

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

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

30 SEPTEMBER 2023



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 2023, 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 13,915,216 during the nine months ended 30 September 2023, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 13,552,766. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 6,228,089. 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.

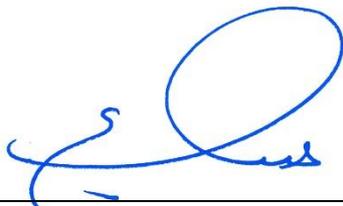
Our conclusion is not modified in respect of this matter.

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 2023 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 2023 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

12 November 2023
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 2023

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
		KD	KD	KD	KD
Operating revenue	4	3,794,514	2,886,469	13,456,399	8,644,734
Operating costs	4	(2,593,515)	(2,352,695)	(8,524,252)	(6,693,456)
Net results from hotel operations		1,200,999	533,774	4,932,147	1,951,278
Management fees	9	117,186	134,300	434,033	355,741
Net income (expense) from Sukouk		92,751	(172,625)	481,123	219,712
Net income from investment properties	7.b	7,012,546	784,995	7,072,503	983,717
Income from saving accounts		377	2,739	4,431	7,807
Other income		200,307	67,687	521,541	274,432
Gain from extinguishment of financial liabilities	5	-	763,791	780,205	763,791
Unrealised gain (loss) from financial assets at fair value through profit or loss		75,089	(153,436)	291,503	34,596
Share of results of associates	8	375,971	497,736	2,598,000	613,517
Realized gain from investments carried at fair value through profit or loss		-	-	-	310,601
General and administrative expenses		(219,585)	(234,314)	(734,064)	(783,898)
Depreciation expense of furniture and equipment		(17,658)	(18,919)	(53,393)	(56,904)
Write-down of inventories		(16,873)	(16,872)	(50,618)	(49,888)
Provision no longer required		-	-	122,151	-
Finance costs on Islamic finance payables		(545,675)	(402,378)	(1,619,430)	(1,198,650)
Finance costs on lease obligations		(220,992)	(219,976)	(660,277)	(652,583)
Finance cost	5	(111,024)	-	(228,073)	-
Net foreign exchange differences		272,189	352,927	248,133	686,402
Net reversal (charge) of provision for expected credit losses		8,693	(1,246,478)	357,381	(975,487)
PROFIT BEFORE TAX		8,224,301	672,951	14,497,296	2,484,184
Overseas taxation		(5,826)	(5,798)	(91,459)	(16,557)
National Labour Support Tax ("NLST")		(216,742)	(14,168)	(350,444)	(45,066)
Zakat		(86,232)	(6,926)	(140,177)	(25,493)
PROFIT FOR THE PERIOD		7,915,501	646,059	13,915,216	2,397,068
Attributable to:					
Equity holders of the Parent Company		7,720,702	549,816	12,635,716	1,736,259
Non-controlling interests		194,799	96,243	1,279,500	660,809
PROFIT FOR THE PERIOD		7,915,501	646,059	13,915,216	2,397,068
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	6	23.98 Fils	1.71 Fils	39.24 Fils	5.39 Fils

The attached notes 1 to 13 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 2023

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2023	2022	2023	2022
	KD	<i>KD</i>	KD	<i>KD</i>
PROFIT FOR THE PERIOD	7,915,501	646,059	13,915,216	2,397,068
Other comprehensive loss				
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(103,104)	(435,857)	(183,741)	(895,638)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(103,104)	(435,857)	(183,741)	(895,638)
<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	60,451	14,219	89,128	(36,299)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	60,451	14,219	89,128	(36,299)
Other comprehensive loss for the period	(42,653)	(421,638)	(94,613)	(931,937)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,872,848	224,421	13,820,603	1,465,131
Attributable to:				
Equity holders of the Parent Company	7,750,322	288,251	12,642,289	1,131,196
Non-controlling interests	122,526	(63,830)	1,178,314	333,935
	7,872,848	224,421	13,820,603	1,465,131

The attached notes 1 to 13 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 2023

		30 September 2023 KD	(Audited) 31 December 2022 KD	30 September 2022 KD
ASSETS				
Non-current assets				
Furniture and equipment		94,868	146,266	166,534
Right-of-use asset	7.a	42,750,705	44,593,736	45,642,772
Investment properties	7.b	21,344,037	14,698,037	14,788,244
Investment in associates	8	21,328,494	18,733,541	18,578,099
Investment securities		1,112,339	731,709	935,756
		<u>86,630,443</u>	<u>78,903,289</u>	<u>80,111,405</u>
Current assets				
Accounts receivable and prepayments		3,551,507	2,482,785	1,047,135
Trading properties		547,454	547,454	547,729
Inventories		404,941	455,559	472,432
Wakala receivable		500,000	-	450,000
Bank balances and cash		5,200,590	8,014,280	7,499,379
		<u>10,204,492</u>	<u>11,500,078</u>	<u>10,016,675</u>
TOTAL ASSETS		<u><u>96,834,935</u></u>	<u><u>90,403,367</u></u>	<u><u>90,128,080</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	10	32,200,000	32,200,000	32,200,000
Other reserve		(309,291)	(309,291)	(309,291)
Fair value reserve		(2,027,127)	(2,116,255)	(2,111,951)
Foreign currency translation reserve		(497,746)	(415,191)	(726,813)
Accumulated losses		(6,228,089)	(18,863,805)	(18,333,573)
Equity attributable to equity holders of the Parent Company		<u>23,137,747</u>	<u>10,495,458</u>	<u>10,718,372</u>
Non-controlling interests		(10,996,863)	(12,175,177)	(11,866,172)
Total equity (deficit)		<u>12,140,884</u>	<u>(1,679,719)</u>	<u>(1,147,800)</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		683,446	656,797	622,522
Islamic finance payables	11	37,456,979	37,456,979	42,192,920
Obligations under finance lease		12,956,712	13,497,386	13,812,346
Accounts payable and accruals		9,839,656	5,039,895	5,113,938
		<u>60,936,793</u>	<u>56,651,057</u>	<u>61,741,726</u>
Current liabilities				
Islamic finance payables	11	9,248,259	9,248,259	5,373,398
Obligations under finance lease		1,330,922	1,349,128	1,038,059
Accounts payable and accruals		13,178,077	24,834,642	23,122,697
		<u>23,757,258</u>	<u>35,432,029</u>	<u>29,534,154</u>
Total liabilities		<u>84,694,051</u>	<u>92,083,086</u>	<u>91,275,880</u>
TOTAL EQUITY AND LIABILITIES		<u><u>96,834,935</u></u>	<u><u>90,403,367</u></u>	<u><u>90,128,080</u></u>

Nawaf Musaid Abdulaziz Al-Osaimi
Chairman

Eisa Najib Abdulmohsen Al Eisa
Chief Executive Officer

The attached notes 1 to 13 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 2023

	<i>Equity attributable to equity holders of the Parent Company</i>							<i>Total equity / (deficit) KD</i>
	<i>Share capital 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>	
As at 1 January 2023 (Audited)	32,200,000	(309,291)	(2,116,255)	(415,191)	(18,863,805)	10,495,458	(12,175,177)	(1,679,719)
Profit for the period	-	-	-	-	12,635,716	12,635,716	1,279,500	13,915,216
Other comprehensive income (loss) for the period	-	-	89,128	(82,555)	-	6,573	(101,186)	(94,613)
Total comprehensive income (loss) for the period	-	-	89,128	(82,555)	12,635,716	12,642,289	1,178,314	13,820,603
At 30 September 2023	32,200,000	(309,291)	(2,027,127)	(497,746)	(6,228,089)	23,137,747	(10,996,863)	12,140,884
	<i>Share capital 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)

The attached notes 1 to 13 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 30 September 2023

	Notes	Nine months ended 30 September	
		2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the period before tax		14,497,296	2,484,184
<i>Adjustments to reconcile profit for the period before tax to net cash flows:</i>			
Depreciation of right-of-use asset	7	2,087,565	2,055,083
Valuation (income) losses on investment properties	7	(6,646,000)	245,393
Unrealised gain from financial assets at fair value through profit or loss		(291,503)	(34,596)
Realized gain from investments carried at fair value through profit or loss		-	(310,601)
Net (reversal) charge of provision for expected credit losses		(357,381)	975,487
Income from saving accounts		(4,431)	(7,807)
Share of results of associates	8	(2,598,000)	(613,517)
Depreciation of furniture and equipment		53,393	56,904
Gain from extinguishment of financial liabilities	5	(780,205)	(763,791)
Finance costs on Islamic finance payables		1,619,430	1,198,650
Finance costs on lease obligations		660,277	652,583
Finance cost	5	228,073	-
Reversal of provisions no longer required		(122,151)	-
Net foreign exchange differences		(248,133)	(686,402)
Write-down of inventories		50,618	49,888
Provision for employees' end of service benefits		76,524	86,033
		8,225,372	5,387,491
<i>Working capital changes:</i>			
Accounts receivable and prepayments		(711,341)	(521,423)
Accounts payable and accruals		(7,915,972)	669,096
Cash flows (used in) from operations		(401,941)	5,535,164
Employees' end of service benefits paid		(49,881)	(61,386)
Taxes paid		(293,734)	(163,427)
Net cash flows (used in) from operating activities		(745,556)	5,310,351
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(4,220)	(44,222)
Additions to right-of-use asset	7	(36,420)	(23,105)
Income received from saving accounts		4,431	7,807
Movement in Wakala receivables		(500,000)	(450,000)
Proceeds from disposal of fixed assets		-	45,667
Proceeds from capital redemption from financial assets at FVTPL		-	817,491
Net cash flows (used in) from investing activities		(536,209)	353,638
FINANCING ACTIVITIES			
Net repayment of Islamic finance payables		-	(300,000)
Net repayment of obligations under finance lease		(1,344,483)	(1,360,529)
Finance costs paid		(195,152)	(133,832)
Payment of prior years' dividends		(2,588)	(575)
Net cash flows used in financing activities		(1,542,223)	(1,794,936)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		(2,823,988)	3,869,053
Net foreign exchange difference		10,298	26,744
Bank balances and cash 1 January		8,014,280	3,603,582
BANK BALANCES AND CASH AT 30 SEPTEMBER		5,200,590	7,499,379
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 13 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 2023

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 2023 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 12 November 2023.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the shareholders at the annual general assembly meeting (“AGM”) held on 18 May 2023. 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 2023, although the Group generated a net profit of KD 13,915,216 as of that date, its current liabilities exceeded its current assets by KD 13,552,766. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 6,228,089.

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.
- ▶ The hotel operations continue to recover and improve, and the management expects further improvement gradually.
- ▶ The Group has been able to successfully renew the lease agreement for an investment property at significantly improved rentals for a fixed period of time. This has resulted in an increase in the fair valuation of the investment property and also increased fixed contractual cash flows for the Group, which will aid the Group’s liquidity position.

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.

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 2023 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 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.

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 2023

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

3.1 Basis of preparation (continued)

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 2022.

The interim condensed consolidated financial statements provide comparative information in respect of the previous period. The Group reclassified certain amounts within the interim condensed consolidated statement of profit or loss to conform with current period's presentation. Such reclassifications do not have any effect on interim condensed statement of income or equity and have been made to improve the quality of information presented.

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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial information of the Group.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's interim condensed consolidated financial information.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial information, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial information.

4 OPERATING REVENUE AND COSTS

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Operating revenue				
Hotel revenue	3,794,514	2,886,469	13,456,399	8,644,734
Operating costs				
Hotel operating costs	(1,892,750)	(1,659,200)	(6,436,687)	(4,638,373)
Depreciation of right-of-use asset (Note 7.a)	(700,765)	(693,495)	(2,087,565)	(2,055,083)
	(2,593,515)	(2,352,695)	(8,524,252)	(6,693,456)
Net results from hotel operations	1,200,999	533,774	4,932,147	1,951,278

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 2023

5 GAIN FROM EXTINGUISHMENT OF FINANCIAL LIABILITIES

In prior years, the Group recorded provision for litigation to settle the claim brought against the Group by the contractor of one of the properties of the Group in KSA, in 2015. On 9 June 2021, the Saudi Arbitration Committee (“SAC”) issued a final verdict and ruled in favour of the claimant for which the Group was liable to pay a total amount of SAR 155 million (equivalent to KD 12.6 million) pertaining to final payment, retention payments, the compensation for delay in the execution of project, and other project related costs. Based on the advice and updates from the legal counsel, the Group had recorded a provision for the full amount to settle the claim.

On 27 September 2022, the Court of Appeal upheld the SAC final verdict issued on 9 June 2021. Furthermore, the Court of Appeal obliged the Group to pay a total amount of SAR 154 million (equivalent to KD 12.6 million). During 2022, the Group had reduced its liability to SAR 154 million (equivalent to KD 12.6 million).

During the current period, the Group has reached a settlement with the contractor to settle the amount of SAR 154 million (equivalent to KD 12.6 million) to be paid in instalments over three years, with a final settlement to be made on 31 October 2025. Accordingly, the Group has discounted its total liabilities of SAR 154 million (equivalent to KD 12.6 million) and recorded a gain of KD 780,205, which is the difference between gross payable and discounted amount that is included under ‘gain from extinguishment of financial liabilities’ in the interim condensed consolidated statement of profit or loss.

The Group has recognised finance cost amounting to KD 228,073 in the interim condensed consolidated statement of profit or loss for the period ended 30 September 2023 (30 September 2022: Nil) which represents unwinding of the discounted liabilities payable to the contractor.

6 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit 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 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.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Earnings for the period attributable to the equity holders of the Parent Company (KD)	7,720,702	549,816	12,635,716	1,736,259
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)	23.98	1.71	39.24	5.39

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.

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7 RIGHT-OF-USE ASSET AND INVESTMENT PROPERTIES

a. Right-of-use asset

Set out below are the carrying amounts of right-of-use asset recognised and the movements during the period:

	<i>30 September</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>
At the beginning of the period/year	44,593,736	46,353,799	46,353,799
Depreciation of right-of-use asset (Note 4)	(2,087,565)	(2,754,678)	(2,055,083)
Remeasurement	-	644,275	-
Additions	36,420	36,451	661,493
Exchange differences	208,114	313,889	682,563
At the end of the period/year	42,750,705	44,593,736	45,642,772

b. Investment properties

	<i>30 September</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>
At the beginning of the period/year	14,698,037	15,033,637	15,033,637
Net gain (loss) from fair value remeasurement	6,646,000	(335,600)	(245,393)
At the end of the period/year	21,344,037	14,698,037	14,788,244

a) The fair value of investment properties was independently determined as at 31 December 2022 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 renewed lease agreement for the investment property and the market conditions existing at the end of the interim reporting period resulting in a remeasurement gain of KD 6,646,000 (30 September 2022: (Loss) KD 245,393) 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 2022: KD 8,572,037; 30 September 2022: KD 8,572,037) are pledged against Islamic finance payables (Note 11).

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Net gain (loss) from fair value remeasurement	6,727,037	(82,139)	6,646,000	(245,393)
Rental income derived from investment properties	285,509	867,134	426,503	1,229,110
Net income from investment properties	7,012,546	784,995	7,072,503	983,717

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8 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</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>
At the beginning of the period/year	18,733,541	17,989,328	17,989,328
Share of results	2,598,000	765,577	613,517
Exchange difference on translation of foreign operations	(3,047)	(21,364)	(24,746)
At the end of the period/year	<u>21,328,494</u>	<u>18,733,541</u>	<u>18,578,099</u>

Investment in associates with a carrying value of KD 20,260,924 (31 December 2022: KD 17,984,346; 30 September 2022: KD 17,612,319) are pledged against Islamic finance payables (Note 11).

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.

9 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</i> <i>of the Ultimate</i> <i>Parent Company</i> <i>KD</i>	<i>Associates</i> <i>KD</i>	<i>Other related</i> <i>parties</i> <i>KD</i>	<i>Nine months ended</i> <i>30 September</i>	
				<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Interim condensed consolidated statement of profit or loss:					
Management fees income	-	271,629	162,404	434,033	355,741
Income from saving accounts	598	-	-	598	676
Finance costs	(1,424,279)	-	-	(1,424,279)	(1,064,818)
Management fees expense	-	-	(769,128)	(769,128)	(388,445)

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

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9 RELATED PARTY DISCLOSURES (continued)

	<i>Major shareholder of the Ultimate Parent Company</i>	<i>Parent Company</i>	<i>Major shareholders</i>	<i>Associates</i>	<i>Other related parties</i>	30 September 2023	<i>(Audited)</i> 31 December 2022	30 September 2022
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	KD	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position:								
Financial asset at FVPL	-	-	-	-	657,570	657,570	366,067	567,570
Financial asset at FVOCI	-	-	185,334	-	233,601	418,935	329,808	334,112
Bank balances and cash	1,094,795	-	-	-	-	1,094,795	2,200,311	1,903,337
Accounts receivable and prepayments	-	1,034	1,033	-	3,137,689	3,139,756	1,589,524	261,309
Accounts payable and accruals	-	-	673,151	1,208,341	94,250	1,975,742	4,208,697	3,006,884
Islamic finance payables	42,192,919	-	-	-	-	42,192,919	42,192,919	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>	
	2023	2022	2023	2022
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	66,928	67,980	173,591	156,660
Post-employment benefits	249,208	206,951	32,692	19,273
	316,136	274,931	206,283	175,933

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10 SHARE CAPITAL

	30 September 2023 KD	<i>(Audited)</i> 31 December 2022 KD	30 September 2022 KD
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2022: 322,000,000 and 30 September 2022: 322,000,000) shares of 100 fils each, paid in cash.	32,200,000	32,200,000	32,200,000

11 ISLAMIC FINANCE PAYABLES

	30 September 2023 KD	<i>(Audited)</i> 31 December 2022 KD	30 September 2022 KD
Current			
Murabaha payables	4,512,319	4,519,725	4,512,318
Tawarruq payable	4,735,940	4,735,940	861,080
Less: deferred finance costs payable	-	(7,406)	-
	9,248,259	9,248,259	5,373,398
Non-current			
Tawarruq payable	37,456,979	37,456,979	42,192,920
	46,705,238	46,705,238	47,566,318

Islamic finance payables bear an average finance cost of 4.67% (31 December 2022: 4.13%; 30 September 2022: 3.3%) 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 42.2 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.

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.

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

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12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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>Total KD</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>As at 30 September 2023</i>				
Financial assets at FVOCI	185,334	-	233,601	418,935
Financial assets at FVPL	-	-	693,404	693,404
Totals	<u>185,334</u>	<u>-</u>	<u>927,005</u>	<u>1,112,339</u>
<i>As at 31 December 2022 (Audited)</i>				
Financial assets at FVOCI	116,298	-	213,510	329,808
Financial assets at FVPL	-	-	401,901	401,901
Totals	<u>116,298</u>	<u>-</u>	<u>615,411</u>	<u>731,709</u>
<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
Totals	<u>134,353</u>	<u>-</u>	<u>801,403</u>	<u>935,756</u>

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 2023</i>		
As at 1 January 2023	213,510	401,901
Remeasurement recognised in profit or loss	20,091	291,503
As at 30 September 2023	<u>233,601</u>	<u>693,404</u>

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12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair values (continued)

	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>KD</i>
<i>31 December 2022</i>		
As at 1 January 2022	203,132	1,073,939
Remeasurement recognised in OCI	10,378	-
Remeasurement recognised in profit or loss	-	(165,148)
Purchases / sales / Redemption (net)	-	(506,890)
	213,510	401,901
As at 31 December 2022	213,510	401,901
<i>30 September 2022</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>KD</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)
	199,758	601,645
As at 30 September 2022	199,758	601,645

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 2022.

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.

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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>30 September 2023 (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	490,994	14,831,637	1,211	15,323,842
Segment results	(475,082)	14,430,396	(40,098)	13,915,216
<i>Other disclosures</i>				
Depreciation and amortisation	(44,769)	(2,092,866)	(3,323)	(2,140,958)
Allowance for expected credit losses	7,655	349,726	-	357,381
Provision no longer required	122,151	-	-	122,151
<i>Interim condensed consolidated statement of financial position</i>				
Total assets	15,358,656	80,375,121	1,101,158	96,834,935
Total liabilities	10,260,127	74,396,403	37,521	84,694,051
<i>31 December 2022 (Audited)</i>				
<i>Statement of financial position</i>				
Total assets	18,660,556	71,133,941	608,870	90,403,367
Total liabilities	8,823,233	83,212,135	47,718	92,083,086

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13 SEGMENT INFORMATION (continued)

	<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	500,993	10,230,398	144	10,731,535
Segment results	(431,626)	2,855,511	(26,817)	2,397,068
<i>Other disclosures</i>				
Depreciation and amortisation	(44,272)	(2,064,134)	(3,581)	(2,111,987)
Allowance for expected credit losses	(8,110)	(967,377)	-	(975,487)
<i>Interim condensed consolidated statement of financial position</i>				
Total assets	18,018,714	71,461,890	647,476	90,128,080
Total liabilities	7,547,900	83,669,324	58,656	91,275,880