

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

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

**31 MARCH 2017**

## **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 31 March 2017, and the related interim condensed consolidated statement of income, 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 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 General Authority of Zakat and Tax ("GAZT"), Kingdom of Saudi Arabia ("tax claim"). In response to the tax claim, the Parent Company has filed an objection letter with GAZT. Based on the advice from a tax consultant, the management of the Parent Company has estimated and recorded a potential tax liability, including the aforesaid tax claim of KD 14.9 million in the interim condensed consolidated statement of financial position as at 31 March 2017 (31 December 2016: KD 14.5 million and 31 March 2016: KD 12 million) including Parent Company's share of KD 6.4 million (31 December 2016: KD 6.4 million and 31 March 2016: KD 5.9 million) relating to this claim as detailed in Note 8. 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 31 March 2017 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 31 March 2017.

Our conclusion is not modified for the above matters.

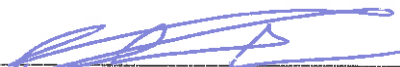
**Report on Other Legal and Regulatory Requirements**

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 its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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



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

8 May 2017  
Kuwait

**Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
**(UNAUDITED)**  
For the period ended 31 March 2017

		<i>Three months ended 31 March</i>	
	<i>Notes</i>	<i>2017 KD</i>	<i>2016 KD</i>
Operating revenue	3	2,038,073	409,334
Operating cost	3	(2,525,675)	(1,899,734)
<b>Gross loss</b>		<b>(487,602)</b>	<b>(1,490,400)</b>
<b>Income</b>			
Management fees		126,038	144,316
Net income from investment properties		218,359	450,924
Unrealised gain (loss) from financial asset at fair value through statement of income		61,070	(70,890)
Net income from sale of sukouk		145,735	220,643
Finance income		24,919	7,117
Other income		96,070	105,483
Share of results of associates		(162,747)	136,220
		<b>21,842</b>	<b>(496,587)</b>
<b>Expenses</b>			
General and administrative expenses		(609,236)	(876,189)
Depreciation		(9,107)	(9,928)
Impairment of inventories		(4,830)	-
Finance costs		(497,167)	(300,683)
Foreign exchange loss		(106,036)	(127,735)
		<b>(1,226,376)</b>	<b>(1,314,535)</b>
<b>Loss for the period before overseas taxation</b>		<b>(1,204,534)</b>	<b>(1,811,122)</b>
Overseas taxation		(24,423)	(17,644)
<b>Loss for the period</b>		<b>(1,228,957)</b>	<b>(1,828,766)</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(1,061,798)	(1,493,493)
Non-controlling interests		(167,159)	(335,273)
<b>Loss for the period</b>		<b>(1,228,957)</b>	<b>(1,828,766)</b>
<b>Basic and diluted loss per share attributable to the equity holders of the Parent Company</b>	4	<b>(3) Fils</b>	<b>(5) Fils</b>

The attached notes 1 to 11 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 2017

	<i>Three months ended 31 March</i>	
	<i>2017 KD</i>	<i>2016 KD</i>
<b>Loss for the period</b>	<b>(1,228,957)</b>	<b>(1,828,766)</b>
<b>Other comprehensive (loss) income:</b>		
<i>Other comprehensive (loss) income for the period to be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>		
Share of other comprehensive income of an associate	(13,662)	-
Exchange differences on translation of foreign operations	350,682	179,255
<b>Net other comprehensive income for the period to be reclassified to interim condensed consolidated statement of income in subsequent periods</b>	<b>337,020</b>	<b>179,255</b>
<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	-	(24,085)
Share of revaluation reserve of an associate	(344,730)	-
<b>Net other comprehensive loss for the period not to be reclassified to the interim condensed consolidated statement of income in subsequent periods:</b>	<b>(344,730)</b>	<b>(24,085)</b>
<b>Other comprehensive (loss) income for the period</b>	<b>(7,710)</b>	<b>155,170</b>
<b>Total comprehensive loss for the period</b>	<b>(1,236,667)</b>	<b>(1,673,596)</b>
<b>Attributable to:</b>		
- Equity holders of the Parent Company	(1,066,378)	(1,475,944)
- Non-controlling interests	(170,289)	(197,652)
	<b>(1,236,667)</b>	<b>(1,673,596)</b>

The attached notes 1 to 11 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 2017

	Notes	31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Furniture and computers		63,530	67,999	80,554
Leasehold property		64,900,400	66,029,785	73,203,580
Investment properties		18,588,186	18,887,585	19,156,345
Prepaid operating lease		2,042,250	2,042,250	2,430,300
Investment in associates		39,548,032	39,734,702	43,252,290
Financial assets available for sale		6,802,592	6,802,592	7,173,083
		<u>131,944,990</u>	<u>133,564,913</u>	<u>145,296,152</u>
<b>Current assets</b>				
Financial asset at fair value through statement of income		246,935	185,865	173,287
Accounts receivable and prepayments		8,210,185	9,733,229	7,178,196
Trading properties		519,926	519,926	545,902
Inventories		893,598	891,305	839,565
Wakala receivable		-	317,353	-
Bank balances and cash		6,057,896	3,855,621	8,090,767
		<u>15,928,540</u>	<u>15,503,299</u>	<u>16,827,717</u>
<b>TOTAL ASSETS</b>		<u><u>147,873,530</u></u>	<u><u>149,068,212</u></u>	<u><u>162,123,869</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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	11,216,178
Voluntary reserve		6,789,172	6,789,172	6,789,172
Cumulative changes in fair values		1,400,164	1,413,826	1,042,855
Revaluation reserve		2,401,206	2,756,340	2,508,419
Foreign currency translation reserve		44,610	(309,202)	(140,059)
Retained earnings		5,556,749	6,608,143	13,001,605
<b>Equity attributable to equity holders of the Parent Company</b>		<u>72,008,079</u>	<u>73,074,457</u>	<u>79,018,170</u>
Non-controlling interests		579,204	749,493	2,937,407
<b>Total equity</b>		<u><u>72,587,283</u></u>	<u><u>73,823,950</u></u>	<u><u>81,955,577</u></u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		994,858	974,210	859,006
Islamic finance payables	7	20,522,485	20,246,096	20,436,630
Obligations under finance leases		1,724,682	1,702,378	1,750,460
Accounts payable and accruals		2,376,597	2,365,488	644,547
		<u>25,618,622</u>	<u>25,288,172</u>	<u>23,690,643</u>
<b>Current liabilities</b>				
Islamic finance payables	7	6,000,000	6,000,000	6,892,697
Obligations under finance leases		76,464	76,737	80,644
Accounts payable and accruals	8	43,591,161	43,879,353	49,504,308
		<u>49,667,625</u>	<u>49,956,090</u>	<u>56,477,649</u>
<b>Total liabilities</b>		<u><u>75,286,247</u></u>	<u><u>75,244,262</u></u>	<u><u>80,168,292</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>147,873,530</u></u>	<u><u>149,068,212</u></u>	<u><u>162,123,869</u></u>

Emad Yousef Almonayea  
Chairman

Abdulaziz Ahmad Yousef Alsaqer  
Chief Executive Officer

The attached notes 1 to 11 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 2017

	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 2017	32,200,000	12,400,000	11,216,178	6,789,172	1,413,826	2,756,340	(309,202)	6,608,143	73,074,457	749,493	73,823,950
Loss for the period	-	-	-	-	-	-	-	(1,061,798)	(1,061,798)	(167,159)	(1,228,957)
Other comprehensive (loss) income for the period	-	-	-	-	(13,662)	(344,730)	353,812	-	(4,580)	(3,130)	(7,710)
Total comprehensive (loss) income for the period	-	-	-	-	(13,662)	(344,730)	353,812	10,404	-	-	(1,236,667)
Transfers	-	-	-	-	-	(10,404)	-	-	-	-	-
As at 31 March 2017	32,200,000	12,400,000	11,216,178	6,789,172	1,400,164	2,401,206	44,610	5,556,749	72,008,079	579,204	72,587,283
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	-	-	-	-	-	-	-	(1,493,493)	(1,493,493)	(335,273)	(1,828,766)
Other comprehensive (loss) income for the period	-	-	-	-	-	(24,085)	41,634	-	17,549	137,621	155,170
Total comprehensive (loss) income for the period	-	-	-	-	-	(24,085)	41,634	-	-	-	-
As at 31 March 2016	32,200,000	12,400,000	11,216,178	6,789,172	1,042,855	2,508,419	(140,059)	13,001,605	79,018,170	2,937,407	81,955,577

The attached notes 1 to 11 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 2017

		Three months ended 31 March	
		2017 KD	2016 KD
Note			
	<b>OPERATING ACTIVITIES</b>		
	Loss for the period before overseas taxation	(1,204,534)	(1,811,122)
	Adjustments for:		
	Amortisation of leasehold property	3 1,024,855	747,110
	Change in fair value of investment properties	264,583	181,421
	Unrealised (gain) loss from financial assets at fair value through statement of income	(61,070)	70,890
	Finance income	(24,919)	(7,117)
	Share of results of associates	162,747	(136,220)
	Depreciation	9,107	9,928
	Finance costs	497,167	300,683
	Foreign exchange loss	106,036	127,735
	Provision for employees' end of service benefits	40,606	48,835
		<u>814,578</u>	<u>(467,857)</u>
	Working capital changes:		
	Accounts receivable and prepayments	1,523,044	953,803
	Accounts payable and accruals	(252,660)	(3,735,213)
	Inventories	(2,293)	-
		<u>2,082,669</u>	<u>(3,249,267)</u>
	Cash flows from (used in) operations	<u>2,082,669</u>	<u>(3,249,267)</u>
	Employees' end of service benefits paid	(19,958)	-
		<u>2,062,711</u>	<u>(3,249,267)</u>
	<b>Net cash flows from (used in) operating activities</b>	<u>2,062,711</u>	<u>(3,249,267)</u>
	<b>INVESTING ACTIVITIES</b>		
	Purchase of furniture and computers	(4,638)	(8,820)
	Proceeds from wakala receivables	317,353	-
	Additions to leasehold property	(32,851)	-
	Proceeds from sale of investment properties	-	(113,214)
		<u>279,864</u>	<u>(122,034)</u>
	<b>Net cash flows from (used in) investing activities</b>	<u>279,864</u>	<u>(122,034)</u>
	<b>FINANCING ACTIVITIES</b>		
	Net movement in Islamic finance payables	-	1,201,138
	Finance cost paid	(36,164)	-
		<u>(36,164)</u>	<u>1,201,138</u>
	<b>Net cash flows (used in) from financing activities</b>	<u>(36,164)</u>	<u>1,201,138</u>
	Foreign currency translation adjustment	(104,136)	(262,909)
		<u>2,202,275</u>	<u>(2,433,072)</u>
	<b>INCREASE (DECREASE) IN BANK BALANCES AND CASH</b>	<u>2,202,275</u>	<u>(2,433,072)</u>
	Bank balances and cash at the beginning of the period	3,855,621	10,523,839
		<u>6,057,896</u>	<u>8,090,767</u>
	<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>	<u>6,057,896</u>	<u>8,090,767</u>

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2017

**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. 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 Annual General Assembly (AGM) for the year ended 31 December 2016 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2017 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively "the Group") for the period ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 8 May 2017.

**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 2016. 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 three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. 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 2016, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 January 2017. 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 31 March 2017

### 3 OPERATING REVENUE AND COST

	<i>Three months ended 31 March</i>	
	<i>2017 KD</i>	<i>2016 KD</i>
<b>Operating revenue</b>		
Hotel revenue	<b>2,038,073</b>	409,334
<b>Operating cost</b>		
Hotel operating cost	<b>(1,500,820)</b>	(1,152,624)
Amortisation of leasehold property	<b>(1,024,855)</b>	(747,110)
	<b>(2,525,675)</b>	(1,899,734)

### 4 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share attributable to the equity holders of the Parent Company are calculated by dividing the loss 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 31 March</i>	
	<i>2017</i>	<i>2016</i>
Loss for the period attributable to the equity holders of the Parent Company (KD)	<b>(1,061,798)</b>	(1,493,493)
Weighted average number of ordinary shares outstanding during the period (shares)	<b>322,000,000</b>	322,000,000
<b>Basic and diluted loss per share attributable to the equity holders of the Parent Company</b>	<b>(3) Fils</b>	(5) Fils

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>Associates KD</i>	<i>Other related parties KD</i>	<i>Three months ended 31 March</i>	
				<i>2017 KD</i>	<i>2016 KD</i>
Management fees	-	34,986	91,052	126,038	144,316
Finance income	23,903	-	-	23,903	6,360
Finance costs	(276,389)	-	-	(276,389)	(126,032)

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

### 5 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Ultimate Parent Company</i>	<i>Major shareholders</i>	<i>Associates</i>	<i>Other related parties</i>	<i>31 March 2017</i>	<i>(Audited) 31 December 2016</i>	<i>31 March 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets available for sale	-	-	-	4,144,431	4,144,431	4,144,431	4,178,787
Financial asset at fair value through statement of income	-	246,935	-	-	246,935	185,865	173,287
Bank balances and cash	2,838,114	-	-	-	2,838,114	2,454,252	2,455,003
Accounts receivable and prepayments	-	-	-	3,172,308	3,172,308	4,378,248	1,787,411
Accounts payable and accruals (current and non-current)	-	2,395,623	10,890,777	218	13,286,618	13,563,280	14,200,494
Islamic finance payables	20,522,485	-	-	-	20,522,485	20,246,096	21,329,327

### 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:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	162,103	162,024
Employee's end of service benefits	14,984	28,145
	<u>177,087</u>	<u>190,169</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

### 6 SHARE CAPITAL

	<b>31 March 2017 KD</b>	<b>(Audited) 31 December 2016 KD</b>	<b>31 March 2016 KD</b>
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2016: 322,000,000 and 31 March 2016: 322,000,000) shares of 100 fils each, paid in cash.	<b>32,200,000</b>	32,200,000	32,200,000

The board of directors have not recommended any dividend for the financial year ended 31 December 2016 which is subject to the approval of Annual General Meeting of the shareholders.

### 7 ISLAMIC FINANCE PAYABLES

	<b>31 March 2017 KD</b>	<b>(Audited) 31 December 2016 KD</b>	<b>31 March 2016 KD</b>
Murabaha payables - current	<b>6,017,178</b>	6,045,205	6,989,005
Less: deferred profit payable	<b>(17,178)</b>	(45,205)	(96,308)
	<b>6,000,000</b>	6,000,000	6,892,697
Ijara payable -- non-current	<b>20,522,485</b>	20,246,096	21,379,386
Less: deferred profit payable	-	-	(942,756)
	<b>26,522,485</b>	26,246,096	27,329,327

Murabaha payables amounting to KD 6,017,178 (31 December 2016: KD 6,045,205 and 31 March 2016: KD 6,090,616) are secured by an investment property with a carrying value of KD 10,550,000 (31 December 2016: KD 10,550,000 and 31 March 2016: KD 10,550,000).

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, the Parent Company received a demand notice for SAR 1,891 million (equivalent to KD 153 million) from the General Authority of Zakat and Tax ("GAZT"), 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 2016 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 GAZT.

The management of Parent Company, based on the advice from a tax consultant, has computed the estimated impact of the tax at the Group level and recorded a tax liability of KD 14,994,438 as at 31 March 2017 (31 December 2016: KD 14,548,428 and 31 March 2016: KD 12,004,980), including the aforesaid tax claim 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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

### 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 three months ended 31 March 2017 and 31 March 2016.

Three months ended 31 March 2017	<i>Real estate &amp; property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	2,528,205	(101,677)	120,989	2,547,517
Segment results	(152,761)	(101,677)	(974,519)	(1,228,957)
Three months ended 31 March 2016	<i>Real estate &amp; property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	(611,421)	67,229	110,701	(433,491)
Segment results	(2,006,696)	67,229	110,701	(1,828,766)

The following table presents segment assets and liabilities of the Group's operating segments as at 31 March 2017, 31 December 2016 and 31 March 2016:

	<i>Real estate &amp; property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
As at 31 March 2017				
Segment assets	94,455,766	46,597,559	6,820,205	147,873,530
Segment liabilities	70,396,401	-	4,889,846	75,286,247
As at 31 December 2016(Audited)				
Segment assets	97,104,141	47,040,512	4,923,559	149,068,212
Segment liabilities	71,332,380	-	3,911,882	75,244,262
As at 31 March 2016				
Segment assets	99,873,900	50,598,660	11,651,309	162,123,869
Segment liabilities	77,982,409	-	2,185,883	80,168,292

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

### 10 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2017, the Group had capital commitments in respect of construction cost amounting to KD Nil (31 December 2016: KD Nil and 31 March 2016: KD 4,535,128).

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 31 March 2017, the Group has not made any provision against this claim in the interim condensed consolidated financial information (31 December 2016: KD Nil and 31 March 2016: 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 31 March 2017, 31 December 2016 and 31 March 2016, 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
<b>31 March 2017</b>			
Financial assets available for sale	6,284,559	-	6,284,559
Financial asset at fair value through statement of income	246,935	246,935	-
<b>31 December 2016(Audited)</b>			
Financial assets available for sale	6,284,559	-	6,284,559
Financial asset at fair value through statement of income	185,865	185,865	-
<b>31 March 2016</b>			
Financial assets available for sale	6,608,468	-	6,608,468
Financial asset at fair value through statement of income	173,287	173,287	-

During the three months period ended 31 March 2017, 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 518,033 (31 December 2016: KD 518,033 and 31 March 2016: 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 31 March 2017

#### 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/year KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>Redemption recorded during the period/year KD</i>	<i>As at the end of the period/year KD</i>
<i>Financial assets available for sale</i>					
<b>31 March 2017</b>	<b>6,284,559</b>	-	-	-	<b>6,284,559</b>
31 December 2016 (Audited)	6,608,468	316,834	-	(640,743)	6,284,559
31 March 2016	6,608,468	-	-	-	6,608,468