

**MUNSHAAT REAL ESTATE PROJECTS
COMPANY K.S.C.P. AND SUBSIDIARIES**

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

30 JUNE 2016



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MUNSHAAT REAL ESTATE PROJECTS COMPANY 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 2016, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three and six months period then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this 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 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, it 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.

Emphasis of Matter

- a) We draw attention to Note 8 to the interim condensed consolidated financial information, which states that Parent Company has received a tax demand notice amounting to SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax ('DZIT), Kingdom of Saudi Arabia ("tax claim"). In response to the tax claim, the Parent Company has filed an objection letter with DZIT. Based on the advice from a tax consultant, the management of the Parent Company has estimated and recorded a potential tax liability of KD 12.4 million in the interim condensed consolidated statement of financial position as at 30 June 2016. Notwithstanding the above facts, there is a significant material uncertainty as to the outcome of the tax claim. The provision made in the books as at 30 June 2016 represents the best estimate from the management of the Parent Company.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MUNSHAAT REAL ESTATE PROJECTS COMPANY K.S.C.P. (continued)

Emphasis of Matter (continued)

- b) We draw attention to Note 10 to the interim condensed consolidated financial information, which describes that, during the year 2015, the contractor of one of the properties of the Group in Kingdom of Saudi Arabia has claimed an amount of SAR 501 million (equivalent to KD 41 million) from the Parent Company and the Parent Company has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in completing the project. The claim is currently under arbitration with the Saudi Arbitration Committee. The management of the Parent Company, based on the advice from an independent legal counsel, believes that the outcome of the arbitration ruling would most probably be in favour of the Parent Company and hence no provision has been made for this claim in the interim condensed consolidated financial information as at 30 June 2016.

Our conclusion is not qualified for the above matters.

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 Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012 or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six months period ended 30 June 2016 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 months period ended 30 June 2016 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



DR. SAUD HAMAD AL-HUMAIIDI
LICENCE NO. 51 A
DR. SAUD HAMAD AL-HUMAIIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

7 August 2016
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 June 2016

		Three months ended 30 June		Six months ended 30 June	
		(Restated)*		(Restated)*	
	Notes	2016 KD	2015 KD	2016 KD	2015 KD
Operating revenue	3	1,369,802	-	1,779,136	-
Operating cost	3	(2,581,452)	-	(4,481,186)	-
Gross loss		(1,211,650)	-	(2,702,050)	-
Income					
Management fees		137,833	146,134	282,149	340,899
Net income from investment properties and leasehold property		969,341	149,949	1,640,908	728,950
Gain on sale of financial assets available for sale		-	-	-	18,000
Unrealised gain (loss) from financial asset at fair value through statement of income		4,613	(15,003)	(66,277)	(30,007)
Gain from extinguishment of financial liabilities		-	-	-	3,752,978
Finance income		2,192	8,976	9,309	24,134
Dividend income		72,559	369,325	72,559	369,325
Other income		64,388	23,624	169,871	65,199
Share of results of associates		(265,249)	646,130	(129,029)	1,042,510
		985,677	1,329,135	1,979,490	6,311,988
Expenses					
General and administrative expenses		(862,038)	(735,403)	(1,738,227)	(1,642,341)
Depreciation		(8,681)	(16,414)	(18,609)	(39,303)
Finance costs		(469,518)	(203,703)	(770,201)	(404,095)
Net write back of impairment loss on accounts receivable		-	107,063	-	104,609
Net loss on business combination	12	-	(2,026,841)	-	(2,026,841)
Foreign exchange gain (loss)		84,762	16,667	(42,973)	147,763
		(1,255,475)	(2,858,631)	(2,570,010)	(3,860,208)
(Loss) profit for the period before contribution to Kuwait Foundation of Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and overseas taxation		(1,481,448)	(1,529,496)	(3,292,570)	2,451,780
Contribution to KFAS		-	12,506	-	(24,436)
NLST		-	35,034	-	(62,624)
Zakat		-	10,462	-	(32,133)
Overseas taxation		(47,434)	-	(65,078)	-
(Loss) profit for the period		(1,528,882)	(1,471,494)	(3,357,648)	2,332,587
Attributable to:					
Equity holders of the Parent Company		(1,219,607)	(1,339,682)	(2,713,100)	2,393,070
Non-controlling interests		(309,275)	(131,812)	(644,548)	(60,483)
(Loss) profit for the period		(1,528,882)	(1,471,494)	(3,357,648)	2,332,587
Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company	4	(4) Fils	(4) Fils	(8) Fils	7 Fils

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 12.

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 2016

	Three months ended 30 June		Six months ended 30 June	
	2016 KD	(Restated)* 2015 KD	2016 KD	(Restated)* 2015 KD
(Loss) profit for the period	(1,528,882)	(1,471,494)	(3,357,648)	2,332,587
Other comprehensive (loss) income:				
<i>Other comprehensive (loss) income for the period to be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
Change in fair value of financial assets available for sale	(1,793)	30,588	(1,793)	30,588
Exchange differences on translation of foreign operations	(684,930)	72,422	(505,675)	350,038
Net other comprehensive loss (income) for the period to be reclassified to interim condensed consolidated statement of income in subsequent periods	(686,723)	103,010	(507,468)	380,626
<i>Other comprehensive loss for the period not to be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
Change in the revaluation reserve	-	(54,652)	-	(54,652)
Other comprehensive loss for the period	(686,723)	48,358	(507,468)	325,974
Total comprehensive (loss) income for the period	(2,215,605)	(1,423,136)	(3,865,116)	2,658,561
Attributable to:				
- Equity holders of the Parent Company	(1,207,285)	(1,322,040)	(2,683,229)	2,557,776
- Non-controlling interests	(1,008,320)	(101,096)	(1,181,887)	100,785
	(2,215,605)	(1,423,136)	(3,865,116)	2,658,561

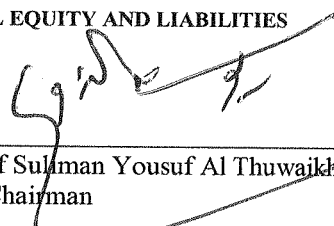
* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 12.

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 2016

		<i>(Audited)</i> 30 June 2016 KD	<i>(Audited)</i> 31 December 2015 KD	<i>(Restated)*</i> 30 June 2015 KD
ASSETS	<i>Notes</i>			
Non-current assets				
Furniture and computers		73,511	81,662	107,650
Leasehold property		72,036,554	76,225,925	72,030,822
Investment properties		19,727,109	20,064,117	20,724,053
Prepaid operating lease		2,430,300	2,430,300	1,222,470
Investment in associates		41,166,311	43,159,298	46,358,794
Financial assets available for sale		6,822,380	7,173,083	7,399,905
		142,256,165	149,134,385	147,843,694
Current assets				
Financial asset at fair value through statement of income		177,899	244,177	270,057
Accounts receivable and prepayments		7,625,192	8,129,743	6,696,129
Trading properties		545,902	545,902	-
Bank balances and cash		8,956,021	10,523,839	12,750,078
		17,305,014	19,443,661	19,716,264
TOTAL ASSETS		159,561,179	168,578,046	167,559,958
EQUITY AND LIABILITIES				
Equity				
Share capital	6	32,200,000	32,200,000	32,200,000
Share premium		12,400,000	12,400,000	12,400,000
Statutory reserve		11,216,178	11,216,178	11,169,484
Voluntary reserve		6,789,172	6,789,172	6,742,478
Cumulative changes in fair values		1,041,062	1,042,855	851,534
Revaluation reserve		2,484,334	2,532,504	1,275,123
Foreign currency translation reserve		(150,029)	(181,693)	(76,429)
Retained earnings		11,830,168	14,495,098	16,020,825
Equity attributable to equity holders of the Parent Company		77,810,885	80,494,114	80,583,015
Non-controlling interests		1,953,172	3,135,059	4,006,856
Total equity		79,764,057	83,629,173	84,589,871
Liabilities				
Non-current liabilities				
Employees' end of service benefits		892,806	810,171	751,860
Islamic finance payables	7	20,775,204	19,243,259	17,195,443
Obligations under finance leases		1,622,234	1,730,184	1,664,128
Accounts payable and accruals		2,936,543	647,513	644,843
		26,226,787	22,431,127	20,256,274
Current liabilities				
Islamic finance payables	7	6,898,092	6,884,930	6,000,000
Obligations under finance leases		75,687	81,044	80,684
Accounts payable and accruals	8	46,596,556	55,551,772	56,633,129
		53,570,335	62,517,746	62,713,813
Total liabilities		79,797,122	84,948,873	82,970,087
TOTAL EQUITY AND LIABILITIES		159,561,179	168,578,046	167,559,958


Yousuf Sulman Yousuf Al Thuwaikh
Vice Chairman


Abdulaziz Ahmad Youssef Alsaqer
Chief Executive Officer

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 12.

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 2016

Equity attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair values KD	Revaluation reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2016	32,200,000	12,400,000	11,216,178	6,789,172	1,042,855	2,532,504	(181,693)	14,495,098	80,494,114	3,135,059	83,629,173
Loss for the period	-	-	-	-	-	-	-	(2,713,100)	(2,713,100)	(644,548)	(3,357,648)
Other comprehensive (loss) income for the period	-	-	-	-	(1,793)	-	31,664	-	29,871	(537,339)	(507,468)
Total comprehensive (loss) income for the period	-	-	-	-	(1,793)	-	31,664	(2,713,100)	(2,683,229)	(1,181,887)	(3,865,116)
Transfers	-	-	-	-	-	(48,170)	-	48,170	-	-	-
As at 30 June 2016	32,200,000	12,400,000	11,216,178	6,789,172	1,041,062	2,484,334	(150,029)	11,830,168	77,810,885	1,953,172	79,764,057
As at 1 January 2015	32,200,000	12,400,000	11,169,484	6,742,478	820,946	1,329,775	(265,199)	15,237,755	79,635,239	5,713,713	85,348,952
Profit (loss) for the period (restated)*	-	-	-	-	-	-	-	2,393,070	2,393,070	(60,483)	2,332,587
Other comprehensive income (loss) for the period (restated)*	-	-	-	-	30,588	(54,652)	188,770	-	164,706	161,268	325,974
Total comprehensive income (loss) for the period (restated)*	-	-	-	-	30,588	(54,652)	188,770	2,393,070	2,557,776	100,785	2,658,561
Arising from acquisition of a subsidiary (Note 12)	-	-	-	-	-	-	-	-	-	(1,241,830)	(1,241,830)
Dividends paid (Note 6)	-	-	-	-	-	-	-	(1,610,000)	(1,610,000)	(565,812)	(2,175,812)
As at 30 June 2015 (restated)*	32,200,000	12,400,000	11,169,484	6,742,478	851,534	1,275,123	(76,429)	16,020,825	80,583,015	4,006,856	84,589,871

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 12.

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 2016

		Six months ended 30 June	
	Note	2016 KD	(Restated)* 2015 KD
OPERATING ACTIVITIES			
(Loss) profit for the period before contribution to Kuwait Foundation of Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and overseas taxation		(3,292,570)	2,451,780
Adjustments for:			
Amortisation of leasehold property		1,867,353	-
Amortisation of investment property		362,721	-
Gain on sale of financial assets available for sale		-	(18,000)
Unrealised loss from financial assets at fair value through statement of income		66,277	30,007
Gain from extinguishment of financial liabilities		-	(3,752,978)
Other income		(169,871)	(65,199)
Finance income		(9,309)	(24,134)
Dividend income		(72,559)	(369,325)
Share of results of associates		129,029	(1,042,510)
Depreciation		18,609	39,303
Finance costs		770,201	404,095
Net write back of impairment loss on accounts receivable		-	(104,609)
Foreign exchange loss (gain)		42,973	(147,763)
Provision for employees' end of service benefits		82,635	114,451
Net loss on business combination	12	-	2,026,841
		(204,511)	(458,041)
Working capital changes:			
Accounts receivable and prepayments		504,551	(224,311)
Accounts payable and accruals		(4,632,664)	5,591,810
Cash flows (used in) from operations		(4,332,624)	4,909,458
Employees' end of service benefits paid		-	(20,004)
Net cash flows (used in) from operating activities		(4,332,624)	4,889,454
INVESTING ACTIVITIES			
Purchase of furniture and computers		(10,458)	(35,477)
Dividend income received		72,559	369,325
Dividend received from an associate		-	306,802
Proceeds from redemption of investment in associates		1,838,744	-
Additions to leasehold property		-	(947,218)
Additions to investment properties		(25,713)	(33,825)
Proceeds from sale of financial assets available for sale		350,703	75,000
Acquisition of a subsidiary	12	-	196,513
Net cash flows from (used in) investing activities		2,225,835	(68,880)
FINANCING ACTIVITIES			
Net movement in Islamic finance payables		1,545,107	(1,610,000)
Dividend paid by the Parent Company		-	(565,812)
Finance cost paid		(543,477)	-
Net cash flows from (used in) financing activities		1,001,630	(2,175,812)
Foreign currency translation adjustment		(462,659)	265,846
(DECREASE) INCREASE IN BANK BALANCES AND CASH		(1,567,818)	2,910,608
Bank balances and cash at the beginning of the period		10,523,839	9,839,470
BANK BALANCES AND CASH AT THE END OF THE PERIOD		8,956,021	12,750,078

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 12.

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 30 June 2016

1 ACTIVITIES

Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") is a public shareholding company established in Kuwait and is listed on the Kuwait Stock Exchange and subject to rules and regulations of Capital Market Authority. The Parent Company was established on 8 April 2003 in accordance with the articles of association authenticated at Real Estate Registration and Authentication Department in the Ministry of Justice under No. 1416/Vol.1. The registered office of the Parent Company is located at Floor 43, Arraya Tower 2, Sharq, Shuhada St., Kuwait City Kuwait. The Parent Company carries out its activities as per Islamic Shari'ah and is mainly engaged in investment in local and foreign companies, real estate properties and consultancy services.

The Parent Company is a subsidiary of Aref Investment Group S.A.K ("Aref") (the "Intermediate Parent Company"), a share holding company incorporated in the State of Kuwait. Aref is a subsidiary of Kuwait Finance House K.S.C.P. ("the Ultimate Parent Company"), a registered Islamic Bank with the Central Bank of Kuwait and its shares are listed on the Kuwait Stock Exchange.

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively "the Group") for the period ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 7 August 2016.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the Executive Regulations of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

Changes in accounting policy and disclosures

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 January 2016. The adoption of these amendments and annual improvements to IFRS has no significant impact on the interim condensed consolidated financial information of the Group.

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

As at 30 June 2016

3 OPERATING REVENUE AND COST

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Operating revenue				
Hotel revenue	1,369,802	-	1,779,136	-
Operating cost				
Hotel operating cost	(1,461,209)	-	(2,613,833)	-
Amortisation of leasehold property	(1,120,243)	-	(1,867,353)	-
	<u>(2,581,452)</u>	<u>-</u>	<u>(4,481,186)</u>	<u>-</u>

4 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company are calculated by dividing the (loss) profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015 (Restated)</i>	<i>2016</i>	<i>2015 (Restated)</i>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	<u>(1,219,607)</u>	<u>(1,339,682)</u>	<u>(2,713,100)</u>	<u>2,393,070</u>
Weighted average number of ordinary shares outstanding during the period (shares)	<u>322,000,000</u>	<u>322,000,000</u>	<u>322,000,000</u>	<u>322,000,000</u>
Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company	<u>(4) Fils</u>	<u>(4) Fils</u>	<u>(8) Fils</u>	<u>7 Fils</u>

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

5 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, 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.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Ultimate Parent Company KD</i>	<i>Intermediate Parent Company KD</i>	<i>Associates KD</i>	<i>Other related parties KD</i>	<i>Six months ended 30 June</i>	
					<i>2016 KD</i>	<i>2015 KD</i>
Management fees	-	-	71,190	210,959	282,149	340,899
Finance income	7,155	-	-	-	7,155	9,755
Finance costs	(639,298)	(25,335)	-	-	(664,633)	(197,178)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

5 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	Ultimate Parent Company KD	Intermediate Parent Company KD	Major shareholders KD	Associates KD	Other related parties KD	30 June 2016 KD	(Audited) 31 December 2015 KD	(Restated) 30 June 2015 KD
Financial assets available for sale	-	-	-	-	3,828,084	3,828,084	4,178,787	4,984,783
Financial asset at fair value through statement of income	-	-	177,899	-	-	177,899	244,177	270,057
Bank balances and cash	2,157,137	-	-	-	-	2,157,137	3,066,285	1,892,014
Accounts receivable and prepayments	-	-	-	-	1,328,943	1,328,943	3,101,684	340,157
Accounts payable and accruals (current and non-current)	-	-	2,292,292	11,865,811	1,488,034	15,646,137	19,105,299	25,643,227
Islamic finance payables	20,775,204	898,092	-	-	-	21,673,296	20,128,189	17,195,443
Transactions:								
Sale of leasehold property	-	-	-	-	-	-	-	74,237

Compensation of key management personnel

The remuneration of directors in their capacity as executives and other members of key management, during the period were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 KD	2015 KD	2016 KD	2015 KD
Salaries and short-term benefits	162,931	137,852	324,955	262,513
Employee's end of service benefits	14,868	1,011	43,013	46,901
	<u>177,799</u>	<u>138,863</u>	<u>367,968</u>	<u>309,414</u>

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

	<i>30 June 2016 KD</i>	<i>(Audited) 31 December 2015 KD</i>	<i>30 June 2015 KD</i>
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2015: 322,000,000 and 30 June 2015: 322,000,000) shares of 100 fils each, paid in cash.	32,200,000	32,200,000	32,200,000

The board of directors has not recommended cash dividend for the financial year ended 31 December 2015 which has been approved at the Annual General Meeting of the shareholders held on 26 May 2016.

The cash dividend proposed of 5 fils per share for the year end 31 December 2014 was paid to the shareholders registered in the Parent Company's records as of the Annual General Meeting date.

7 ISLAMIC FINANCE PAYABLES

	<i>30 June 2016 KD</i>	<i>(Audited) 31 December 2015 KD</i>	<i>(Restated) 30 June 2015 KD</i>
Murabaha payable			
current	6,910,174	6,914,798	6,055,309
non-current	-	-	770,097
Less: deferred profit payable	(12,082)	(29,868)	(55,309)
	6,898,092	6,884,930	6,770,097
Ijara payable – non current	20,775,204	20,148,349	16,425,346
Less: deferred profit payable	-	(905,090)	-
	27,673,296	26,128,189	23,195,443

Murabaha payables amounting to KD 6,012,082 (31 December 2015: KD 6,011,507 and 30 June 2015: KD 6,012,329) are secured by an investment property with a carrying value of KD 10,550,000 (31 December 2015: KD 10,550,000 and 30 June 2015: KD 11,209,000).

Ijara payable represents facility amounting to KD 25 Million taken by one of the subsidiaries of the Group from the Ultimate Parent Company for a period of 5 years, which will be automatically and compulsorily renewed till the complete payment of the financing amount and profit.

8 ACCOUNTS PAYABLE AND ACCRUALS

On 5 January 2016, Munshaat received a demand notice for SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax ("DZIT"), Kingdom of Saudi Arabia for the years 2003 to 2013 and claimed Capital gains tax, corporate income tax, withholding tax and penalties ("tax claim"). Refer 31 December 2015 consolidated financial statements for details.

The management of Munshaat believes that the tax claim does not reflect the correct application of tax laws in the Kingdom of Saudi Arabia, the correct nature of the operations of Munshaat and also the underlying numbers used in the computation of tax claim are significantly different from the actual results of operations. Further, the management of Munshaat has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and has filed an objection letter dated 2 March 2016 with DZIT.

The management of Parent Company, based on the advice from a tax consultant, has computed the estimated impact of the aforesaid tax claim at the Group level and recorded a tax liability of KD 12,402,797 as at 30 June 2016 and included in accounts payable and accruals. However, as on the date of these interim condensed consolidated financial information there is a significant uncertainty as to the outcome of the tax claim. The provision recorded represents the best estimate of the tax liability that may arise from the tax claim.

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

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8 ACCOUNTS PAYABLE AND ACCRUALS (continued)

As at 30 June 2015, an amount of KD 6,196,940 was netted against the leasehold property representing charges payable to a development authority in the Kingdom of Saudi Arabia for the period 2008 to 2015. This amount has been reclassified to accounts payable and accruals in the interim condensed consolidated statement of financial position as at 30 June 2015 to conform to the current period's presentation. This reclassification did not result in any change to the profit or equity of the Group for the period ended 30 June 2015.

9 SEGMENTAL INFORMATION

For management purpose, the Group is organised into two major business segments. The principal activities and services under these segments are as follows:

Real estate & property management: Purchase, sale, development, renting and managing of properties.

Investment: Managing portfolio of investments.

The following table presents information relating to revenue and results of the Group for the six months ended 30 June 2016 and 30 June 2015.

	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Six months ended 30 June 2016				
Segment revenue	3,702,193	(114,381)	169,871	3,757,683
Segment results	(3,413,138)	(114,381)	169,871	(3,357,648)
Six months ended 30 June 2015 (Restated)				
Segment revenue	1,493,304	1,534,095	65,199	3,092,598
Segment results	2,656,372	1,534,095	(1,857,880)	2,332,587

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2016, 31 December 2015 and 30 June 2015:

	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
As at 30 June 2016				
Segment assets	100,427,065	48,166,591	10,967,523	159,561,179
Segment liabilities	78,478,525	-	1,318,597	79,797,122
As at 31 December 2015 (Audited)				
Segment assets	102,040,944	50,576,558	15,960,544	168,578,046
Segment liabilities	82,703,967	-	2,244,906	84,948,873
As at 30 June 2015 (Restated)				
Segment assets	102,666,774	54,028,756	10,864,428	167,559,958
Segment liabilities	79,929,980	-	3,040,107	82,970,087

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

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10 COMMITMENTS

At 30 June 2016, the Group had capital commitments in respect of construction cost amounting to KD 3,218,437 (31 December 2015: KD 4,865,272 and 30 June 2015: KD 6,344,168).

During the year 2015, the contractor of one of the properties of the Group in Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from the Parent Company for the delay in the execution of the project and various other related costs and the Parent Company has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and operational losses. The dispute has been referred to Saudi Arbitration Committee and as on the date of this interim condensed consolidated financial information, the trial is in progress and the management of the Parent Company, based on the advice from the legal counsel representing the Parent Company in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favour of Parent Company and also the counter claim filed by the Parent Company on the contractor is higher than the amount claimed by the contractor. Accordingly, as at 30 June 2016, the Group has not made any provision against this claim in the interim condensed consolidated financial information (31 December 2015: KD Nil and 30 June 2015: KD Nil).

11 FAIR VALUES

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurements directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurements 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.

As at 30 June 2016, 31 December 2015 and 30 June 2015, the Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value	Total KD	Level 1 KD	Level 3 KD
30 June 2016			
Financial assets available for sale	6,257,765	-	6,257,765
Financial asset at fair value through statement of income	177,899	177,899	-
31 December 2015(Audited)			
Financial assets available for sale	6,608,468	-	6,608,468
Financial asset at fair value through statement of income	244,177	244,177	-
30 June 2015 (Restated)			
Financial assets available for sale	6,835,290	-	6,835,290
Financial asset at fair value through statement of income	270,057	270,057	-

During the six months period ended 30 June 2016, 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.

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 564,615 (31 December 2015: KD 564,615 and 30 June 2015: KD 564,615) are not materially different from their carrying values.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

11 FAIR VALUES (continued)

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Movement in the Level 3 financial instruments is as follows.

	<i>As at the beginning of the period KD</i>	<i>(Loss) gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>Impairment/ redemption recorded during the period/year KD</i>	<i>As at the end of the period KD</i>
<i>Financial assets available for sale</i>					
30 June 2016	6,608,468	-	-	(350,703)	6,257,765
31 December 2015 (Audited)	6,835,290	221,909	-	(448,731)	6,608,468
30 June 2015	6,835,290	-	-	-	6,835,290

12 BUSINESS COMBINATION AND PRIOR PERIOD RESTATEMENT

During the year ended 31 December 2015, the Parent Company acquired additional equity interest in Al Qebalah JV (previously accounted as an investment in associate) for a cash consideration of USD 22,500,000 (equivalent to KD 6,808,050) resulting in the increase of its equity interest from 37.11% to 62.11%. As a result, Al Qebalah JV has become the subsidiary of the Group and has been consolidated. The management of Parent Company has reassessed the period of acquisition and concluded the acquisition date to be during the period ended 30 June 2015. Accordingly, the prior period reported numbers have been restated.

The following table summarises the consideration paid to acquire Al Qebalah JV and the fair values of identifiable assets acquired and liabilities assumed at the acquisition date, as well as the share of non-controlling interest in Al Qebalah JV.

	<i>KD</i>
Assets	
Leasehold property under development	37,534,515
Account receivable and prepayments	2,175,970
Bank balances	196,513
	<u>39,906,998</u>
Liabilities	
Amount due to Joint Venturer's manager	22,952,392
Advance received from sale of property under construction	4,652,336
Accounts payable and accrual	1,237,907
Islamic finance payable	14,341,824
	<u>43,184,459</u>
Total net identifiable liabilities assumed	<u>(3,277,461)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

12 BUSINESS COMBINATION AND PRIOR PERIOD RESTATEMENT (continued)

	<i>KD</i>
Purchase consideration	6,808,050
Non-controlling interest	(1,241,830)
Acquisition date value of previously held equity interest	-
Total consideration	5,566,220
Add: Net identifiable liabilities assumed	3,277,461
Loss on acquisition (A)*	8,843,681
Remeasurement of previously held equity interest	
Acquisition date value of pre-existing equity interest	-
Less: Carrying value of investment	(2,466,009)
Loss on remeasurement of previously held equity interest (B)	2,466,009

The business combination of Al Qebalah JV was achieved in stages and accordingly, the Group recognized a net loss on business combination of KD 2,026,841 in the consolidated statement of income as follows:

	<i>KD</i>
Loss on acquisition (A)	(8,843,681)
Loss on remeasurement of previously held equity interest (B)	(2,466,009)
Gain on settlement of pre-existing transaction between the Group and the acquiree**	9,282,849
Net loss on business combination	(2,026,841)
Analysis of cash flow on acquisition:	
Bank balance and cash in subsidiary acquired	196,513
Consideration paid in cash *	-
Net cash inflow on acquisition	196,513

* The purchase consideration of USD 22,500,000 to acquire 25% equity interest in Al Qebalah JV was based on the ruling from the Court of Appeals against the case filed by one of the venturers of Al Qebalah JV. The court ruling states that the Al Qebalah JV agreement be terminated due to the expiration of the term. However, the management of the Parent Company, based on the advice from their legal advisors, believe that the Al Qebalah JV is not to be liquidated and continue to exist between the Parent Company and the remaining venturers of the Al Qebalah JV. Therefore, the management of the Parent Company is of the opinion that the excess of purchase consideration over value of the identifiable assets acquired and liabilities assumed as at the acquisition date does not reflect its true value. Hence, the management has recognised a loss on acquisition amounting to KD 7,627,415 representing the additional amount paid over the net identifiable assets and liabilities.

The aforesaid purchase consideration was agreed to be paid in instalments before 30 September 2016 and as at 30 June 2015, the Parent Company has shown this amount as liability. As the instalments due are not for a long term, the present value of the liability has not been considered significant.

** Gain on settlement of pre-existing transaction represents the reversal of the provision that the Parent Company had previously made on the amount due from Al Qebalah JV, as part of business combination.

The share of results from Al Qebalah JV up to the date of acquisition has been recorded as share of results of associate in the interim condensed consolidated statement of income. Had this business combination taken place at the beginning of the year, the impact on the total profit of the Group for the period ended 30 June 2015 would have been immaterial as Al Qebalah JV had not started its hotel operations as on the acquisition date.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at 30 June 2016

12 BUSINESS COMBINATION AND PRIOR PERIOD RESTATEMENT (continued)

The changes to the interim condensed consolidated income statement for the period ended 30 June 2015 and interim condensed consolidated statement of financial position as at 30 June 2015 arising from the above acquisition are as follows:

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
Operating revenue	-	-	-
Operating cost	-	-	-
Gross loss	-	-	-
Income			
Management fees	340,899	-	340,899
Net income from investment properties and leasehold property	1,262,538	(533,588)	728,950
Gain on sale of financial assets available for sale	18,000	-	18,000
Unrealised gain (loss) from financial asset at fair value through statement of income	(30,007)	-	(30,007)
Gain from extinguishment of financial liabilities	3,752,978	-	3,752,978
Finance income	24,134	-	24,134
Dividend income	369,325	-	369,325
Other income	65,199	-	65,199
Share of results of associates	1,042,510	-	1,042,510
	<u>6,845,576</u>	<u>(533,588)</u>	<u>6,311,988</u>
Expenses			
General and administrative expenses	(1,642,341)	-	(1,642,341)
Depreciation	(39,303)	-	(39,303)
Finance costs	(404,095)	-	(404,095)
Net write back of impairment loss on accounts receivable	104,609	-	104,609
Net loss on business combination	-	(2,026,841)	(2,026,841)
Foreign exchange gain (loss)	147,763	-	147,763
	<u>(1,833,367)</u>	<u>(2,026,841)</u>	<u>(3,860,208)</u>
Profit (loss) for the period before contribution to Kuwait Foundation of Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat			
Contribution to KFAS	5,012,209	(2,560,429)	2,451,780
NLST	(45,662)	21,226	(24,436)
Zakat	(121,581)	58,957	(62,624)
	<u>(55,712)</u>	<u>23,579</u>	<u>(62,624)</u>
Profit (loss) for the period	<u>4,789,254</u>	<u>(2,456,667)</u>	<u>2,332,587</u>
Attributable to:			
Equity holders of the Parent Company	4,647,560	(2,254,490)	2,393,070
Non-controlling interests	141,694	(202,177)	(60,483)
Profit (loss) for the period	<u>4,789,254</u>	<u>(2,456,667)</u>	<u>2,332,587</u>
Basic and diluted earnings (loss) per share attributable to the equity holders of the Parent Company			
	<u>14 Fils</u>	<u>(7 Fils)</u>	<u>7 Fils</u>

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As at 30 June 2016

12 BUSINESS COMBINATION AND PRIOR PERIOD RESTATEMENT (continued)

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After Restatement KD</i>
ASSETS			
Non-current assets			
Furniture and computers	107,650	-	107,650
Leasehold property	29,331,389	42,699,433	72,030,822
Investment properties	20,724,053	-	20,724,053
Prepaid operating lease	1,222,470	-	1,222,470
Investment in associates	48,824,803	(2,466,009)	46,358,794
Financial assets available for sale	7,399,905	-	7,399,905
	<u>107,610,270</u>	<u>40,233,424</u>	<u>147,843,694</u>
Current assets			
Financial asset at fair value through statement of income	270,057	-	270,057
Accounts receivable and prepayments	18,388,878	(11,692,749)	6,696,129
Trading properties	-	-	-
Bank balances and cash	12,677,718	72,360	12,750,078
	<u>31,336,653</u>	<u>(11,620,389)</u>	<u>19,716,264</u>
TOTAL ASSETS	<u>138,946,923</u>	<u>28,613,035</u>	<u>167,559,958</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	32,200,000	-	32,200,000
Share premium	12,400,000	-	12,400,000
Statutory reserve	11,169,484	-	11,169,484
Voluntary reserve	6,742,478	-	6,742,478
Cumulative changes in fair values	851,534	-	851,534
Revaluation reserve	1,275,123	-	1,275,123
Foreign currency translation reserve	(76,429)	-	(76,429)
Retained earnings	18,275,315	(2,254,490)	16,020,825
Equity attributable to equity holders of the Parent Company	<u>82,837,505</u>	<u>(2,254,490)</u>	<u>80,583,015</u>
Non-controlling interests	5,450,862	(1,444,006)	4,006,856
Total equity	<u>88,288,367</u>	<u>(3,698,496)</u>	<u>84,589,871</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits	751,860	-	751,860
Islamic finance payables	770,097	16,425,346	17,195,443
Obligations under finance leases	1,664,128	-	1,664,128
Accounts payable and accruals	644,843	-	644,843
	<u>3,830,928</u>	<u>16,425,346</u>	<u>20,256,274</u>
Current liabilities			
Islamic finance payables	6,000,000	-	6,000,000
Obligations under finance leases	80,684	-	80,684
Accounts payable and accruals	40,746,944	15,886,185	56,633,129
	<u>46,827,628</u>	<u>15,886,185</u>	<u>62,713,813</u>
Total liabilities	<u>50,658,556</u>	<u>32,311,531</u>	<u>82,970,087</u>
TOTAL EQUITY AND LIABILITIES	<u>138,946,923</u>	<u>28,613,035</u>	<u>167,559,958</u>