

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

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

30 JUNE 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 30 June 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 six-month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Material Uncertainty Related to Going Concern

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 1,751,009 during the six months ended 30 June 2022, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 18,992,426. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 18,883,389. 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 six-month period ended 30 June 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 six-month period ended 30 June 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

10 August 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 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		KD	KD	KD	KD
Operating revenue	4	3,487,467	702,911	5,758,265	1,482,336
Operating costs	4	(2,449,763)	(1,390,487)	(4,340,761)	(2,739,993)
Net results from hotel operations		1,037,704	(687,576)	1,417,504	(1,257,657)
Management fees		147,369	57,696	221,441	160,537
Net income from Sukouk		244,332	273,494	392,337	308,503
Reversal of provisions no longer required		-	8,900	-	40,073
Net income from investment properties	6	203,031	248,577	198,722	499,064
Income from saving accounts		2,766	1,518	5,068	2,764
Other income		42,709	107,505	206,745	128,197
Unrealised gain (loss) from financial assets at fair value through profit or loss		96,802	(85,670)	188,032	(196,435)
Provision for litigation		-	(9,551,847)	-	(9,551,847)
Realized gain from investments carried at fair value through profit or loss		-	-	310,601	-
Share of results of associates	7	347,640	(578,370)	115,781	(1,388,097)
General and administrative expenses		(275,834)	(282,985)	(549,584)	(573,635)
Depreciation expense		(18,563)	(22,359)	(37,985)	(42,122)
Write-down of inventories		(16,873)	(15,656)	(33,016)	(31,440)
Finance costs on Islamic finance payables		(394,375)	(363,413)	(796,272)	(728,739)
Finance costs on lease obligations		(217,212)	(216,207)	(432,607)	(432,926)
Net foreign exchange differences		235,218	(125,642)	333,475	(196,552)
Net reversal (charge) of provision for expected credit losses		99,316	(460,272)	270,991	(1,013,796)
PROFIT (LOSS) BEFORE TAX		1,534,030	(11,692,307)	1,811,233	(14,274,108)
Overseas taxation		(5,086)	(5,870)	(10,759)	(51,319)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		-	-	-	-
National Labour Support Tax ("NLST")		(30,898)	-	(30,898)	-
Zakat		(18,567)	-	(18,567)	-
PROFIT (LOSS) FOR THE PERIOD		1,479,479	(11,698,177)	1,751,009	(14,325,427)
Attributable to:					
Equity holders of the Parent Company		1,039,223	(9,149,783)	1,186,443	(11,322,636)
Non-controlling interests		440,256	(2,548,394)	564,566	(3,002,791)
PROFIT (LOSS) FOR THE PERIOD		1,479,479	(11,698,177)	1,751,009	(14,325,427)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	3.23 Fils	(28.42) Fils	3.68 Fils	(35.16) 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 June 2022

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</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	1,479,479	(11,698,177)	1,751,009	(14,325,427)
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	(312,206)	132,717	(459,781)	188,490
<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	(37,704)	(20,063)	(50,518)	(20,063)
Other comprehensive (loss) income for the period	(349,910)	112,654	(510,299)	168,427
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,129,569	(11,585,523)	1,240,710	(14,157,000)
Attributable to:				
Equity holders of the Parent Company	799,651	(9,080,999)	842,945	(11,221,480)
Non-controlling interests	329,918	(2,504,524)	397,765	(2,935,520)
	1,129,569	(11,585,523)	1,240,710	(14,157,000)

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 June 2022

		30 June 2022 KD	(Audited) 31 December 2021 KD	30 June 2021 KD
ASSETS				
Non-current assets				
Furniture and equipment		166,591	221,009	224,738
Right-of-use asset	6.a	45,357,768	46,353,799	47,565,197
Investment properties	6.b	14,870,383	15,033,637	16,112,563
Investment in associates	7	18,086,835	17,989,328	18,143,602
Investment securities		1,074,973	1,444,349	1,872,670
		<u>79,556,550</u>	<u>81,042,122</u>	<u>83,918,770</u>
Current assets				
Accounts receivable and prepayments		1,758,700	1,501,198	1,579,983
Trading properties		547,729	547,729	530,370
Inventories		489,304	522,320	516,659
Wakala receivable		450,000	-	-
Bank balances and cash		7,805,285	3,603,582	4,104,291
		<u>11,051,018</u>	<u>6,174,829</u>	<u>6,731,303</u>
TOTAL ASSETS		<u>90,607,568</u>	<u>87,216,951</u>	<u>90,650,073</u>
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		(2,126,170)	(2,075,652)	(2,152,531)
Foreign currency translation reserve		(451,029)	(158,049)	(67,051)
Accumulated losses		(18,883,389)	(20,069,832)	(20,585,625)
Equity attributable to equity holders of the Parent Company		<u>10,430,121</u>	<u>9,587,176</u>	<u>9,085,502</u>
Non-controlling interests		(11,802,342)	(12,200,107)	(11,282,915)
Total (deficit)		<u>(1,372,221)</u>	<u>(2,612,931)</u>	<u>(2,197,413)</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		597,510	599,355	457,747
Islamic finance payables	10	42,192,919	35,544,066	35,544,066
Obligations under finance lease		14,099,234	13,516,056	14,009,545
Accounts payable and accruals		5,046,682	4,983,745	4,960,298
		<u>61,936,345</u>	<u>54,643,222</u>	<u>54,971,656</u>
Current liabilities				
Islamic finance payables	10	5,373,399	12,322,253	12,315,341
Obligations under finance lease		1,024,880	1,012,548	1,007,954
Accounts payable and accruals		23,645,165	21,851,859	24,552,535
		<u>30,043,444</u>	<u>35,186,660</u>	<u>37,875,830</u>
Total liabilities		<u>91,979,789</u>	<u>89,829,882</u>	<u>92,847,486</u>
TOTAL EQUITY AND LIABILITIES		<u>90,607,568</u>	<u>87,216,951</u>	<u>90,650,073</u>


Nawaf Musaid Abdulaziz Al-Osaimi
Chairman


Eisa Najib Abdulmohsen Al Eisa
Acting 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 June 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	-	-	-	-	-	-	1,186,443	1,186,443	564,566	1,751,009
Other comprehensive loss for the period	-	-	-	-	(50,518)	(292,980)	-	(343,498)	(166,801)	(510,299)
Total comprehensive (loss) income for the period	-	-	-	-	(50,518)	(292,980)	1,186,443	842,945	397,765	1,240,710
At 30 June 2022	32,200,000	-	-	(309,291)	(2,126,170)	(451,029)	(18,883,389)	10,430,121	(11,802,342)	(1,372,221)
As at 1 January 2021 (Audited)	32,200,000	12,400,000	11,939,162	(309,291)	(2,132,468)	(188,270)	(33,602,151)	20,306,982	(8,347,395)	11,959,587
Loss for the period	-	-	-	-	-	-	(11,322,636)	(11,322,636)	(3,002,791)	(14,325,427)
Other comprehensive (loss) income for the period	-	-	-	-	(20,063)	121,219	-	101,156	67,271	168,427
Total comprehensive (loss) income for the period	-	-	-	-	(20,063)	121,219	(11,322,636)	(11,221,480)	(2,935,520)	(14,157,000)
Partial extinguishment of accumulated losses	-	(12,400,000)	(11,939,162)	-	-	-	24,339,162	-	-	-
At 30 June 2021	32,200,000	-	-	(309,291)	(2,152,531)	(67,051)	(20,585,625)	9,085,502	(11,282,915)	(2,197,413)

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 June 2022

		Six months ended	
		30 June	
	Notes	2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit for the period before tax		1,811,233	(14,274,108)
<i>Adjustments to reconcile profit for the period before tax to net cash flows:</i>			
Depreciation of right-of-use asset	6	1,361,588	1,345,143
Valuation losses on investment properties	6	163,254	464,196
Unrealised (gain) loss from financial assets at fair value through profit or loss		(188,032)	196,435
Realized gain from investments carried at fair value through profit or loss		(310,601)	-
(Reversal of) provision for expected credit losses		(270,991)	1,013,796
Income from saving accounts		(5,068)	(2,764)
Share of results of associates	7	(115,781)	1,388,097
Depreciation of furniture and equipment		37,985	42,122
Provision for legal expenses		-	9,551,847
Finance costs on Islamic finance payables		796,272	728,739
Finance costs on lease obligations		432,607	432,926
Reversal of provisions no longer required		-	(40,073)
Net foreign exchange differences		(333,475)	196,552
Write-down of inventories		33,016	31,440
Provision for employees' end of service benefits		56,238	17,898
		3,468,245	1,092,246
<i>Working capital changes:</i>			
Accounts receivable and prepayments		13,488	897,333
Inventories		-	4,327
Accounts payable and accruals		958,736	(582,043)
		4,440,469	1,411,863
Cash flows from operations			
Employees' end of service benefits paid		(56,782)	(293,180)
Taxes paid		(163,427)	121,064
		4,220,260	1,239,747
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(25,975)	(1,622)
Additions to right-of-use asset	6	(16,497)	(25,114)
Income received from saving accounts		5,068	2,764
Movement in Wakala receivables		(450,000)	-
Proceeds from disposal of fixed assets		45,667	191
Proceeds from capital Redemption from Financial assets at FVTPL		817,491	-
		375,754	(23,781)
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Net repayment of Islamic finance payables		(300,000)	(300,000)
Net repayment of obligations under finance lease		(21,700)	(21,637)
Finance costs paid		(85,971)	(84,353)
Payment of prior years' dividends		(550)	(250)
		(408,221)	(406,240)
Net cash flows used in financing activities			
NET INCREASE IN BANK BALANCES AND CASH			
Net foreign exchange difference		13,910	(5,832)
Bank balances and cash 1 January		3,603,582	3,300,397
		7,805,285	4,104,291
BANK BALANCES AND CASH AT 30 JUNE			

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 June 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 six months ended 30 June 2022 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 10 August 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 June 2022, although the Group generated a net profit of KD 1,751,009, as of that date, its current liabilities exceeded its current assets by KD 18,992,426. In addition to the above, the Group’s accumulated losses at the reporting date amounted to KD 18,883,389.

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 rescheduled and resulting in a reduction in current liabilities.
- ▶ 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 June 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 30 June 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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	3,487,467	702,911	5,758,265	1,482,336
Operating costs				
Hotel operating costs	(1,764,156)	(718,260)	(2,979,173)	(1,394,850)
Depreciation of right-of-use asset (Note 6)	(685,607)	(672,227)	(1,361,588)	(1,345,143)
	(2,449,763)	(1,390,487)	(4,340,761)	(2,739,993)
Net results from hotel operations	1,037,704	(687,576)	1,417,504	(1,257,657)

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 June 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 June</i>		<i>Six months ended</i> <i>30 June</i>	
	2022	2021	2022	2021
Earnings (loss) for the period attributable to the equity holders of the Parent Company (KD)	1,039,223	(9,149,783)	1,186,443	(11,322,636)
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)	3.23	(28.42)	3.68	(35.16)

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 June</i> 2022 <i>KD</i>	<i>(Audited)</i> <i>31 December</i> 2021 <i>KD</i>	<i>30 June</i> 2021 <i>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)	(1,361,588)	(2,698,893)	(1,345,143)
Additions	16,497	42,924	25,114
Exchange differences	349,060	(70,174)	(194,716)
At the end of the period/year	45,357,768	46,353,799	47,565,197

b. Investment properties

	<i>30 June</i> 2022 <i>KD</i>	<i>(Audited)</i> <i>31 December</i> 2021 <i>KD</i>	<i>30 June</i> 2021 <i>KD</i>
At the beginning of the period/year	15,033,637	16,582,932	16,582,932
Net loss from fair value remeasurement	(163,254)	(1,545,101)	(464,196)
Exchange differences	-	(4,194)	(6,173)
At the end of the period/year	14,870,383	15,033,637	16,112,563

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 June 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 163,254 (30 June 2021: KD 464,196) for the period then ended. For properties located in Kuwait, management believes that there are no significant circumstances during the interim period that have arisen since year-end which may have a significant impact on fair value.
- b) Investment properties with a carrying value of KD 8,572,037 (31 December 2021: KD 8,572,037; 30 June 2021: KD 8,572,037) are pledged against Islamic finance payables (Note 10).

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</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)	(231,579)	(163,254)	(464,196)
Rental income derived from investment properties	285,170	480,156	361,976	963,260
Net income from investment properties	203,031	248,577	198,722	499,064

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 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>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	115,781	(1,529,249)	(1,388,097)
Exchange difference on translation of foreign operations	(18,274)	4,768	17,890
At the end of the period/year	18,086,835	17,989,328	18,143,602

Investment in associates with a carrying value of KD 16,977,136 (31 December 2021: KD 16,928,461; 30 June 2021: KD 16,488,766) 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>Six months ended 30 June</i>	
				<i>2022</i>	<i>2021</i>
				<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of profit or loss:					
Management fees income	-	81,106	140,335	221,441	160,537
Income from saving accounts	337	-	-	337	284
Finance costs	(710,301)	-	-	(710,301)	(644,386)
Management fees expense	-	-	(266,561)	(266,561)	(30,453)

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 June 2022 KD	<i>(Audited) 31 December 2021 KD</i>	<i>30 June 2021 KD</i>
Interim condensed consolidated statement of financial position:								
Financial asset at FVPL	-	-	-	-	721,006	721,006	532,974	941,894
Financial asset at FVOCI	-	-	117,360	-	202,532	319,892	370,410	293,531
Bank balances and cash	1,576,233	-	-	-	-	1,576,233	1,436,157	1,772,969
Accounts receivable and prepayments	-	1,034	1,034	-	607,473	609,541	283,169	276,986
Accounts payable and accruals	-	-	261,452	1,324,312	1,783,880	3,369,644	2,788,154	1,561,502
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 June</i>		<i>Transaction values for period ended 30 June</i>	
	<i>2022 KD</i>	<i>2021 KD</i>	<i>2022 KD</i>	<i>2021 KD</i>
Salaries and short-term benefits	61,705	47,013	106,130	100,114
Post-employment benefits	191,647	120,009	9,217	5,347
	253,352	167,022	115,347	105,461

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9 SHARE CAPITAL

	30 June 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 June 2021 KD
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2021: 322,000,000 and 30 June 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 June 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 June 2021 KD
Current			
Murabaha payables	4,512,319	4,859,781	4,805,407
Tawarruq payable	861,080	7,509,934	7,509,934
Less: deferred finance costs payable	-	(47,462)	-
	5,373,399	12,322,253	12,315,341
Non-current			
Tawarruq payable	42,192,919	35,544,066	35,544,066
	47,566,318	47,866,319	47,859,407

Islamic finance payables bear an average finance cost of 3.30% (31 December 2021: 3.25%; 30 June 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 June 2022</i>				
Financial assets at FVOCI	117,360	-	202,532	319,892
Financial assets at FVPL	-	-	755,081	755,081
<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 June 2021</i>				
Financial assets at FVOCI	122,139	-	171,392	293,531
Financial assets at FVPL	-	-	1,579,139	1,579,139

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 June 2022</i>		
As at 1 January 2022	203,132	1,073,939
Remeasurement recognised in OCI	(600)	-
Remeasurement recognised in profit or loss	-	188,032
Purchases / sales / Redemption (net)	-	(506,890)
<i>As at 30 June 2022</i>	202,532	755,081

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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</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>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</i>	<i>Financial assets at FVPL</i>
	<i>KD</i>	<i>KD</i>
<i>30 June 2021</i>		
As at 1 January 2021	191,455	1,775,574
Remeasurement recognised in OCI	(20,063)	-
Remeasurement recognised in profit or loss	-	(196,435)
	<hr/>	<hr/>
As at 30 June 2021	<u>171,392</u>	<u>1,579,139</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 June 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	472,791	6,473,159	(119)	6,945,831
Segment results	72,620	1,696,119	(17,730)	1,751,009
<i>Other disclosures</i>				
Depreciation and amortisation	(29,634)	(1,367,586)	(2,353)	(1,399,573)
Allowance for expected credit losses	(7,598)	278,589	-	270,991
<i>Interim condensed consolidated statement of financial position</i>				
Total assets	18,430,354	71,468,334	708,880	90,607,568
Total liabilities	8,801,052	83,117,116	61,621	91,979,789
	<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	14,349,330	72,043,990	823,631	87,216,951
Total liabilities	8,996,722	80,531,901	301,259	89,829,882

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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12 SEGMENT INFORMATION (continued)

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