



شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
Munshaat Real Estate Projects Co. K.S.C (Public)

الكويت في : 2017/11/05م

المحترمين

السادة / شركة بورصة الكويت


السلام عليكم ورحمة الله وبركاته...

الموضوع: اعتماد مجلس الإدارة البيانات المالية المنتهية في 2017/09/30م

تهديكم شركة منشآت للمشاريع العقارية (ش.م.ك.ع) أطيب تحياتها متمنية لكم دوام التوفيق والسداد.
بالإشارة إلى الموضوع أعلاه، و عطفاً على كتبانا المؤرخ 2017/11/01م، بشأن موعد إجتماع
مجلس إدارة الشركة لمناقشة و اعتماد البيانات المالية المرحلية للشركة عن فترة التسعة أشهر
المنتهية في 2017/09/30م.

يرجى التفضل بالعلم بأن مجلس إدارة الشركة قد قرر اعتماد البيانات المالية المذكورة آنفاً، ونرفق لكم
النتائج المالية المعتمدة، للتفضل بالعلم والإحاطة.

وتفضلوا بقبول وافر التقدير والإحترام...


عبد العزيز أحمد الصقر
الرئيس التنفيذي



شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
Munshaat Real Estate Projects Co. K.S.C (Public)

المرفقات:-

- النتائج المالية المعتمدة.

د. محمد



شركة منشآت للمشاريع العقارية ش.م.ك (عامّة)
Munshaat Real Estate Projects Co. K.S.C (Public)

الكويت في : 2017/11/05م

المحترمين

السادة / هيئة أسواق المال

السلام عليكم ورحمة الله وبركاته...


الموضوع : اعتماد مجلس الإدارة البيانات المالية المنتهية في 2017/09/30م

تهديكم شركة منشآت للمشاريع العقارية (ش.م.ك.ع) أطيب تحياتها متمنية لكم دوام التوفيق والسداد.

بالإشارة إلى الموضوع أعلاه، وعطفاً على كتابنا المؤرخ 2017/11/01م، بشأن موعد إجتماع مجلس إدارة الشركة لمناقشة وإعتماد البيانات المالية المرحلية للشركة عن فترة التسعة أشهر المنتهية في 2017/09/30م.

يرجى التفضل بالعلم بأن مجلس إدارة الشركة قد قرر اعتماد البيانات المالية المذكورة آنفاً، ونرفق لكم النتائج المالية المعتمدة، للتفضل بالعلم والإحاطة.

وتفضلوا بقبول وافر التقدير والإحترام...


عبد العزيز أحمد الصقر
الرئيس التنفيذي



شركة منشآت للمشاريع العقارية ش.م.ك (عامّة)
Munshaat Real Estate Projects Co. K.S.C (Public)

 المرفقات:-

- النتائج المالية المعتمدة.





شركة منشآت للمشاريع العقارية ش.م.ك.ع.
Munshaat Real Estate Projects Co. K.S.C (Public)

Interim Financial Information form for Kuwaiti companies

نموذج نتائج البيانات المالية المرحلية للشركات الكويتية

Interim Financial Information for the Period Ended 30/09/2017 Form in KD			نموذج نتائج البيانات المالية المرحلية عن فترة المنتهية في 2017/09/30 (د.ك.)
شركة منشآت للمشاريع العقارية (ش.م.ك.ع.)			اسم الشركة
Munshaat Real Estate Projects Co. (K.S.C.P)			Company's Name
يوم الأحد الموافق 05 نوفمبر 2017 Sunday 05 th November 2017			تاريخ اجتماع مجلس الإدارة The Date of Board of Directors Meeting
نسبة التغير Change Percentage	الفترة المقارنة Comparative Period 30/09/2016	الفترة الحالية Current Period 30/09/2017	البيان Statement
377%	(2,935,707)	8,146,022	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
378%	(9)	25	ربحية / (خسارة) السهم الأساسية والمخفضة - فلس Diluted Earnings per share - Fils
21%	15,526,077	18,782,780	الموجودات المتداولة Current Assets
17%	154,336,805	179,915,183	إجمالي الموجودات Total Assets
4%	48,069,855	50,008,531	المطلوبات المتداولة Current Liabilities
20%	74,842,400	89,742,497	إجمالي المطلوبات Total Liabilities
12%	77,674,513	87,332,966	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
44%	7,001,281	10,064,185	إجمالي الإيرادات التشغيلية Total Operating Revenue
658%	(205,185)	1,145,249	صافي الربح (الخسارة) التشغيلي Net Operating Profit (Loss)
378%	(9)	25	صافي الخسارة / رأس المال المدفوع Net Profit (Loss)/ Paid-up Share Capital

Kuwait-Sharq-Shuhada St.-Arraya Tower 2 - Floor 43
P.O.Box 1393 Dasman 15464 Kuwait
Tel (+965) 22467188
Fax (+965) 22467190
E-mail: info@munshaat.com
www.munshaat.com



رأس المال Paid up Capital 32,200,000 K.D
السجل التجاري 93620 Commercial Register



شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
Munshaat Real Estate Projects Co. K.S.C (Public)

• يعود سبب الارتفاع في صافي الربح إلى:

- الأرباح الناتجة عن تمديد حق الانتفاع للعقار المستأجر.
- الدخل الناتج عن بيع جزء من عقار مستأجر.
- استرداد مخصصات انتفت الحاجة إليها.
- انخفاض الخسائر التشغيلية بنسبة (72%).

• The increase in the net profit is due to the followings:

- Profit from extension of lease right for leasehold property.
- Income from partial disposal of leasehold property.
- Reversal of provision no longer required.
- Decrease of operating loss by (72%).

• بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة مبلغ 441,804 دينار كويتي.

• Total revenues realized from dealing with related parties amounting to KD 441,804

• بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة مبلغ 887,723 دينار كويتي.

• Total expenditures incurred from dealing with related parties amounting to KD 887,723

الاسم	المسمى الوظيفي	التوقيع	ختم الشركة
عماد يوسف المنيع	رئيس مجلس الإدارة		

شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
Munshaat Real Estate Projects Co. K.S.C (Public)

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

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

30 SEPTEMBER 2017

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017

EY

"**"TALLED FOR IDENTIFICATION
PURPOSES ONLY



منشآت

شركة منشآت للمشاريع العقارية ش.م.ك. (عامة)
Munshaat Real Estate Projects Co. K.S.C. (Public)



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena



BAKER TILLY
KUWAIT

Audit, tax and consulting
P.O. Box 1486 Safat 13015
Kuwait

T: +965 1 88 77 99
F: +965 2294 2651

Info@bakertillykuwait.com
www.bakertillykuwait.com

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 2017, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three and nine months periods 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 9 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 obtained from an independent tax consultant, the management of the Parent Company has estimated and recorded a potential tax liability, including the aforementioned tax claim of KD 15.78 million in the interim condensed consolidated statement of financial position as at 30 September 2017 (31 December 2016: KD 14.5 million and 30 September 2016: KD 12.6 million) that includes Parent Company's share of KD 6.4 million (31 December 2016: KD 6.4 million and 30 September 2016: KD 6.3 million) relating to this tax claim as detailed in Note 9. Notwithstanding the above facts, there is a significant material uncertainty as to the outcome of the tax claim and the provision made in the books as at 30 September 2017 represents the best estimate from the management of the Parent Company.

ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017

MAILED FOR IDENTIFICATION
PURPOSES ONLY



شركة منشآت للمشاريع العقارية ش.م.ك. (عامة)
Munshaat Real Estate Projects Co. K.S.C. (Public)

**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 11 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 the 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 filed a counter claim for an amount of SAR 627 million (equivalent to KD 51 million) against 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 received from an independent legal counsel, believes that the outcome of the arbitration ruling would most probably be in favour of the Parent Company, accordingly no provision has been made for this claim in the interim condensed consolidated financial information as at and for the nine months period ended 30 September 2017.

Our conclusion is not modified in respect of these 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, as amended, and its executive regulations, as amended, 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 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL ABDULJADER
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

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

2017
Kuwait



شركة منشآت للمشاريع العقارية ش.م.ك. (عامة)
Munshaat Real Estate Projects Co. K.S.C.P. (Public)

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017
ع.ي.
INITIALLED FOR IDENTIFICATION
PURPOSES ONLY

Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)
For the nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 KD	2016 KD	2017 KD	2016 KD
Hotel operations revenue	3	3,184,147	2,448,581	8,013,107	4,227,717
Hotel operations cost	3	(3,614,090)	(2,725,280)	(8,857,459)	(7,206,466)
Net results from hotel operations		(429,943)	(276,699)	(844,352)	(2,978,749)
Income					
Management fee income		132,435	149,920	413,773	432,069
Net income from sukouk		215,112	202,169	827,690	1,195,254
Net income from investment properties		90,072	306,229	525,055	905,148
Unrealised gain (loss) from financial asset at fair value through statement of income		4,779	(18,587)	63,194	(84,864)
Finance income		3,717	644	29,164	9,953
Dividend income		-	-	-	72,559
Other income		100,946	126,577	308,845	345,352
Share of results of associates		191,832	382,427	221,366	253,398
		738,893	1,149,379	2,389,087	3,128,869
Expenses					
General and administrative expenses		(847,161)	(658,859)	(2,141,689)	(2,397,086)
Depreciation		(8,289)	(4,500)	(26,267)	(23,109)
Write-down of inventories		(12,338)	-	(61,477)	-
Finance costs		(513,117)	(488,847)	(1,566,343)	(1,259,048)
Net Foreign exchange differences		(88,268)	(69,455)	(426,162)	(112,428)
Reversal of impairment on leasehold property	5	5,943,339	-	5,943,339	-
Income from partial disposal of leasehold property	5,9	2,136,172	-	2,136,172	-
Reversal of provision no longer required	5,9	6,097,771	-	6,097,771	-
		12,708,109	(1,221,661)	9,955,344	(3,791,671)
Profit (loss) for the period before taxation and board of directors' remuneration		13,017,059	(348,981)	11,500,079	(3,641,551)
NLST		(247,160)	-	(247,160)	-
KFAS		(89,173)	-	(89,173)	-
Zakat and overseas taxation		(118,273)	(3,467)	(172,910)	(68,545)
Board of directors' remuneration		(6,600)	-	(6,600)	-
Profit (loss) for the period		12,555,853	(352,448)	10,984,236	(3,710,096)
Attributable to:					
Equity holders of the Parent Company		9,444,444	(222,607)	8,146,022	(2,935,707)
Non-controlling interests		3,111,409	(129,841)	2,838,214	(774,389)
Profit (loss) for the period		12,555,853	(352,448)	10,984,236	(3,710,096)
Basic and diluted earnings (loss) per share attributable to the equity holders of the Parent Company	4	29 Fils	(1) Fils	25 Fils	(9) Fils

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017

INITIALLED FOR IDENTIFICATION
PURPOSES ONLY

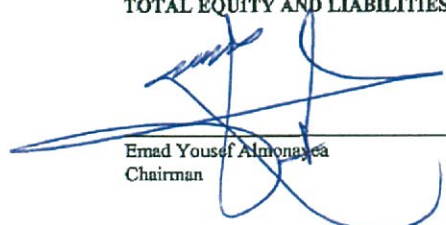
3

شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
Munshaat Real Estate Projects Co. K.S.C. (Public)



Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
As at 30 September 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
ASSETS				
Non-current assets				
Furniture and computers		53,525	67,999	78,100
Leasehold property	5	92,357,198	66,029,785	70,948,614
Investment properties	5	21,881,748	18,887,585	18,779,871
Prepaid operating lease		2,042,250	2,042,250	2,430,300
Investment in associates		38,154,366	39,734,702	39,661,172
Financial assets available for sale		6,643,316	6,802,592	6,912,671
		<u>161,132,403</u>	<u>133,564,913</u>	<u>138,810,728</u>
Current assets				
Financial asset at fair value through statement of income		249,059	185,865	159,313
Accounts receivable and prepayments		10,315,342	9,733,229	8,497,236
Trading properties		519,926	519,926	545,902
Inventories		840,325	891,305	773,845
Wakala receivable		463,269	317,353	256,877
Bank balances and cash		6,394,859	3,855,621	5,292,904
		<u>18,782,780</u>	<u>15,503,299</u>	<u>15,526,077</u>
TOTAL ASSETS		<u>179,915,183</u>	<u>149,068,212</u>	<u>154,336,805</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	7	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		1,546,339	1,413,826	1,131,353
Revaluation reserve		8,222,322	2,756,340	2,460,249
Foreign currency translation reserve		59,131	(309,202)	(154,085)
Retained earnings		14,899,824	6,608,143	11,631,646
Equity attributable to equity holders of the Parent Company		<u>87,332,966</u>	<u>73,074,457</u>	<u>77,674,513</u>
Non-controlling interests		2,839,720	749,493	1,819,892
Total equity		<u>90,172,686</u>	<u>73,823,950</u>	<u>79,494,405</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		984,433	974,210	929,657
Islamic finance payables	8	21,141,009	20,246,096	21,226,967
Obligations under finance leases	5	17,420,788	1,702,378	1,646,677
Accounts payable and accruals		187,736	2,365,488	2,969,244
		<u>39,733,966</u>	<u>25,288,172</u>	<u>26,772,545</u>
Current liabilities				
Islamic finance payables	8	6,056,712	6,000,000	6,896,903
Obligations under finance leases	5	3,448,970	76,737	75,487
Accounts payable and accruals	9	40,502,849	43,879,353	41,097,465
		<u>50,008,531</u>	<u>49,956,090</u>	<u>48,069,855</u>
Total liabilities		<u>89,742,497</u>	<u>75,244,262</u>	<u>74,842,400</u>
TOTAL EQUITY AND LIABILITIES		<u>179,915,183</u>	<u>149,068,212</u>	<u>154,336,805</u>


Emad Youssef Almonaie
Chairman

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017


Abdulaziz Ahmad Youssef Alsaqer
Executive Officer

INITIALLED FOR IDENTIFICATION
PURPOSES ONLY

The attached notes 1 to 12 form part of this interim condensed consolidated financial statement.



منشآت

شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
Munshaat Real Estate Projects Co. K.S.C. (Public)

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

6 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>Nine months ended 30 September</i>	
				<i>2017 KD</i>	<i>2016 KD</i>
Management fees	-	160,093	253,680	413,773	432,069
Finance income	28,031	-	-	28,031	7,155
Finance costs	(887,723)	-	-	(887,723)	(707,181)
Income from partial disposal of leasehold property [Note 5 (a)]	-	-	2,136,172	2,136,172	-



منشآت

شركة منشآت للمشاريع العقارية ش.م.ك. (م عامة)
 Munshaat Real Estate Projects Co. K.S.C. (Public)

EY ERNST & YOUNG
 AL AIBAN, AL OSAIMI & PARTNERS
 See Our Report Dated

05 NOV 2017

INITIALED FOR IDENTIFICATION
 PURPOSES ONLY

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

6 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	Major shareholders KD	Associates KD	Other related parties KD	30 September 2017 KD	(Audited) 31 December 2016 KD	30 September 2016 KD
Financial assets available for sale	-	-	-	3,985,155	3,985,155	4,144,431	3,918,375
Financial asset at fair value through statement of income	-	249,059	-	-	249,059	185,865	159,313
Bank balances and cash	2,016,929	-	-	-	2,016,929	2,454,252	2,590,688
Accounts receivable and prepayments	-	-	-	5,127,722	5,127,722	4,378,248	3,586,318
Accounts payable and accruals (current and non-current)	-	206,763	10,273,040	-	10,479,803	13,563,280	12,637,259
Islamic finance payables	21,141,009	-	-	-	21,141,009	20,246,096	22,123,870

Compensation of key management personnel

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 KD	2016 KD	2017 KD	2016 KD
Salaries and short-term benefits	150,786	164,300	474,479	489,255
Employee's end of service benefits	28,307	16,497	28,905	59,510
	179,093	180,797	503,384	548,765

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017

INITIALLED FOR IDENTIFICATION
PURPOSES ONLY



منشآت

شركة منشآت المشاريع العقارية م.م. (عامة)
Munshaat Real Estate Projects Co. K.S.C. (Public)

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

7 SHARE CAPITAL

	30 September 2017 KD	(Audited) 31 December 2016 KD	30 September 2016 KD
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2016: 322,000,000 and 30 September 2016: 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 proposed any dividends for the financial year ended 31 December 2016 which was approved at the Annual General Meeting of the shareholders held on 25 May 2017 (2015 : nil).

8 ISLAMIC FINANCE PAYABLES

	30 September 2017 KD	(Audited) 31 December 2016 KD	30 September 2016 KD
Murabaha payables - current	6,057,657	6,045,205	6,962,492
Less: deferred finance costs payable	(945)	(45,205)	(65,589)
	6,056,712	6,000,000	6,896,903
Ijara payable – non-current	21,141,009	20,246,096	21,226,967
	27,197,721	26,246,096	28,123,870

Murabaha payables amounting to KD 6,057,658 (31 December 2016: KD 6,045,205 and 30 September 2016: KD 6,065,589) are secured against an investment property with a carrying amount of KD 10,550,000 (31 December 2016: KD 10,550,000 and 30 September 2016: KD 10,550,000).

Ijara payable represents a facility amounting to KD 21,141,009 (31 December 2016: KD 20,246,096 and 30 September 2016: KD 21,226,967) 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 repayment of the financing amount and related finance costs.

9 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").

The management of the Parent Company 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 the Parent Company 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 the Parent Company 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 received from the tax consultant, has computed the estimated impact of the tax at the Group level and recorded a tax liability of KD 15,779,458 as at 30 September 2017 (31 December 2016: KD 14,548,428 and 30 September 2016: KD 12,669,228), including the aforesaid tax claim, and included the same under 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.



منشآت

شركة منشآت للمشاريع العقارية ش.م.ك (عامه)
Munshaat Real Estate Projects Co. K.S.C.(Public)

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017

INITIALLED FOR IDENTIFICATION
PURPOSES ONLY

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

9 ACCOUNTS PAYABLE AND ACCRUALS (continued)

During the period, management has signed an amendment to lease contract for Qebalah Tower with KSA Authority. As a result, the Group reversed an amount of KD 6,097,771 representing the waiver of previously recorded provision for compensation of certain delays in handing over the office spaces in Qebalah Tower to KSA Authority and in addition recognised the balance deferred revenue on partial disposal of leasehold property to a related party amounting to KD 2,136,172 (Note 5) in the interim condensed consolidated statement of income.

10 SEGMENT 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 for the Group's operating segments for the nine months ended 30 September 2017 and 30 September 2016, respectively.

	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others/ unallocated KD</i>	<i>Total KD</i>
Nine months ended 30 September 2017				
Segment revenue	9,779,625	284,560	338,009	10,402,194
Segment results	10,814,096	284,560	(114,420)	10,984,236
Nine months ended 30 September 2016				
Segment revenue	6,819,113	335,910	286,427	7,441,450
Segment results	(4,247,569)	251,046	286,427	(3,710,096)

The following table presents segment assets and liabilities information for the Group's operating segments as at 30 September 2017, 31 December 2016 and 30 September 2016, respectively.

	<i>Real estate & property management KD</i>	<i>Investment KD</i>	<i>Others/ unallocated KD</i>	<i>Total KD</i>
As at 30 September 2017				
Segment assets	126,384,931	45,046,741	8,483,511	179,915,183
Segment liabilities	85,565,607	-	4,176,890	89,742,497
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 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

ERNST & YOUNG

The Group's real estate & property management segment is highly seasonal and subject to seasonal fluctuations as a result of Hajj and Umrah timing. See Our Report Dated

05 NOV 2017

INITIALLED FOR IDENTIFICATION
PURPOSES ONLY

14



منشآت

شركة منشآت للمشاريع العقارية ش.م.ك. (عامه)
Munshaat Real Estate Projects Co. K.S.C. (Public)

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

11 COMMITMENTS AND CONTINGENT LIABILITIES

At 30 September 2017, the Group no had capital commitments in respect of construction cost (31 December 2016: KD Nil and 30 September 2016: KD 3,142,507).

During the year 2015, the contractor of one of the properties of the Group in the 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 filed a counter claim for an amount of SAR 627 million (equivalent to KD 51 million) against the same contractor for the delay in handing over the project and operational losses. The dispute has been referred to Saudi Arbitration Committee ("SAC") 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 2017, the Group has not made any provision against this claim in the interim condensed consolidated financial information (31 December 2016: KD Nil and 30 September 2016: KD Nil).

During the period, the expert department has submitted its report to SAC and as at the reporting date the expert's reports are being evaluated by SAC.

12 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 2017, 31 December 2016 and 30 September 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
30 September 2017			
Financial assets available for sale	6,125,283	-	6,125,283
Financial asset at fair value through statement of income	249,059	249,059	-
31 December 2016 (Audited)			
Financial assets available for sale	6,284,559	-	6,284,559
Financial asset at fair value through statement of income	185,865	185,865	-
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	-

During the nine months ended 30 September 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.

EY ERNST & YOUNG
AL ABAN, AL OSAIMI & PARTNERS
See Our Report Dated

05 NOV 2017

NOTED FOR IDENTIFICATION
PURPOSES ONLY

