

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

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

31 MARCH 2022

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 2022, 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

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 271,530 during the three months ended 31 March 2022, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 20,653,020. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 19,922,612. 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.

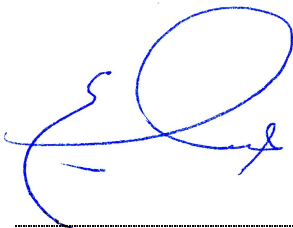
Our conclusion is not modified in respect of this matter.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE 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 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 three-month period ended 31 March 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

5 May 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 31 March 2022

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		2022 <i>KD</i>	2021 <i>KD</i>
Operating revenue	4	2,270,798	779,425
Operating costs	4	(1,890,998)	(1,349,506)
Net results from hotel operations		379,800	(570,081)
Management fees		74,072	102,841
Net income from Sukouk		148,005	35,009
Net (loss) income from investment properties	6	(4,309)	250,487
Finance income		2,302	1,246
Other income		164,036	20,692
Unrealised gain (loss) from financial assets at fair value through profit or loss		91,230	(110,765)
Realized gain from investments carried at fair value through profit or loss		310,601	-
Share of results of associates	7	(231,859)	(809,727)
General and administrative expenses		(273,750)	(290,650)
Depreciation expense		(19,422)	(19,763)
Write-down of inventories		(16,143)	(15,784)
Finance costs on Islamic finance payables		(401,897)	(365,326)
Finance costs on lease obligations		(215,395)	(216,719)
Net foreign exchange differences		98,257	(70,910)
Net reversal (charge) of provision for expected credit losses		171,675	(522,351)
Profit (loss) before tax		277,203	(2,581,801)
Overseas taxation		(5,673)	(45,449)
Directors' remuneration		-	-
PROFIT (LOSS) FOR THE PERIOD		271,530	(2,627,250)
Attributable to:			
Equity holders of the Parent Company		147,220	(2,172,853)
Non-controlling interests		124,310	(454,397)
PROFIT (LOSS) FOR THE PERIOD		271,530	(2,627,250)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	0.46 Fils	(7) 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)

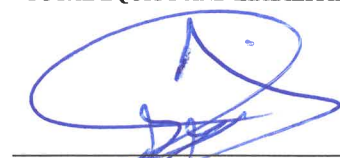
For the period ended 31 March 2022

	<i>Three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
PROFIT (LOSS) FOR THE PERIOD	271,530	(2,627,250)
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	(147,575)	55,773
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	(147,575)	55,773
<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	(12,814)	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(12,814)	-
Other comprehensive (loss) income for the period	(160,389)	55,773
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	111,141	(2,571,477)
Attributable to:		
Equity holders of the Parent Company	43,294	(2,140,481)
Non-controlling interests	67,847	(430,996)
	111,141	(2,571,477)

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 31 March 2022

		31 March 2022 KD	(Audited) 31 December 2021 KD	31 March 2021 KD
	Notes			
ASSETS				
Non-current assets				
Furniture and equipment		178,157	221,009	245,422
Right-of-use asset	6	45,795,428	46,353,799	48,340,062
Investment properties	6	14,952,522	15,033,637	16,347,674
Investment in associates	7	17,753,914	17,989,328	18,710,249
Investment securities		1,015,875	1,444,349	1,978,403
		<u>79,695,896</u>	<u>81,042,122</u>	<u>85,621,810</u>
Current assets				
Accounts receivable and prepayments		2,585,863	1,501,198	4,548,507
Trading properties		547,729	547,729	530,370
Inventories		506,177	522,320	536,642
Bank balances and cash		5,442,613	3,603,582	3,265,772
		<u>9,082,382</u>	<u>6,174,829</u>	<u>8,881,291</u>
TOTAL ASSETS		<u>88,778,278</u>	<u>87,216,951</u>	<u>94,503,101</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	9	32,200,000	32,200,000	32,200,000
Statutory reserve		-	-	11,939,162
Other reserve		(309,291)	(309,291)	(309,291)
Fair value reserve		(2,088,466)	(2,075,652)	(2,132,468)
Foreign currency translation reserve		(249,161)	(158,049)	(155,898)
Accumulated losses		(19,922,612)	(20,069,832)	(23,375,004)
Equity attributable to equity holders of the Parent Company		<u>9,630,470</u>	<u>9,587,176</u>	<u>18,166,501</u>
Non-controlling interests		(12,132,260)	(12,200,107)	(8,778,391)
Total (deficit) equity		<u>(2,501,790)</u>	<u>(2,612,931)</u>	<u>9,388,110</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		583,806	599,355	525,838
Islamic finance payables	10	42,192,928	35,544,066	35,544,066
Obligations under finance lease		13,767,527	13,516,056	13,868,062
Accounts payable and accruals		5,000,405	4,983,745	4,982,511
		<u>61,544,666</u>	<u>54,643,222</u>	<u>54,920,477</u>
Current liabilities				
Islamic finance payables	10	5,673,391	12,322,253	12,315,340
Obligations under finance lease		1,015,812	1,012,548	1,012,306
Accounts payable and accruals		23,046,199	21,851,859	16,866,868
		<u>29,735,402</u>	<u>35,186,660</u>	<u>30,194,514</u>
Total liabilities		<u>91,280,068</u>	<u>89,829,882</u>	<u>85,114,991</u>
TOTAL EQUITY AND LIABILITIES		<u>88,778,278</u>	<u>87,216,951</u>	<u>94,503,101</u>


Nawaf Musaid Abdulaziz Al-Osaimi
Chairman


Eisa Najib Abdulmohsen Al Eisa
Acting 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 31 March 2022

	Equity attributable to equity holders of the Parent Company									
	Share capital KD	Share premium KD	Statutory reserve KD	Other reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total (deficit) equity KD
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	-	-	-	-	-	-	147,220	147,220	124,310	271,530
Other comprehensive loss for the period	-	-	-	-	(12,814)	(91,112)	-	(103,926)	(56,463)	(160,389)
Total comprehensive (loss) income for the period	-	-	-	-	(12,814)	(91,112)	147,220	43,294	67,847	111,141
At 31 March 2022	32,200,000	-	-	(309,291)	(2,088,466)	(249,161)	(19,922,612)	9,630,470	(12,132,260)	(2,501,790)
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	-	-	-	-	-	-	(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 income (loss) for the period	-	-	-	-	-	32,372	(2,172,853)	(2,140,481)	(430,996)	(2,571,477)
Partial extinguishment of accumulated losses	-	(12,400,000)	-	-	-	-	12,400,000	-	-	-
At 31 March 2021	32,200,000	-	11,939,162	(309,291)	(2,132,468)	(155,898)	(23,375,004)	18,166,501	(8,778,391)	9,388,110

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 at 31 March 2022

	Notes	Three months ended 31 March	
		2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit (loss) before tax		277,203	(2,581,801)
<i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i>			
Depreciation of right-of-use asset	6	675,981	672,916
Valuation losses on investment properties	6	81,115	232,617
Unrealised gain (loss) from financial assets at fair value through profit or loss		(91,230)	110,765
Realized gain from investments carried at fair value through profit or loss		(310,601)	-
Provision for expected credit losses		(171,675)	553,524
Income from deposits		(2,302)	(1,246)
Share of results of associates	7	231,859	809,727
Depreciation of furniture and equipment		19,422	19,763
Finance costs on Islamic finance payables		401,897	365,326
Finance costs on lease obligations		215,395	216,719
Reversal of provisions no longer required		-	(31,173)
Net foreign exchange differences		(98,257)	70,910
Write-down of inventories		16,143	15,784
Provision for employees' end of service benefits		22,410	6,933
		1,267,360	460,764
<i>Working capital changes:</i>			
Accounts receivable and prepayments		(274,772)	852
Accounts payable and accruals		947,088	120,183
Cash flows from operations		1,939,676	581,799
Employees' end of service benefits paid		(36,273)	(214,297)
Taxes paid		-	(39,742)
Net cash flows from operating activities		1,903,403	327,760
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(19,026)	(77)
Additions to right-of-use asset	6	-	(8,958)
Finance income		2,302	1,246
Net cash flows used in investing activities		(16,724)	(7,789)
FINANCING ACTIVITIES			
Net repayment of Islamic finance payables		-	(300,000)
Net repayment of obligations under finance lease		(9,000)	(9,000)
Finance costs paid		(41,471)	(42,421)
Payment of prior years' dividends		(500)	(100)
Net cash flows used in financing activities		(50,971)	(351,521)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		1,835,708	(31,550)
Net foreign exchange difference		3,323	(3,075)
Bank balances and cash 1 January		3,603,582	3,300,397
BANK BALANCES AND CASH AT 31 MARCH		5,442,613	3,265,772

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 31 March 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 three months ended 31 March 2022 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 28 April 2022.

The consolidated financial statements of the Group for the year ended 31 December 2021 are subject to approval in the annual general assembly of the shareholders of the Parent Company. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance and consequently, may have an impact on the current period interim condensed consolidated financial information.

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, Mezzathree 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 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

For the period ended 31 March 2022, although the Group generated a net profit of KD 271,530, as of that date, its current liabilities exceeded its current assets by KD 20,653,020. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 19,922,612.

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.
- ▶ Management has successfully negotiated with a related party financial institution to reschedule the principal repayment terms of Islamic finance payables, with principal repayments being shifted from December 2021 to December 2022.
- ▶ Management has implemented a number of cost saving measures at the hotels owned and by managed by the Group. Cost savings measure included employee furlough together with other employee cost reductions and revised agreements with the hotel operators.

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 31 March 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 three months ended 31 March 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 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>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Operating revenue		
Hotel revenue	2,270,798	779,425
Operating costs		
Hotel operating costs	(1,215,017)	(676,590)
Depreciation of right-of-use asset (Note 6)	(675,981)	(672,916)
	(1,890,998)	(1,349,506)
Net results from hotel operations	379,800	(570,081)

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 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 31 March</i>	
	2022	2021
Earnings (loss) for the period attributable to the equity holders of the Parent Company (KD)	147,220	(2,172,853)
Weighted average number of ordinary shares outstanding during the period (shares)	322,000,000	322,000,000
Basic and diluted EPS (Fils)	0.46	(7)

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>31 March 2022 KD</i>	<i>(Audited) 31 December 2021 KD</i>	<i>31 March 2021 KD</i>
At the beginning of the period/year	46,353,799	49,079,942	49,079,942
Depreciation of right-of-use asset (Note 4)	(675,981)	(2,698,893)	(672,916)
Additions	-	42,924	8,958
Exchange differences	117,610	(70,174)	(75,922)
At the end of the period/year	45,795,428	46,353,799	48,340,062

b. Investment properties

	<i>31 March 2022 KD</i>	<i>(Audited) 31 December 2021 KD</i>	<i>31 March 2021 KD</i>
At the beginning of the period/year	15,033,637	16,582,932	16,582,932
Net loss from fair value remeasurement	(81,115)	(1,545,101)	(232,617)
Exchange differences	-	(4,194)	(2,641)
At the end of the period/year	14,952,522	15,033,637	16,347,674

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 2022

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 81,115 (31 March 2021: 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 2021: KD 8,572,037; 31 March 2021: KD 8,572,037) are pledged against Islamic finance payables (Note 10).

	<i>Three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Net loss from fair value remeasurement	(81,115)	(232,617)
Rental income derived from investment properties	76,806	483,104
Net (loss) income from investment properties	(4,309)	250,487

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>31 March 2022</i>	<i>(Audited) 31 December 2021</i>	<i>31 March 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	(231,859)	(1,529,249)	(809,727)
Exchange difference on translation of foreign operations	(3,555)	4,768	6,167
At the end of the period/year	17,753,914	17,989,328	18,710,249

Investment in associates with a carrying value of KD 16,604,094 (31 December 2021: KD 16,928,461; 31 March 2021: KD 16,973,762) 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

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</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Three months ended 31 March</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>2022</i>	<i>2021</i>
				<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of profit or loss:					
Management fees income	-	15,065	59,007	74,072	102,841
Income from deposits	237	-	-	237	142
Finance costs	(360,426)	-	-	(360,426)	(322,905)
Management fees expense	-	-	(104,207)	(104,207)	(16,023)

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 (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>	31 March 2022 KD	<i>(Audited) 31 December 2021 KD</i>	<i>31 March 2021 KD</i>
Interim condensed consolidated statement of financial position:								
Financial asset at FVPL	-	-	-	-	624,204	624,204	532,974	1,027,564
Financial asset at FVOCI	-	-	155,064	-	202,532	357,596	370,410	313,594
Bank balances and cash	1,661,798	-	-	-	-	1,661,798	1,436,157	1,639,116
Accounts receivable and prepayments	-	1,034	1,034	-	559,941	562,009	283,169	1,290,724
Accounts payable and accruals	-	-	188,090	2,498,338	995,449	3,681,877	2,788,154	1,293,863
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 31 March</i>		<i>Transaction values for period ended 31 March</i>	
	2022 KD	2021 KD	2022 KD	2021 KD
Salaries and short-term benefits	60,010	64,839	50,582	53,429
Post-employment benefits	182,723	148,686	4,514	3,198
	242,733	213,525	55,096	56,627

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9 SHARE CAPITAL

	31 March 2022 KD	<i>(Audited)</i> 31 December 2021 KD	31 March 2021 KD
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2021: 322,000,000 and 31 March 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

	31 March 2022 KD	<i>(Audited)</i> 31 December 2021 KD	31 March 2021 KD
Current			
Murabaha payables	4,818,309	4,859,781	4,805,406
Tawarruq payable	861,072	7,509,934	7,509,934
Less: deferred finance costs payable	(5,990)	(47,462)	-
	5,673,391	12,322,253	12,315,340
Non-current			
Tawarruq payable	42,192,928	35,544,066	35,544,066
	47,866,319	47,866,319	47,859,406

Islamic finance payables bear an average finance cost of 3.25% (31 December 2021: 3.25%; 31 March 2021: 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 43 million is secured over certain of the Group's investment properties, investment in associates and subsidiaries.

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

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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 31 March 2022</i>				
Financial assets at FVOCI	155,064	-	202,532	357,596
Financial assets at FVPL	-	-	658,279	658,279
<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 31 March 2021</i>				
Financial assets at FVOCI	122,139	-	191,455	313,594
Financial assets at FVPL	-	-	1,664,809	1,664,809

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>31 March 2022</i>		
As at 1 January 2022	203,132	1,073,939
Remeasurement recognised in OCI	(600)	-
Remeasurement recognised in profit or loss	-	91,230
Purchases / sales / Redemption (net)	-	(506,890)
<i>As at 31 March 2022</i>	202,532	658,279

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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>
	<hr/>	<hr/>
	<i>Unquoted equity securities</i>	
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVPL KD</i>
<i>31 March 2021</i>		
As at 1 January 2021	191,455	1,775,574
Remeasurement recognised in profit or loss	-	(110,765)
	<hr/>	<hr/>
As at 31 March 2021	<u>191,455</u>	<u>1,664,809</u>
	<hr/>	<hr/>

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2022

12 SEGMENT INFORMATION (continued)

	<i>31 March 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	104,087	1,309,443	8,787	1,422,317
Segment results	808,116	(3,271,396)	(118,521)	(2,581,801)
<i>Other information</i>				
Depreciation and amortisation	(18,158)	(674,521)	-	(692,679)
Allowance for expected credit losses	30,245	(552,596)	-	(522,351)
<i>Interim condensed consolidated statement of financial position</i>				
Total assets	12,777,720	80,901,836	823,545	94,503,101
Total liabilities	26,099,122	58,408,942	606,927	85,114,991

13 IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the State of Kuwait. Governments across the globe have taken steps to contain the spread of the virus, which included closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews.

For the period ended 31 March 2022, the impact on the Group’s business and results has not been significant and management expects this to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue in operation in the best and safest way possible.