

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

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

30 SEPTEMBER 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 30 September 2016, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine 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 nine 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 12.6 million in the interim condensed consolidated statement of financial position as at 30 September 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 September 2016 represents the best estimate from the management of the Parent Company.



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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. (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 September 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 its executive regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine months period ended 30 September 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 nine months period ended 30 September 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-HUMAI
LICENCE NO. 51 A
DR. SAUD HAMAD AL-HUMAI
MEMBER OF BAKER TILLY INTERNATIONAL

24 October 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 September 2016

		<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>Notes</i>	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Operating revenue	3	2,448,581	-	4,227,717	-
Operating cost	3	(2,725,280)	-	(7,206,466)	-
Gross loss		(276,699)	-	(2,978,749)	-
Income					
Management fees		149,920	234,683	432,069	575,582
Net income from investment properties and leasehold property		518,419	1,164,863	2,159,327	1,893,813
Gain on sale of financial assets available for sale		-	-	-	18,000
Unrealised loss from financial asset at fair value through statement of income		(18,587)	(39,009)	(84,864)	(69,016)
Gain from extinguishment of financial liabilities		-	-	-	3,752,978
Finance income		644	4,130	9,953	28,264
Dividend income		-	-	72,559	369,325
Other income		116,556	854,421	286,427	919,620
Share of results of associates		382,427	796,841	253,398	1,839,351
		1,149,379	3,015,929	3,128,869	9,327,917
Expenses					
General and administrative expenses		(658,859)	(540,040)	(2,397,086)	(2,182,381)
Depreciation		(4,500)	(15,953)	(23,109)	(55,256)
Finance costs		(488,847)	(93,337)	(1,259,048)	(497,432)
Net write back of impairment loss on accounts receivable		-	55,054	-	159,663
Net loss on business combination		-	-	-	(2,026,841)
Foreign exchange (loss) gain		(69,455)	578,892	(112,428)	726,655
		(1,221,661)	(15,384)	(3,791,671)	(3,875,592)
(Loss) profit for the period before contribution to Kuwait Foundation of Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and overseas taxation		(348,981)	3,000,545	(3,641,551)	5,452,325
Contribution to KFAS		-	(18,684)	-	(43,120)
NLST		-	(51,604)	-	(114,228)
Zakat		-	(24,197)	-	(56,330)
Overseas taxation		(3,467)	-	(68,545)	-
(Loss) profit for the period		(352,448)	2,906,060	(3,710,096)	5,238,647
Attributable to:					
Equity holders of the Parent Company		(222,607)	2,381,982	(2,935,707)	4,775,052
Non-controlling interests		(129,841)	524,078	(774,389)	463,595
(Loss) profit for the period		(352,448)	2,906,060	(3,710,096)	5,238,647
Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company	4	(1) Fils	7 Fils	(9) Fils	15 Fils

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 30 September 2016

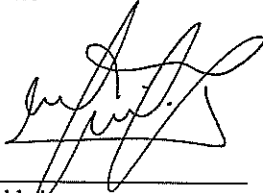
	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
(Loss) profit for the period	(352,448)	2,906,060	(3,710,096)	5,238,647
Other comprehensive income (loss):				
<i>Other comprehensive income (loss) for the period 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	90,291	-	88,498	30,588
Exchange differences on translation of foreign operations	(7,495)	(54,670)	(513,170)	294,890
Net other comprehensive income (loss) for the period to be reclassified to consolidated statement of income in subsequent periods	82,796	(54,670)	(424,672)	325,478
<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)
Other comprehensive income (loss) for the period	82,796	(54,670)	(424,672)	270,826
Total comprehensive (loss) income for the period	(269,652)	2,851,390	(4,134,768)	5,509,473
Attributable to:				
- Equity holders of the Parent Company	(136,372)	2,326,035	(2,819,601)	4,883,333
- Non-controlling interests	(133,280)	525,355	(1,315,167)	626,140
	(269,652)	2,851,390	(4,134,768)	5,509,473

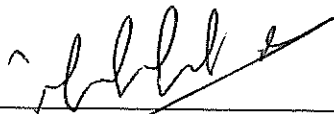
The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**

As at 30 September 2016

	Notes	30 September 2016 KD	(Audited) 31 December 2015 KD	30 September 2015 KD
ASSETS				
Non-current assets				
Furniture and computers		78,100	81,662	93,031
Leasehold property		70,948,614	76,225,925	60,977,698
Investment properties		19,553,716	20,064,117	20,643,977
Prepaid operating lease		2,430,300	2,430,300	1,222,470
Investment in associates		39,661,172	43,159,298	47,157,297
Financial assets available for sale		6,912,671	7,173,083	7,399,905
		<u>139,584,573</u>	<u>149,134,385</u>	<u>137,494,378</u>
Current assets				
Financial asset at fair value through statement of income		159,313	244,177	231,049
Accounts receivable and prepayments		8,754,113	8,129,743	5,917,492
Trading properties		545,902	545,902	-
Bank balances and cash		5,292,904	10,523,839	10,615,300
		<u>14,752,232</u>	<u>19,443,661</u>	<u>16,763,841</u>
TOTAL ASSETS		<u>154,336,805</u>	<u>168,578,046</u>	<u>154,258,219</u>
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		1,131,353	1,042,855	851,534
Revaluation reserve		2,460,249	2,532,504	1,275,123
Foreign currency translation reserve		(154,085)	(181,693)	(132,854)
Retained earnings		11,631,646	14,495,098	18,402,807
Equity attributable to equity holders of the Parent Company		<u>77,674,513</u>	<u>80,494,114</u>	<u>82,908,572</u>
Non-controlling interests		1,819,892	3,135,059	4,532,211
Total equity		<u>79,494,405</u>	<u>83,629,173</u>	<u>87,440,783</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		929,657	810,171	781,744
Islamic finance payables	7	21,226,967	19,243,259	17,504,400
Obligations under finance leases		1,646,677	1,730,184	1,694,292
Accounts payable and accruals		2,969,244	647,513	645,066
		<u>26,772,545</u>	<u>22,431,127</u>	<u>20,625,502</u>
Current liabilities				
Islamic finance payables	7	6,896,903	6,884,930	6,868,458
Obligations under finance leases		75,487	81,044	80,714
Accounts payable and accruals	8	41,097,465	55,551,772	39,242,762
		<u>48,069,855</u>	<u>62,517,746</u>	<u>46,191,934</u>
Total liabilities		<u>74,842,400</u>	<u>84,948,873</u>	<u>66,817,436</u>
TOTAL EQUITY AND LIABILITIES		<u>154,336,805</u>	<u>168,578,046</u>	<u>154,258,219</u>


Zeyad Tareq Abdulmohsen Al-Mukhaizeem
Chairman


Abdulaziz Ahmad Youssef 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 30 September 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	-	-	-	-	-	-	-	(2,935,707)	(2,935,707)	(774,389)	(3,710,096)
Other comprehensive income (loss) for the period	-	-	-	-	88,498	-	27,608	-	116,106	(540,778)	(424,672)
Total comprehensive income (loss) for the period	-	-	-	-	88,498	-	27,608	(2,935,707)	(2,819,601)	(1,315,167)	(4,134,768)
Transfers	-	-	-	-	-	(72,255)	-	72,255	-	-	-
As at 30 September 2016	32,200,000	12,400,000	11,216,178	6,789,172	1,131,353	2,460,249	(154,085)	11,631,646	77,674,513	1,819,892	79,494,405
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	-	-	-	-	-	-	-	4,775,052	4,775,052	463,595	5,238,647
Other comprehensive income (loss) for the period	-	-	-	-	30,588	(54,652)	132,345	-	108,281	162,545	270,826
Total comprehensive income (loss) for the period	-	-	-	-	30,588	(54,652)	132,345	4,775,052	4,883,333	626,140	5,509,473
Arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(1,241,830)	(1,241,830)
Dividends paid (Note 6)	-	-	-	-	-	-	-	(1,610,000)	(1,610,000)	(565,812)	(2,175,812)
As at 30 September 2015	32,200,000	12,400,000	11,169,484	6,742,478	851,534	1,275,123	(132,854)	18,402,807	82,908,572	4,532,211	87,440,783

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 30 September 2016

		<i>Nine months ended 30 September</i>	
	<i>Note</i>	<i>2016 KD</i>	<i>2015 KD</i>
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		(3,641,551)	5,452,325
Adjustments for:			
Amortisation of leasehold property	3	2,985,055	-
Amortisation of investment property		543,362	-
Gain on sale of financial assets available for sale		-	(18,000)
Unrealised loss from financial assets at fair value through statement of income		84,864	69,016
Gain from extinguishment of financial liabilities		-	(3,752,978)
Finance income		(9,953)	(28,264)
Dividend income		(72,559)	(369,325)
Share of results of associates		(253,398)	(1,839,351)
Depreciation		23,109	55,256
Finance costs		1,259,048	497,432
Net write back of impairment loss on accounts receivable		-	(159,663)
Foreign exchange loss (gain)		112,428	(726,655)
Provision for employees' end of service benefits		119,486	150,131
Net loss on business combination		-	2,026,841
		<u>1,149,891</u>	<u>1,356,765</u>
Working capital changes:			
Accounts receivable and prepayments		(614,417)	(9,168,958)
Accounts payable and accruals		(6,547,091)	10,346,443
Cash flows (used in) from operations		<u>(6,011,617)</u>	<u>2,534,250</u>
Employees' end of service benefits paid		-	(25,800)
Net cash flows (used in) from operating activities		<u>(6,011,617)</u>	<u>2,508,450</u>
INVESTING ACTIVITIES			
Purchase of furniture and computers		(19,547)	(36,811)
Dividend income received		72,559	369,325
Dividend received from associates		-	306,802
Proceeds from redemption of investment in associates		1,838,744	-
Additions to leasehold property		(1,025,851)	(2,451,908)
Proceeds from sale of investment properties		-	46,251
Proceeds from sale of financial assets available for sale		-	75,000
Acquisition of a subsidiary		-	196,513
Net cash flows from (used in) investing activities		<u>865,905</u>	<u>(1,494,828)</u>
FINANCING ACTIVITIES			
Net movement in Islamic finance payables		972,523	1,225,918
Dividend paid by the Parent Company		-	(1,610,000)
Finance cost paid		(235,890)	-
Dividend paid to the non-controlling interest		-	(565,812)
Net cash flows from (used in) financing activities		<u>736,633</u>	<u>(949,894)</u>
Foreign currency translation adjustment		<u>(821,856)</u>	<u>712,102</u>
(DECREASE) INCREASE IN BANK BALANCES AND CASH		<u>(5,230,935)</u>	<u>775,830</u>
Bank balances and cash at the beginning of the period		<u>10,523,839</u>	<u>9,839,470</u>
BANK BALANCES AND CASH AT THE END OF THE PERIOD		<u>5,292,904</u>	<u>10,615,300</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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 September 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 24 October 2016.

The new Companies Law No. 1 of 2016 issued on 24 January 2016 and 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 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

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 nine months period ended 30 September 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.

Certain comparative numbers in the interim condensed consolidated financial position as at 30 September 2015 and interim condensed consolidated statement of income for the three months and nine months period ended 30 September 2015 have been restated due to reassessment of the period of acquisition of Al Qebelah JV that was acquired during the previous period. The effect on interim condensed consolidated statement of income for the three months period ended 30 September 2015 was increase in profit by KD 2,380,725 with corresponding net effect between accounts payable and accruals, due from related party, retained earnings and non-controlling interest in the interim condensed consolidated statement of financial position as at 30 September 2015. The effect on interim condensed consolidated statement of income for the nine months period ended 30 September 2015 was not material.

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

As at 30 September 2016

3 OPERATING REVENUE AND COST

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Operating revenue				
Hotel revenue	2,448,581	-	4,227,717	-
Operating cost				
Hotel operating cost	(1,607,578)	-	(4,221,411)	-
Amortisation of leasehold property	(1,117,702)	-	(2,985,055)	-
	<u>(2,725,280)</u>	<u>-</u>	<u>(7,206,466)</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 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	(222,607)	2,381,982	(2,935,707)	4,775,052
Weighted average number of ordinary shares outstanding during the period (shares)	322,000,000	322,000,000	322,000,000	322,000,000
Basic and diluted (loss) earnings per share attributable to the equity holders of the Parent Company	<u>(1) Fils</u>	<u>7 Fils</u>	<u>(9) Fils</u>	<u>15 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>Nine months ended 30 September</i>	
					<i>2016 KD</i>	<i>2015 KD</i>
Management fees	-	-	160,422	271,647	432,069	575,582
Finance income	7,155	-	-	-	7,155	8,603
Finance costs	(681,846)	(25,335)	-	-	(707,181)	(185,364)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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 September 2016 KD	(Audited) 31 December 2015 KD	30 September 2015 KD
Financial assets available for sale	-	-	-	-	3,918,375	3,918,375	4,178,787	4,984,783
Financial asset at fair value through statement of income	-	-	159,313	-	-	159,313	244,177	231,049
Bank balances and cash	2,590,688	-	-	-	-	2,590,688	3,066,285	1,928,357
Accounts receivable and prepayments	-	-	-	-	3,586,318	3,586,318	3,101,684	927,634
Accounts payable and accruals (current and non-current)	-	-	2,345,577	10,241,582	50,100	12,637,259	19,105,299	28,376,033
Islamic finance payables	21,226,967	896,903	-	-	-	22,123,870	20,128,189	18,372,859
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 September		Nine months ended 30 September	
	2016 KD	2015 KD	2016 KD	2015 KD
Salaries and short-term benefits	164,300	122,300	489,255	384,813
Employee's end of service benefits	16,497	12,345	59,510	59,246
	<u>180,797</u>	<u>134,645</u>	<u>548,765</u>	<u>444,059</u>

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6 SHARE CAPITAL

	<i>30 September 2016 KD</i>	<i>(Audited) 31 December 2015 KD</i>	<i>30 September 2015 KD</i>
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2015: 322,000,000 and 30 September 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 September 2016 KD</i>	<i>(Audited) 31 December 2015 KD</i>	<i>30 September 2015 KD</i>
Murabaha payables - current	6,962,492	6,914,798	6,986,254
Less: deferred profit payable	(65,589)	(29,868)	(117,796)
	6,896,903	6,884,930	6,868,458
Ijara payable – non current	21,226,967	19,243,259	17,504,400
	28,123,870	26,128,189	24,372,858

Murabaha payables amounting to KD 6,065,589 (31 December 2015: KD 6,011,507 and 30 September 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 30 September 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, the Parent Company 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 12,669,228 as at 30 September 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.

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8 ACCOUNTS PAYABLE AND ACCRUALS (continued)

As at 30 September 2015, an amount of KD 6,471,007 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 September 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 September 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 nine months ended 30 September 2016 and 30 September 2015.

Nine months ended 30 September 2016	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	6,819,113	335,910	286,427	7,441,450
Segment results	(4,247,569)	251,046	286,427	(3,710,096)
Nine months ended 30 September 2015	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	3,318,204	2,185,924	70,811	5,574,939
Segment results	3,057,745	2,110,091	70,811	5,238,647

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

	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
As at 30 September 2016				
Segment assets	100,685,250	46,733,156	6,918,399	154,336,805
Segment liabilities	72,778,756	-	2,063,644	74,842,400
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 September 2015				
Segment assets	87,210,510	54,788,251	12,259,458	154,258,219
Segment liabilities	64,593,357	-	2,224,079	66,817,436

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10 COMMITMENTS AND CONTINGENT LIABILITIES

At 30 September 2016, the Group had capital commitments in respect of construction cost amounting to KD 3,142,507 (31 December 2015: KD 4,865,272 and 30 September 2015: KD 6,105,962).

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 September 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 September 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 September 2016, 31 December 2015 and 30 September 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 September 2016			
Financial assets available for sale	6,348,056	-	6,348,056
Financial asset at fair value through statement of income	159,313	159,313	-
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 September 2015			
Financial assets available for sale	6,835,290	-	6,835,290
Financial asset at fair value through statement of income	231,049	231,049	-

During the nine months period ended 30 September 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 September 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/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>					
30 September 2016	6,608,468	90,291	-	(350,703)	6,348,056
31 December 2015 (Audited)	6,835,290	221,909	-	(448,731)	6,608,468
30 September 2015	6,835,290	-	-	-	6,835,290