



شركة منشآت للمشاريع العقارية ش.م.ك (عامة)
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 31/03/2017 Form in KD			نموذج نتائج البيانات المالية المرحلية عن فترة المنتهية في 2017/03/31 (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 الإثنين الموافق 08 مايو 2017 Monday 08 th May 2017			تاريخ اجتماع مجلس الإدارة The Date of Board of Directors Meeting
نسبة التغير Change Percentage	الفترة المقارنة Comparative Period 31/03/2016	الفترة الحالية Current Period 31/03/2017	البيان Statement
29%	(1,493,493)	(1,061,798)	صافي الخسارة الخاص بمساهمي الشركة الأم Net Loss represents the amount attributable to the owners of the parent Company
40%	(5)	(3)	خسارة السهم الأساسية والمخفضة - فلس Diluted Earnings per share- Fils
(5%)	16,827,717	15,928,540	الموجودات المتداولة Current Assets
(9%)	162,123,869	147,873,530	إجمالي الموجودات Total Assets
(12%)	56,477,649	49,667,625	المطلوبات المتداولة Current Liabilities
(6%)	80,168,292	75,286,247	إجمالي المطلوبات Total Liabilities
(9%)	79,018,170	72,008,079	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
88%	1,290,547	2,426,528	إجمالي الإيرادات التشغيلية Total Operating Revenue
83%	(609,187)	(103,977)	صافي الخسارة التشغيلي Net Operating Profit (Loss)
40%	(5)	(3)	صافي الخسارة / رأس المال المدفوع Net Profit (Loss)/ Paid-up Share Capital





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- يعود سبب الانخفاض في صافي الخسارة إلى:
 - إنخفاض الخسائر الناتجة عن تشغيل عقار مستأجر بنسبة 67%.
 - إنخفاض أرباح من عقارات استثمارية بنسبة (52%).
 - إنخفاض صافي الدخل الناتج من بيع صكوك بنسبة (34%).
 - ارتفاع الأرباح الغير محققة الناتجة من موجودات مالية مدرجة بالقيمة العادلة من خلال بيان الدخل بنسبة 186%.
 - إنخفاض الربح الناتج من حصة في نتائج شركات زميلة بنسبة (219%).
 - إنخفاض المصاريف العمومية والإدارية بنسبة (30%).
 - ارتفاع تكاليف التمويل بنسبة (65%).
- The decrease in the net loss is due to the followings:
 - Decrease of loss from operating of leasehold property by 67%.
 - Decrease of income from investment properties by (52%).
 - Decrease of net income from sale of sukouk by (34%).
 - Increase of unrealized gain on investments carried at fair value through statement of income by 186%.
 - Decrease in Share of results of associates by (219%).
 - Decrease in General and administration expenses by (30%).
 - Increase in finance cost by (65%).
- بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة مبلغ 149,941 دينار كويتي.
- Total revenues realized from dealing with related parties amounting to KD 149,941
- بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة مبلغ 276,389 دينار كويتي.
- Total expenditures incurred from dealing with related parties amounting to KD 276,389

الاسم	المسمى الوظيفي	التوقيع	ختم الشركة
عماد يوسف المنيع	رئيس مجلس الإدارة		<p>شركة منشآت للمشاريع العقارية ش.م.ك (عامة) Munshaat Real Estate Projects Co. K.S.C. (Public)</p>

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

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

31 MARCH 2017

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working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), as at 31 March 2017, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

- We draw attention to Note 8 to the interim condensed consolidated financial information, which states that Parent Company has received a tax demand notice amounting to SAR 1,891 million (equivalent to KD 153 million) from the General Authority of Zakat and Tax ("GAZT"), Kingdom of Saudi Arabia ("tax claim"). In response to the tax claim, the Parent Company has filed an objection letter with GAZT. Based on the advice from a tax consultant, the management of the Parent Company has estimated and recorded a potential tax liability, including the aforesaid tax claim of KD 14.9 million in the interim condensed consolidated statement of financial position as at 31 March 2017 (31 December 2016: KD 14.5 million and 31 March 2016: KD 12 million) including Parent Company's share of KD 6.4 million (31 December 2016: 6.4 million and 31 March 2016: KD 5.9 million) relating to this claim as detailed in Note 8. Notwithstanding the above facts, there is a significant material uncertainty as to the outcome of the tax claim. The provision made in the books as at 31 March 2017 represents the best estimate from the management of the Parent Company.



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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 31 March 2017.

Our conclusion is not modified for the above matters.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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 & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

April 2017
Kuwait


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

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



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

Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
As at 31 March 2017

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

Emad Y. Almonayea
Chairman

Abdulaziz Ahmad Yousef Alsager
Chief Executive Officer

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



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Munshaat Real Estate Projects Company K.S.C.P. and Subsidiaries
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**
As at 31 March 2017

3 OPERATING REVENUE AND COST

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

4 BASIC AND DILUTED LOSS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
Loss for the period attributable to the equity holders of the Parent Company (KD)	(1,061,798)	(1,493,493)
Weighted average number of ordinary shares outstanding during the period (shares)	322,000,000	322,000,000
Basic and diluted loss per share attributable to the equity holders of the Parent Company	<u>(3) Fils</u>	<u>(5) 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>Three months ended 31 March</i>	
	<i>Ultimate Parent Company KD</i>	<i>Associates KD</i>	<i>Other related parties KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Management fees	-	34,986	91,052	126,038	144,316
Finance income	23,903	-	-	23,903	6,360
Finance costs	(276,389)	-	-	(276,389)	(126,032)



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

5 RELATED PARTY TRANSACTIONS (continued)

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

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

Compensation of key management personnel

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

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

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6 SHARE CAPITAL

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

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

7 ISLAMIC FINANCE PAYABLES

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

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

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

8 ACCOUNTS PAYABLE AND ACCRUALS

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

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

The management of Parent Company, based on the advice from a tax consultant, has computed the estimated impact of the tax at the Group level and recorded a tax liability of KD 14,994,438 as at 31 March 2017 (31 December 2016: KD 14,548,428 and 31 March 2016: KD 12,004,980), including the aforesaid tax claim and included in accounts payable and accruals. However, as on the date of these interim condensed consolidated financial statements, there is a significant uncertainty as to the outcome of the tax claim. The provision recorded represents the tax liability that may arise from the tax claim.

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منشآت

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Munshaat Real Estate Projects Co. K.S.C. (Public)

10 COMMITMENTS AND CONTINGENT LIABILITIES

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

During the year 2015, the contractor of one of the properties of the Group in Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from the Parent Company for the delay in the execution of the project and various other related costs and the Parent Company has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and operational losses. The dispute has been referred to Saudi Arbitration Committee and as on the date of this interim condensed consolidated financial information, the trial is in progress and the management of the Parent Company, based on the advice from the legal counsel representing the Parent Company in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favour of Parent Company and also the counter claim filed by the Parent Company on the contractor is higher than the amount claimed by the contractor. Accordingly, as at 31 March 2017, the Group has not made any provision against this claim in the interim condensed consolidated financial information (31 December 2016: KD Nil and 31 March 2016: KD Nil).

11 FAIR VALUES

Fair value hierarchy

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

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

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

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

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 31 March 2017, 31 December 2016 and 31 March 2016, the Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value	Total KD	Level 1 KD	Level 3 KD
31 March 2017			
Financial assets available for sale	6,284,559	-	6,284,559
Financial asset at fair value through statement of income	246,935	246,935	-
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	-
31 March 2016			
Financial assets available for sale	6,608,468	-	6,608,468
Financial asset at fair value through statement of income	173,287	173,287	-

During the three months period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 518,033 (31 December 2016: KD 518,033 and 31 March 2016: KD 564,615) are not materially different from their carrying values.



منشآت