

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

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

**31 MARCH 2016**



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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 31 March 2016, 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 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 million in the interim condensed consolidated statement of financial position as at 31 March 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 31 March 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 31 March 2016.

Our conclusion is not qualified for the above matters.

**Report on Other Legal and Regulatory Requirements**

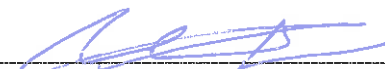
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012, as amended 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 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 three months period ended 31 March 2016 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-HUMAYDI  
LICENCE NO. 51 A  
DR. SAUD HAMAD AL-HUMAYDI & PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

15 May 2016  
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 2016

	<i>Note</i>	<i>Three months ended 31 March</i>	
		<i>2016 KD</i>	<i>2015 KD</i>
Operating revenues	3	409,334	-
Operating cost	3	(1,899,734)	-
<b>Gross loss</b>		<b>(1,490,400)</b>	<b>-</b>
<b>Income</b>			
Management fees		144,316	194,765
Net income from investment properties		671,567	486,711
Gain on sale of financial assets available for sale		-	18,000
Unrealised loss from financial asset at fair value through statement of income		(70,890)	(15,004)
Gain from extinguishment of financial liabilities		-	3,752,978
Finance income		7,117	15,158
Other income		105,483	133,865
Share of results of associates		136,220	396,380
		<b>(496,587)</b>	<b>4,982,853</b>
<b>Expenses</b>			
General and administrative expenses		(876,189)	(906,938)
Depreciation		(9,928)	(22,889)
Finance costs		(300,683)	(200,392)
Provision for impairment loss on accounts receivable		-	(2,454)
Foreign exchange (loss) gain		(127,735)	131,096
		<b>(1,314,535)</b>	<b>(1,001,577)</b>
<b>(Loss) profit for the period before contribution to Kuwait Foundation of Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") Zakat and overseas taxation</b>		<b>(1,811,122)</b>	<b>3,981,276</b>
Contribution to KFAS		-	(36,943)
NLST		-	(97,658)
Zakat		-	(42,594)
Overseas taxation		(17,644)	-
<b>(Loss) profit for the period</b>		<b>(1,828,766)</b>	<b>3,804,081</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(1,493,493)	3,732,752
Non-controlling interests		(335,273)	71,329
<b>(Loss) profit for the period</b>		<b>(1,828,766)</b>	<b>3,804,081</b>
<b>Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company</b>	4	<b>(5) Fils</b>	<b>12 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 2016

	<i>Three months ended 31 March</i>	
	<i>2016 KD</i>	<i>2015 KD</i>
<b>(Loss) profit for the period</b>	<b>(1,828,766)</b>	<b>3,804,081</b>
<b>Other comprehensive income:</b>		
<i>Other comprehensive income for the period to be reclassified to consolidated statement of income in subsequent periods:</i>		
Exchange differences on translation of foreign operations	179,255	277,616
<b>Net other comprehensive income for the period to be reclassified to consolidated statement of income in subsequent periods</b>	<b>179,255</b>	<b>277,616</b>
<i>Other comprehensive loss for the period not to be reclassified to consolidated statement of income in subsequent periods:</i>		
Amortisation of revaluation reserve relating to leasehold property	(24,085)	-
<b>Net other comprehensive loss for the period not to be reclassified to consolidated statement of income in subsequent periods</b>	<b>(24,085)</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>155,170</b>	<b>277,616</b>
<b>Total comprehensive (loss) income for the period</b>	<b>(1,673,596)</b>	<b>4,081,697</b>
<b>Attributable to:</b>		
- Equity holders of the Parent Company	(1,475,944)	3,879,817
- Non-controlling interests	(197,652)	201,880
	<b>(1,673,596)</b>	<b>4,081,697</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 2016

		31 March 2016 KD	(Audited) 31 December 2015 KD	31 March 2015 KD
	Notes			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Furniture and computers		80,554	81,662	102,620
Leasehold property		73,203,580	76,225,925	28,439,391
Investment properties		19,995,910	20,064,117	20,823,416
Prepaid operating lease		2,430,300	2,430,300	1,222,470
Investment in associates		43,252,290	43,159,298	53,315,052
Financial assets available for sale		7,173,083	7,173,083	7,399,905
		<u>146,135,717</u>	<u>149,134,385</u>	<u>111,302,854</u>
<b>Current assets</b>				
Financial asset at fair value through statement of income		173,287	244,177	285,060
Accounts receivable and prepayments		7,178,196	8,129,743	17,810,019
Trading properties		545,902	545,902	-
Bank balances and cash		8,090,767	10,523,839	8,818,156
		<u>15,988,152</u>	<u>19,443,661</u>	<u>26,913,235</u>
<b>TOTAL ASSETS</b>		<u><b>162,123,869</b></u>	<u><b>168,578,046</b></u>	<u><b>138,216,089</b></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	11,169,484
Voluntary reserve		6,789,172	6,789,172	6,742,478
Cumulative changes in fair values		1,042,855	1,042,855	820,946
Revaluation reserve		2,508,419	2,532,504	1,329,775
Foreign currency translation reserve		(140,059)	(181,693)	(118,134)
Retained earnings		13,001,605	14,495,098	17,360,507
<b>Equity attributable to equity holders of the Parent Company</b>		<u><b>79,018,170</b></u>	<u><b>80,494,114</b></u>	<u><b>81,905,056</b></u>
Non-controlling interests		2,937,407	3,135,059	5,349,781
<b>Total equity</b>		<u><b>81,955,577</b></u>	<u><b>83,629,173</b></u>	<u><b>87,254,837</b></u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		859,006	810,171	699,813
Islamic finance payables	7	20,436,630	19,243,259	745,472
Obligations under finance leases		1,750,460	1,730,184	1,779,991
Accounts payable and accruals		644,547	647,513	641,284
		<u>23,690,643</u>	<u>22,431,127</u>	<u>3,866,560</u>
<b>Current liabilities</b>				
Islamic finance payables	7	6,892,697	6,884,930	6,000,000
Obligations under finance leases		80,644	81,044	85,417
Accounts payable and accruals	8	49,504,308	55,551,772	41,009,275
		<u>56,477,649</u>	<u>62,517,746</u>	<u>47,094,692</u>
<b>Total liabilities</b>		<u><b>80,168,292</b></u>	<u><b>84,948,873</b></u>	<u><b>50,961,252</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>162,123,869</b></u>	<u><b>168,578,046</b></u>	<u><b>138,216,089</b></u>

Zeyad Tareq Abdul Mohsen Al-Mukhaizeem  
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 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	-	-	-	-	-	-	-	(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	(1,493,493)	(1,475,944)	(197,652)	(1,673,596)
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
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 for the period	-	-	-	-	-	-	-	3,732,752	3,732,752	71,329	3,804,081
Other comprehensive income for the period	-	-	-	-	-	-	147,065	-	147,065	130,551	277,616
Total comprehensive income for the period	-	-	-	-	-	-	147,065	3,732,752	3,879,817	201,880	4,081,697
Dividends paid (Note 6)	-	-	-	-	-	-	-	(1,610,000)	(1,610,000)	(565,812)	(2,175,812)
As at 31 March 2015	32,200,000	12,400,000	11,169,484	6,742,478	820,946	1,329,775	(118,134)	17,360,507	81,905,056	5,349,781	87,254,837

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 2016

	<i>Three months ended 31 March</i>	
	<i>2016 KD</i>	<i>2015 KD</i>
<b>OPERATING ACTIVITIES</b>		
(Loss) profit for the period	(1,828,766)	3,804,081
Adjustments for:		
Amortisation of leasehold property	747,110	-
Amortisation of investment property	181,421	100,256
Gain on sale of financial assets available for sale	-	(18,000)
Unrealised loss from financial assets at fair value through statement of income	70,890	15,004
Gain from extinguishment of financial liabilities	-	(3,752,978)
Finance income	(7,117)	(15,158)
Share of results of associates	(136,220)	(396,380)
Depreciation	9,928	22,889
Finance costs	300,683	200,392
Provision for impairment loss on accounts receivable	-	2,454
Foreign exchange loss (gain)	127,735	(131,096)
Provision for employees' end of service benefits	48,835	42,400
Provision for taxes	17,644	177,195
	(467,857)	51,059
Working capital changes:		
Accounts receivable and prepayments	953,803	463,446
Accounts payable and accruals	(3,735,213)	903,473
Net cash flows (used in) from operating activities	(3,249,267)	1,417,978
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture and computers	(8,820)	(15,778)
Proceeds from disposal of furniture and computers	-	1,745
Additions to leasehold property	-	(277,619)
Additions to investment properties	(113,214)	(233,444)
Proceeds from sale of financial assets available for sale	-	75,000
Net cash flows used in investing activities	(122,034)	(450,096)
<b>FINANCING ACTIVITIES</b>		
Net movement in Islamic finance payables	1,201,138	-
Dividend paid by the Parent Company	-	(1,731,865)
Net cash flows from (used in) financing activities	1,201,138	(1,731,865)
Foreign currency translation adjustment	(262,909)	(257,331)
<b>DECREASE IN BANK BALANCES AND CASH</b>	(2,433,072)	(1,021,314)
Bank balances and cash at the beginning of the period	10,523,839	9,839,470
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>	<b>8,090,767</b>	<b>8,818,156</b>

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 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 KFH Capital Company K.S.C. (Closed) which is fully owned 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 consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 2 April 2016 and are issued subject to the approval of the Ordinary General Assembly of the shareholders' of the Parent Company which has not been held to date. The Ordinary General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively "the Group") for the period ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 10 May 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 and the executive regulation 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 three months period ended 31 March 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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2016

**3 OPERATING REVENUES AND COSTS**

	<i>Three months ended 31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
<b>Operating revenues</b>		
Hotel revenue	<b>409,334</b>	-
<b>Operating costs</b>		
Hotel operating cost	<b>(1,152,624)</b>	-
Amortisation of leasehold property	<b>(747,110)</b>	-
	<b>(1,899,734)</b>	-

**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 31 March</i>	
	<i>2016</i>	<i>2015</i>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	<b>(1,493,493)</b>	3,732,752
Weighted average number of ordinary shares outstanding during the period (shares)	<b>322,000,000</b>	322,000,000
<b>Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company</b>	<b>(5) Fils</b>	12 Fils

**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>Three months ended 31 March</i>	
					<i>2016 KD</i>	<i>2015 KD</i>
Management fees	-	-	63,882	80,434	<b>144,316</b>	194,765
Finance income	6,360	-	-	-	<b>6,360</b>	9,755
Finance costs	(113,362)	(12,670)	-	-	<b>(126,032)</b>	(97,804)

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

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

As at 31 March 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	31 March 2016 KD	(Audited) 31 December 2015 KD	31 March 2015 KD
Financial assets available for sale	-	-	-	-	4,178,787	4,178,787	4,178,787	4,984,783
Financial asset at fair value through statement of income	-	-	173,287	-	-	173,287	244,177	285,060
Bank balances and cash	2,455,003	-	-	-	-	2,455,003	3,066,285	1,130,548
Accounts receivable and prepayments	-	-	-	-	1,787,411	1,787,411	3,101,684	14,307,681
Accounts payable and accruals (current and non-current)	-	-	2,293,051	11,797,773	109,670	14,200,494	19,105,299	20,145,855
Islamic finance payables	20,436,630	892,697	-	-	-	21,329,327	20,128,189	745,472

### 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 31 March	
	2016 KD	2015 KD
Salaries and short-term benefits	162,024	124,661
Employee's end of service benefits	28,145	45,890
	<u>190,169</u>	<u>170,551</u>

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

As at 31 March 2016

**6 SHARE CAPITAL**

	<b>31 March 2016 KD</b>	<b>(Audited) 31 December 2015 KD</b>	<b>31 March 2015 KD</b>
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2015: 322,000,000 and 31 March 2015: 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 has not recommended cash dividend for the financial year ended 31 December 2015 which is subject to approval at the Annual General Meeting of the shareholders. 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**

	<b>31 March 2016 KD</b>	<b>(Audited) 31 December 2015 KD</b>	<b>31 March 2015 KD</b>
Murabaha payable			
current	<b>6,989,005</b>	6,914,798	6,000,000
non-current	-	-	900,201
Less: deferred profit payable	<b>(96,308)</b>	(29,868)	(154,729)
	<b>6,892,697</b>	6,884,930	6,745,472
Ijara payable – non current	<b>21,379,386</b>	20,148,349	-
Less: deferred profit payable	<b>(942,756)</b>	(905,090)	-
	<b>27,329,327</b>	26,128,189	6,745,472

Murabaha payables amounting to KD 6,090,616 (31 December 2015: KD 6,011,507 and 31 March 2015: KD 6,087,123) are secured by an investment property with a carrying value of KD 10,550,000 (31 December 2015: KD 10,550,000 and 31 March 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 12,004,980 as 31 December 2015 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.

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**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 2016 and 2015 respectively.

	<i>Real estate &amp; property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
<b>Three months ended 31 March 2016</b>				
Segment revenue	(611,421)	67,229	110,701	(433,491)
Segment results	(2,006,696)	67,229	110,701	(1,828,766)
<b>Three months ended 31 March 2015</b>				
Segment revenue	773,766	414,534	41,575	1,229,875
Segment results	2,753,967	1,008,539	41,575	3,804,081

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

	<i>Real estate &amp; property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
<b>As at 31 March 2016</b>				
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
<b>As at 31 December 2015 (Audited)</b>				
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
<b>As at 31 March 2015</b>				
Segment assets	75,581,687	61,000,017	1,634,385	138,216,089
Segment liabilities	47,867,033	-	3,094,219	50,961,252

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**10 COMMITMENTS**

At 31 March 2016, the Group had capital commitments in respect of construction cost amounting to KD 4,535,128 (31 December 2015: KD 4,865,272 and 31 March 2015: KD 1,130,623).

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 2016, the Group has not made any provision against this claim in the interim condensed consolidated financial information (31 December 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 31 March 2016, 31 December 2015 and 31 March 2015, the Group held the following classes of financial instruments measured at fair value:

<b>Financial assets measured at fair value</b>	<b>Total KD</b>	<b>Level 1 KD</b>	<b>Level 3 KD</b>
<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	-
<b>31 December 2015 (Audited)</b>			
Financial assets available for sale	6,608,468	-	6,608,468
Financial asset at fair value through statement of income	244,177	-	244,177
<b>31 March 2015</b>			
Financial assets available for sale	6,835,290	-	6,835,290
Financial asset at fair value through statement of income	285,060	285,060	-

During the three months period ended 31 March 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 31 March 2015: KD 564,615) are not materially different from their carrying values.

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**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>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>					
<b>31 March 2016</b>	<b>6,608,468</b>	-	-	-	<b>6,608,468</b>
31 December 2015 (Audited)	6,835,290	221,909	-	(448,731)	6,608,468
31 March 2015	6,835,290	-	-	-	6,835,290