,942	(12,955,388)	(12,909,280)	(3,277,128)	(16,186,408)
Partial extinguishment of accumulated losses	-	(12,400,000)	(11,939,162)	-	-	-	24,339,162	-	-	-
At 30 September 2021	32,200,000	-	-	(309,291)	(2,162,302)	(112,328)	(22,218,377)	7,397,702	(11,624,523)	(4,226,821)

The attached notes 1 to 12 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 30 September 2022

		Nine months ended 30 September	
		2022	2021
Notes		KD	KD
OPERATING ACTIVITIES			
	Profit (loss) for the period before tax	2,484,184	(16,220,092)
	<i>Adjustments to reconcile profit (loss) for the period before tax to net cash flows:</i>		
	Depreciation of right-of-use asset	2,055,083	2,020,779
6	Valuation losses on investment properties	245,393	696,069
	Unrealised (gain) loss from financial assets at fair value through profit or loss	(34,596)	265,089
	Realized gain from investments carried at fair value through profit or loss	(310,601)	-
	Provision for expected credit losses	975,487	1,440,441
	Income from saving accounts	(7,807)	(4,484)
	Share of results of associates	(613,517)	2,124,369
7	Depreciation of furniture and equipment	56,904	62,049
	Gain from extinguishment of financial liabilities	(763,791)	(482,473)
	Provision for legal expenses	-	9,551,847
	Finance costs on Islamic finance payables	1,198,650	1,094,674
	Finance costs on lease obligations	652,583	648,573
	Net foreign exchange differences	(686,402)	162,610
	Write-down of inventories	49,888	47,224
	Provision for employees' end of service benefits	86,033	63,392
		5,387,491	1,470,067
	<i>Working capital changes:</i>		
	Accounts receivable and prepayments	(521,423)	603,202
	Inventories	-	4,327
	Accounts payable and accruals	669,096	282,675
		5,535,164	2,360,271
	Cash flows from operations		
	Employees' end of service benefits paid	(61,386)	(325,425)
	Taxes paid	(163,427)	121,064
		5,310,351	2,155,910
	Net cash flows from operating activities		
		5,310,351	2,155,910
INVESTING ACTIVITIES			
	Purchase of furniture and equipment	(44,222)	(1,622)
	Additions to right-of-use asset	(23,105)	(26,788)
6	Income received from saving accounts	7,807	4,484
	Movement in Wakala receivables	(450,000)	-
	Proceeds from disposal of fixed assets	45,667	-
	Proceeds from capital redemption from financial assets at FVTPL	817,491	-
		353,638	(23,926)
	Net cash flows from (used in) investing activities		
		353,638	(23,926)
FINANCING ACTIVITIES			
	Net repayment of Islamic finance payables	(300,000)	(300,000)
	Net repayment of obligations under finance lease	(1,360,529)	(516,754)
	Finance costs paid	(133,832)	(164,012)
	Payment of prior years' dividends	(575)	(4,513)
		(1,794,936)	(985,279)
	Net cash flows used in financing activities		
		(1,794,936)	(985,279)
	NET INCREASE IN BANK BALANCES AND CASH	3,869,053	1,146,705
	Net foreign exchange difference	26,744	(4,297)
	Bank balances and cash 1 January	3,603,582	3,300,397
		7,499,379	4,442,805
BANK BALANCES AND CASH AT 30 SEPTEMBER			
		7,499,379	4,442,805
Non-cash adjustments excluded from the statement of cash flows:			
	Additions to right-of-use asset	(638,388)	-
	Additions to lease liabilities	638,388	-

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

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 30 September 2022

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 nine months ended 30 September 2022 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 25 October 2022.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the shareholders at the AGM held on 18 May 2022. No dividends have been 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 Sharia principles as approved by the Group’s Fatwa and Sharia Supervisory Board. The Group is principally engaged real estate activities and operations.

2 FUNDAMENTAL ACCOUNTING CONCEPT

For the period ended 30 September 2022, although the Group generated a net profit of KD 2,397,068, as of that date, its current liabilities exceeded its current assets by KD 19,517,479. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 18,333,573.

The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities taking into consideration the following assumptions:

- ▶ 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.
- ▶ During the period, the management has successfully negotiated with a related party financial institution to reschedule the principal repayment terms of Islamic finance payables, with principal repayments being rescheduled and resulting in a reduction in current liabilities.
- ▶ The hotel operations continue to recover and improve, and the management expects further improvement gradually. Further, the management has implemented a number of cost saving measures at the hotels owned and by managed by the Group.

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, 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.

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 30 September 2022

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 nine months ended 30 September 2022 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 2021.

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 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial information of the Group

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

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

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

4 OPERATING REVENUE AND COSTS

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Operating revenue				
Hotel revenue	2,886,469	763,504	8,644,734	2,245,840
Operating costs				
Hotel operating costs	(1,659,200)	(651,496)	(4,638,373)	(2,046,346)
Depreciation of right-of-use asset (Note 6)	(693,495)	(675,636)	(2,055,083)	(2,020,779)
	(2,352,695)	(1,327,132)	(6,693,456)	(4,067,125)
Net results from hotel operations	533,774	(563,628)	1,951,278	(1,821,285)

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 30 September 2022

5 EARNINGS (LOSS) PER SHARE (EPS)

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

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2022	2021	2022	2021
Earnings (loss) for the period attributable to the equity holders of the Parent Company (KD)	549,816	(1,632,752)	1,736,259	(12,955,388)
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)	1.71	(5.07)	5.39	(40.23)

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:

	<i>30 September</i> 2022 KD	<i>(Audited)</i> <i>31 December</i> 2021 KD	<i>30 September</i> 2021 KD
At the beginning of the period/year	46,353,799	49,079,942	49,079,942
Depreciation of right-of-use asset (Note 4)	(2,055,083)	(2,698,893)	(2,020,779)
Additions	661,493	42,924	26,788
Exchange differences	682,563	(70,174)	(142,705)
At the end of the period/year	45,642,772	46,353,799	46,943,246

b. Investment properties

	<i>30 September</i> 2022 KD	<i>(Audited)</i> <i>31 December</i> 2021 KD	<i>30 September</i> 2021 KD
At the beginning of the period/year	15,033,637	16,582,932	16,582,932
Net loss from fair value remeasurement	(245,393)	(1,545,101)	(696,069)
Exchange differences	-	(4,194)	(4,898)
At the end of the period/year	14,788,244	15,033,637	15,881,965

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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6 RIGHT-OF-USE ASSET AND INVESTMENT PROPERTIES

b. Investment properties (continued)

- a) The fair value of investment properties was independently determined as at 31 December 2021 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 245,393 (30 September 2021: KD 696,069) 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 2021: KD 8,572,037; 30 September 2021: KD 8,572,037) are pledged against Islamic finance payables (Note 10).

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net loss from fair value remeasurement	(82,139)	(231,873)	(245,393)	(696,069)
Rental income derived from investment properties	867,134	495,072	1,229,110	1,458,332
Net income from investment properties	784,995	263,199	983,717	762,263

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:

	<i>30 September 2022</i>	<i>(Audited) 31 December 2021</i>	<i>30 September 2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period/year	17,989,328	19,513,809	19,513,809
Share of results	613,517	(1,529,249)	(2,124,369)
Exchange difference on translation of foreign operations	(24,746)	4,768	11,992
At the end of the period/year	18,578,099	17,989,328	17,401,432

Investment in associates with a carrying value of KD 17,612,319 (31 December 2021: KD 16,928,461; 30 September 2021: KD 15,816,102) are pledged against Islamic finance payables (Note 10).

The Group carried out an impairment assessment during the fourth quarter of the immediately preceding annual reporting period resulting in no impairment loss against any of the associates. 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.

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

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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>Nine months ended 30 September</i>	
				2022	2021
				KD	KD
Interim condensed consolidated statement of profit or loss:					
Management fees income	-	164,805	190,936	355,741	216,983
Income from saving accounts	676	-	-	676	438
Finance costs	(1,064,818)	-	-	(1,064,818)	(967,928)
Management fees expense	-	-	(388,445)	(388,445)	(43,814)

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

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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>	30 September 2022 KD	<i>(Audited) 31 December 2021 KD</i>	<i>30 September 2021 KD</i>
Interim condensed consolidated statement of financial position:								
Financial asset at FVPL	-	-	-	-	567,570	567,570	532,974	873,239
Financial asset at FVOCI	-	-	134,354	-	199,758	334,112	370,410	283,760
Bank balances and cash	1,903,337	-	-	-	-	1,903,337	1,436,157	1,240,287
Accounts receivable and prepayments	-	1,034	1,033	-	259,242	261,309	283,169	298,090
Accounts payable and accruals	-	-	314,060	1,349,114	1,343,710	3,006,884	2,788,154	2,165,025
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:

	<i>Balance outstanding as at 30 September</i>		<i>Transaction values for period ended 30 September</i>	
	<i>2022 KD</i>	<i>2021 KD</i>	<i>2022 KD</i>	<i>2021 KD</i>
Salaries and short-term benefits	67,980	43,609	156,660	127,142
Post-employment benefits	206,951	121,812	19,273	7,134
	274,931	165,421	175,933	134,276

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9 SHARE CAPITAL

	30 September 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 September 2021 KD
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2021: 322,000,000 and 30 September 2021: 322,000,000) shares of 100 fils each, paid in cash.	32,200,000	32,200,000	32,200,000

10 ISLAMIC FINANCE PAYABLES

	30 September 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 September 2021 KD
Current			
Murabaha payables	4,512,318	4,859,781	4,768,141
Tawarruq payable	861,080	7,509,934	7,509,934
Less: deferred finance costs payable	-	(47,462)	-
	5,373,398	12,322,253	12,278,075
Non-current			
Tawarruq payable	42,192,920	35,544,066	35,544,066
	47,566,318	47,866,319	47,822,141

Islamic finance payables bear an average finance cost of 3.3% (31 December 2021: 3.25%; 30 September 2021: 3.25%) 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.

During the period, the management has successfully negotiated with a related party financial institution to reschedule the principal repayment terms of Islamic finance payables, with principal repayments being rescheduled and resulting in a reduction in current liabilities.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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11 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>
<i>As at 30 September 2022</i>				
Financial assets at FVOCI	134,353	-	199,758	334,111
Financial assets at FVPL	-	-	601,645	601,645
<i>As at 31 December 2021 (Audited)</i>				
Financial assets at FVOCI	167,278	-	203,132	370,410
Financial assets at FVPL	-	-	1,073,939	1,073,939
<i>As at 30 September 2021</i>				
Financial assets at FVOCI	123,201	-	160,559	283,760
Financial assets at FVPL	-	-	1,510,485	1,510,485

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:

	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVPL KD</i>
<i>30 September 2022</i>		
As at 1 January 2022	203,132	1,073,939
Remeasurement recognised in OCI	(3,374)	-
Remeasurement recognised in profit or loss	-	34,596
Purchases / sales / Redemption (net)	-	(506,890)
<i>As at 30 September 2022</i>	199,758	601,645

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

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As at and for the period ended 30 September 2022

11 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair values (continued)

	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVPL KD</i>
<i>31 December 2021</i>		
As at 1 January 2021	191,455	1,775,574
Remeasurement recognised in OCI	11,677	-
Remeasurement recognised in profit or loss	-	(701,635)
	<hr/>	<hr/>
As at 31 December 2021	<u>203,132</u>	<u>1,073,939</u>
	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVPL KD</i>
<i>30 September 2021</i>		
As at 1 January 2021	191,455	1,775,574
Remeasurement recognised in OCI	(30,896)	-
Remeasurement recognised in profit or loss	-	(265,089)
	<hr/>	<hr/>
As at 30 September 2021	<u>160,559</u>	<u>1,510,485</u>

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 2021.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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12 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>30 September 2022 (Unaudited)</i>			
	<i>Kuwait KD</i>	<i>KSA KD</i>	<i>Other KD</i>	<i>Total KD</i>
<i>Interim condensed consolidated statement of profit or loss</i>				
Revenues	<u>500,993</u>	<u>10,230,398</u>	<u>144</u>	<u>10,731,535</u>
Segment results	<u>(431,626)</u>	<u>2,855,511</u>	<u>(26,817)</u>	<u>2,397,068</u>
<i>Other disclosures</i>				
Depreciation and amortisation	<u>(44,272)</u>	<u>(2,064,134)</u>	<u>(3,581)</u>	<u>(2,111,987)</u>
Allowance for expected credit losses	<u>(8110)</u>	<u>(967,377)</u>	<u>-</u>	<u>(975,487)</u>
<i>Interim condensed consolidated statement of financial position</i>				
Total assets	<u>18,018,714</u>	<u>71,461,890</u>	<u>647,476</u>	<u>90,128,080</u>
Total liabilities	<u>7,547,900</u>	<u>83,669,324</u>	<u>58,656</u>	<u>91,275,880</u>
	<i>31 December 2021 (Audited)</i>			
	<i>Kuwait KD</i>	<i>KSA KD</i>	<i>Other KD</i>	<i>Total KD</i>
<i>Statement of financial position</i>				
Total assets	<u>14,349,330</u>	<u>72,043,990</u>	<u>823,631</u>	<u>87,216,951</u>
Total liabilities	<u>8,996,722</u>	<u>80,531,901</u>	<u>301,259</u>	<u>89,829,882</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 September 2022

12 SEGMENT INFORMATION (continued)

	<i>30 September 2021 (Unaudited)</i>			
	<i>Kuwait KD</i>	<i>KSA KD</i>	<i>Other KD</i>	<i>Total KD</i>
<i>Interim condensed consolidated statement of profit or loss</i>				
Revenues	370,233	4,074,528	3,891	4,448,652
Segment results	(3,781,016)	(12,431,606)	(64,483)	(16,277,105)
<i>Other disclosures</i>				
Depreciation and amortisation	(45,428)	(2,030,258)	(7,142)	(2,082,828)
Allowance for expected credit losses	38,881	(1,479,323)	-	(1,440,441)
<i>Interim condensed consolidated statement of financial position</i>				
Total assets	14,954,721	73,194,009	911,704	89,060,434
Total liabilities	7,001,729	86,024,021	261,504	93,287,255