AWJ Holding Company K.S.C.P. (Formerly "Mashaer Holding Company K.S.C.P.") and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 SEPTEMBER 2016 (UNAUDITED)

EY
Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AWJ HOLDING COMPANY K.S.C.P. (FORMERLY "MASHAER HOLDING COMPANY K.S.C.P.")

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of AWJ Holding Company K.S.C.P. (Formerly "Mashaer Holding 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 the interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the 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 Accounting 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 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.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AWJ HOLDING COMPANY K.S.C.P. (FORMERLY "MASHAER HOLDING COMPANY K.S.C.P.") (continued)

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 accounts 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 the Companies Law No. 1 of 2016, and its executive regulations, or of Memorandum of Incorporation and Articles of Association of the Parent Company 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.

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Member firm of Russell Bedford International

14 November 2016
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2016

		Three months ended 30 September		*Nine months ended 30 September*	
		2016	*2015*	***2016***	*2015*
	Notes	***KD***	*KD*	***KD***	*KD*
Income					
Hajj and Umrah services revenue		**-**	759,473	**417,928**	3,253,411
Hajj and Umrah services expense		**(424)**	(712,320)	**(365,166)**	(3,265,179)
Net Hajj and Umrah services (loss) income		**(424)**	47,153	**52,762**	(11,768)
Net real estate income	3	**344,746**	375,965	**1,027,638**	1,468,800
Investment income		**8,891**	1,797	**31,863**	62,284
Share of results of associates		**236,721**	306,421	**505,653**	374,295
Foreign exchange gain (loss)		**51**	(7,272)	**(16,459)**	(9,900)
Other income	4	**306,386**	5,753	**319,110**	98,363
Total income		**896,371**	729,817	**1,920,567**	1,982,074
Expenses					
Staff costs		**(191,446)**	(236,233)	**(620,391)**	(741,477)
Administration expenses		**(48,930)**	(89,393)	**(243,104)**	(330,891)
Finance costs		**(119,506)**	(147,511)	**(398,142)**	(471,701)
Depreciation		**(3,125)**	(7,914)	**(12,302)**	(37,614)
Total expenses		**(363,007)**	(481,051)	**(1,273,939)**	(1,581,683)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), provision for National Labour Support Tax (NLST), Zakat and Board of directors' remuneration		**533,364**	248,766	**646,628**	400,391
KFAS		**(4,091)**	(2,221)	**(8,642)**	(10,579)
NLST		**(13,136)**	(6,059)	**(15,757)**	(9,579)
Zakat		**(4,840)**	(2,789)	**(10,103)**	(12,124)
Board of directors' remuneration		**-**	-	**(11,000)**	-
Profit for the period		**511,297**	237,697	**601,126**	368,109
Attributable to:					
Shareholders of the Parent Company		**503,402**	231,262	**584,798**	350,862
Non-controlling interests		**7,895**	6,435	**16,328**	17,247
		511,297	237,697	**601,126**	368,109
Basic and diluted earnings per share attributable to shareholders of the Parent Company	5	**2.81 fils**	1.29 fils	**3.26 fils**	1.96 fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2016

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*
Profit for the period	**511,297**	237,697	**601,126**	368,109
Other comprehensive loss:				
Items that may be reclassified subsequently to consolidated statement of income:				
Foreign currency translation adjustments	**(495)**	(468)	**(1,790)**	(1,369)
Other comprehensive loss for the period	**(495)**	(468)	**(1,790)**	(1,369)
Total comprehensive income for the period	**510,802**	237,229	**599,336**	366,740
Attributable to:				
Shareholders of the Parent Company	**502,907**	230,794	**583,008**	349,493
Non-controlling interests	**7,895**	6,435	**16,328**	17,247
	510,802	237,229	**599,336**	366,740

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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 equipment		**59,829**	25,264	16,580
Investment properties	6	**25,188,999**	26,129,127	29,399,637
Investment in associates		**17,417,378**	18,066,440	12,629,536
Available for sale investments		**1,815,906**	1,815,906	1,815,906
Accounts receivable and other assets	7	**1,203,056**	-	-
		45,685,168	46,036,737	43,861,659
Current assets				
Amounts due from related parties	11	**688,313**	881,166	153,284
Accounts receivable and other assets	7	**2,878,504**	5,108,590	5,269,137
Investment deposits		**240,000**	240,000	240,000
Cash and bank balances		**1,288,458**	3,417,101	2,373,044
		5,095,275	9,646,857	8,035,465
TOTAL ASSETS		**50,780,443**	55,683,594	51,897,124
Equity and liabilities				
Equity				
Share capital		**17,942,989**	17,942,989	17,942,989
Share premium		**20,154,456**	20,154,456	20,154,456
Statutory reserve		**252,230**	252,230	-
Foreign currency translation reserve		**(130,131)**	(128,341)	(343,998)
Treasury shares	8	**(13,008)**	(13,008)	(13,008)
Treasury shares reserve		**2,761**	2,761	2,761
Retained earnings		**1,360,868**	2,121,397	350,862
Equity attributable to shareholders of the Parent Company		**39,570,165**	40,332,484	38,094,062
Non-controlling interests		**453,772**	461,524	451,290
Total equity		**40,023,937**	40,794,008	38,545,352
Non-current liabilities				
Employees' end of service benefits		**133,164**	183,845	192,149
Tawarruq and murabaha facilities	10	**5,807,253**	7,227,119	8,569,290
		5,940,417	7,410,964	8,761,439
Current liabilities				
Accounts payable and other liabilities		**1,217,941**	3,499,479	1,121,021
Amounts due to related parties	11	**723,673**	1,203,575	546,887
Tawarruq and murabaha facilities	10	**2,874,475**	2,775,568	2,922,425
		4,816,089	7,478,622	4,590,333
Total liabilities		**10,756,506**	14,889,586	13,351,772
TOTAL EQUITY AND LIABILITIES		**50,780,443**	55,683,594	51,897,124

Mohammad Nizar Al-Nusif
Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2016

	Equity attributable to the shareholders of the Parent Company									
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
Balance as at 1 January 2016	17,942,989	20,154,456	252,230	(128,341)	(13,008)	2,761	2,121,397	40,332,484	461,524	40,794,008
Profit for the period	-	-	-	-	-	-	584,798	584,798	16,328	601,126
Other comprehensive loss for the period	-	-	-	(1,790)	-	-	-	(1,790)	-	(1,790)
Total comprehensive (loss) income for the period	-	-	-	(1,790)	-	-	584,798	583,008	16,328	599,336
Change in effective holding in a subsidiary	-	-	-	-	-	-	-	-	(24,080)	(24,080)
Dividend (Note 9)	-	-	-	-	-	-	(1,345,327)	(1,345,327)	-	(1,345,327)
Balance as at 30 September 2016	**17,942,989**	**20,154,456**	**252,230**	**(130,131)**	**(13,008)**	**2,761**	**1,360,868**	**39,570,165**	**453,772**	**40,023,937**
Balance as at 1 January 2015	17,942,989	23,555,390	1,146,651	(342,629)	(13,008)	2,761	(4,547,585)	37,744,569	455,229	38,199,798
Profit for the period	-	-	-	-	-	-	350,862	350,862	17,247	368,109
Other comprehensive loss for the period	-	-	-	(1,369)	-	-	-	(1,369)	-	(1,369)
Total comprehensive (loss) income for the period	-	-	-	(1,369)	-	-	350,862	349,493	17,247	366,740
Change in effective holding in a subsidiary	-	-	-	-	-	-	-	-	(21,186)	(21,186)
Accumulated losses written-off (Note 9)	-	(3,400,934)	(1,146,651)	-	-	-	4,547,585	-	-	-
Balance as at 30 September 2015	17,942,989	20,154,456	-	(343,998)	(13,008)	2,761	350,862	38,094,062	451,290	38,545,352

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2016

	Notes	*Nine months ended 30 September* *2016* *KD*	*2015* *KD*
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, provision for NLST, Zakat and Board of directors' remuneration		**646,628**	400,391
Adjustments for:			
Depreciation		**12,302**	37,614
Investment income		**(31,863)**	(62,284)
Employees' end of service benefits		**19,134**	17,471
Amortization of leasehold prepayments		**123,096**	123,096
Share of results of associates		**(505,653)**	(374,295)
Foreign exchange loss		**16,459**	9,900
Finance costs		**398,142**	471,701
Unrealised loss on revaluation of investment properties	6	**912,538**	880,093
Gain on sale of investment properties	6	**(4,976)**	(155,141)
		1,585,807	1,348,546
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**903,934**	664,609
Amounts due from related parties		**192,853**	(48,810)
Accounts payable and other liabilities		**(2,345,289)**	(3,129,163)
Amounts due to related parties		**(479,902)**	(326,967)
Cash flows used in operations		**(142,597)**	(1,491,785)
Employees' end of service benefits paid		**(69,815)**	(11,799)
Net cash flows used in operating activities		**(212,412)**	(1,503,584)
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(46,867)**	(4,476)
Additions in investment properties	6	**(585)**	(1,599,164)
Proceeds from sale of an investment property		**33,151**	1,101,049
Proceeds from investment deposits		**-**	1,615,000
Dividend received from an associate		**1,154,715**	379,269
Investment in a subsidiary		**(24,080)**	(21,186)
Investment income received		**31,863**	62,284
Net cash flows from investing activities		**1,148,197**	1,532,776
FINANCING ACTIVITIES			
Dividend paid		**(1,345,327)**	-
Movement in tawarruq and murabaha facilities		**(1,719,101)**	(3,219,666)
Net cash flows used in financing activities		**(3,064,428)**	(3,219,666)
Net decrease in cash and bank balances		**(2,128,643)**	(3,190,474)
Cash and bank balances at beginning of the period		**3,417,101**	5,563,518
Cash and bank balances at end of the period		**1,288,458**	2,373,044

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

1 INCORPORATION AND ACTIVITIES

AWJ Holding Company K.S.C.P. (Formerly "Mashaer Holding Company K.S.C.P.") (the "Parent Company") is a Kuwaiti public shareholding company registered and incorporated (commercial registration # 1804962) in the State of Kuwait on 12 June 2000 and is listed on the Kuwait Stock Exchange.

The major shareholder of the Parent Company is A'ayan Leasing and Investment Company K.S.C.P.

The interim condensed consolidated financial information of the the Parent Company and its subsidiaries (collectively the "Group") for the nine months period ended 30 September 2016 were authorized for issue in accordance with a resolution of the directors of the Parent Company on 14 November 2016.

The Parent Company is engaged in establishing companies in Kuwait and abroad, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions. All activities of the Group are conducted in accordance with Islamic Sharia'a as approved by Sharia'a Board.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015 were approved by the shareholders of the Parent Company on 18 April 2016.

The registered address of the Parent Company is P.O. Box 23110, Safat 13092, State of Kuwait.

During the period, the name of the Parent Company changed to AWJ Holding Company with the approval of the shareholders of the Parent Company on 18 April 2016. This was approved by the Ministry of commerce on its letter dated 23 May 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 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group has been prepared in compliance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited 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 in the interim condensed consolidated financial information. Operating results for the period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2015.

The interim condensed consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Parent Company's functional and presentation currency.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2015. There are no new accounting standards applicable to the Group for the period ended 30 September 2016. Also, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 NET REAL ESTATE INCOME

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*
Rental income	**822,637**	839,664	**2,449,421**	2,707,371
Rental and real estate related expenses	**(132,229)**	(128,852)	**(391,125)**	(390,523)
Amortisation of leasehold prepayments	**(41,483)**	(41,483)	**(123,096)**	(123,096)
Net rental income	**648,925**	669,329	**1,935,200**	2,193,752
Gain on sale of investment properties (Note 6)	**-**	-	**4,976**	155,141
Unrealised loss on revaluation of investment properties (Note 6)	**(304,179)**	(293,364)	**(912,538)**	(880,093)
	344,746	375,965	**1,027,638**	1,468,800

4 OTHER INCOME

Other income includes an amount of KD 302,865 (31 December 2015: Nil, 30 September 2015: Nil) recorded by the Group on a receivable from a third party using effective internal rate of return method (Note 7).

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the period attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	*2015*	***2016***	*2015*
Profit for the period attributable to shareholders of the Parent Company (KD)	**503,402**	231,262	**584,798**	350,862
Weighted average number of ordinary shares outstanding during the period (shares)	**179,429,890**	179,429,890	**17,942,989**	179,429,890
Weighted average number of treasury shares	**(53,000)**	(53,000)	**(53,000)**	(53,000)
Weighted average number of shares outstanding (net of treasury shares)	**179,376,890**	179,376,890	**179,376,890**	179,376,890
Basic and diluted earnings per share attributable to shareholders of the Parent Company	**2.81 fils**	1.29 fils	**3.26 fils**	1.96 fils

6 INVESTMENT PROPERTIES

	30 September 2016 KD	(Audited) 31 December 2015 KD	30 September 2015 KD
At the beginning of the period/year	**26,129,127**	29,626,474	29,626,474
Additions	**585**	3,556,272	1,599,164
Transfer to associate	-	(5,532,935)	-
Disposals	**(28,175)**	(980,227)	(945,908)
Unrealised loss on the revaluation of investment properties	**(912,538)**	(540,457)	(880,093)
At the end of the period/year	**25,188,999**	26,129,127	29,399,637
Comprising			
Developed properties	**25,188,999**	26,129,127	24,307,648
Properties under development	-	-	5,091,989
	25,188,999	26,129,127	29,399,637

Investment properties amounting to KD 11,340,000 (31 December 2015: 11,340,000 and 30 September 2015: KD 11,150,000) are pledged as collateral against tawarruq payables (Note 10).

During the nine months period ended 30 September 2016, management has reassessed the fair value of an investment property that was carried previously for an amount of KD 8,010,060 as at 31 December 2015 that fall under level 3 hierarchy, using the income capitalization approach. The fair value is determined based on discounted cash flow method, using rental fixed cash flows for 7 years and discount rate of 10.34%. This reassessment resulted in unrealized loss of KD 912,538 recorded in the interim condensed consolidated statement of income.

During the nine months period ended 30 September 2016, Group has sold investment property with a carrying value of KD 28,175 (31 December 2015: KD 980,227, 30 September 2015: KD 945,908) for a gain of KD 4,976 (31 December 2015: KD 158,204, 30 September 2015: KD 155,141).

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	30 September 2016 KD	(Audited) 31 December 2015 KD	30 September 2015 KD
Trade receivables	**747,069**	1,010,674	1,285,151
Prepayments	**208,218**	1,572,750	310,230
Other receivables *	**3,126,273**	2,525,166	3,673,756
	4,081,560	5,108,590	5,269,137

	30 September 2016 KD	(Audited) 31 December 2015 KD	30 September 2015 KD
Current	**2,878,504**	5,108,590	5,269,137
Non- current	**1,203,056**	-	-
	4,081,560	5,108,590	5,269,137

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

* Other receivables include an amount of KD 2,279,165 (31 December 2015: KD 2,450,000, 30 September 2015: KD 2,450,000) placed by the Group with a third party for purchase of a property. As per the agreement dated 29 February 2012, the Group would receive fixed rental income of KD 516,000 over a period of 42 months and the principal would be repaid at maturity on 31 August 2015. The terms of the agreement gave third party with an option to repurchase the property by making early repayment at any time during the tenure of the agreement. During the period, the third party has repurchased the property and thereby extended the tenor of the principal (i.e. KD 2,450,000) to be paid on equal monthly installment of KD 90,000 over a period of 36 months. The income on this balance is recognized using effective interest rate method.

8 TREASURY SHARES

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Number of treasury shares	**53,000**	53,000	53,000
Percentage of treasury shares	**0.03%**	0.03%	0.03%
Cost of treasury shares	**13,008**	13,008	13,008
Market value of treasury shares	**3,180**	5,618	5,512
Weighted average market value per treasury share (fils)	**60**	106	104

The balance in the treasury share reserve amounting to KD 2,761 (31 December 2015: KD 2,761, 30 September 2015: KD 2,761) is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from the reserves throughout the holding period of these treasury shares.

9 ANNUAL GENERAL ASSEMBLY

The Annual General Meeting (AGM) of the Parent Company's shareholders held on 18 April 2016 approved the consolidated financial statements of the Group for the year ended 31 December 2015 and also approved the Board of Directors' proposal to distribute the cash dividend 7.5% to the shareholders KWD 1,345,327 (2015: KD Nil).

The AGM of the Parent Company's shareholders held on 7 May 2015 approved to write-off accumulated losses of KD 4,547,585 as of 31 December 2014, against the share premium of KD 3,400,934 and statutory reserve of KD 1,146,651 as at that date.

10 TAWARRUQ AND MURABAHA FACILITIES

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Gross tawarruq and murabaha facilities	**8,845,364**	10,194,688	11,572,842
Less: deferred charges	**(163,636)**	(192,001)	(81,127)
	8,681,728	10,002,687	11,491,715
Current	**2,874,475**	2,775,568	2,922,425
Non-Current	**5,807,253**	7,227,119	8,569,290
	8,681,728	10,002,687	11,491,715

Certain tawarruq and murabaha facilities aggregating to KD 8,681,728 (31 December 2015: KD 10,002,687 and 30 September 2015: KD 11,470,849) are secured against shares of a subsidiary, an associate and investment properties (Note 6).

11 RELATED PARTY TRANSACTIONS

Related parties represent i.e. associates, major shareholders, directors and key management personnel of the group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Details of significant related party balances and transaction are as follows:

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Balances included in interim condensed consolidated statement of financial position:			
Due from related parties			
- Associates	**688,313**	881,166	153,284
Due to related parties			
- Associates	**583,792**	1,059,806	408,219
- Other related parties	**139,881**	143,769	138,668
	723,673	1,203,575	546,887

	Three months ended 30 September		*Nine months ended 30 September*	
	2016 KD	*2015 KD*	***2016 KD***	*2015 KD*
Key management compensation:				
Short term benefits	**63,869**	80,820	**191,171**	233,611
Employees' end of service benefits	**2,846**	3,271	**8,539**	9,807
	66,715	84,091	**199,710**	243,418

12 COMMITMENTS AND CONTINGENCIES

The Group has capital expenditure commitments amounting to KD 1,678,862 (31 December 2015: KD 831,370 and 30 September 2015: KD 1,058,011). At the reporting date, the Group had contingent liabilities in respect of outstanding letters of guarantee of KD 149,622 (31 December 2015: KD 191,537 and 30 September 2015: KD 191,537).

13 SEGMENTAL INFORMATION

The Group's primary basis for segmental reporting is by business segments which is subject to risks and rewards that are different from those of other segments. The business segments comprises of:

Real estate activities – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.

Hajj and Umrah services – Ticketing, hotel accommodation, travel and logistic services relating to Hajj and Umrah.

Investment activities - Establishing companies in Kuwait and aboard, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions.

The Board of Directors monitors the operating results of each business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Accordingly, management analyses the segmental information based on their business segments as follows:

13 SEGMENTAL INFORMATION (continued)

	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
30 September 2016				
Segment revenue	**2,770,009**	**422,984**	**535,959**	**3,728,952**
Segment expenses	**(1,715,255)**	**(477,020)**	**(935,551)**	**(3,127,826)**
Segment results	**1,054,754**	**(54,036)**	**(399,592)**	**601,126**
Segment assets	**29,220,997**	**521,691**	**21,037,755**	**50,780,443**
Segment liabilities	**1,616,804**	**123,325**	**9,016,377**	**10,756,506**

	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
30 September 2015				
Segment revenue	2,896,979	3,256,437	497,449	6,650,865
Segment expenses	(1,708,229)	(3,608,993)	(965,534)	(6,282,756)
Segment results	1,188,750	(352,556)	(468,085)	368,109
Segment assets	35,477,082	810,370	15,609,672	51,897,124
Segment liabilities	1,698,096	382,143	11,271,533	13,351,772

During the period ended 30 September 2016, the Shareholders of Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed), a subsidiary, have decided to temporarily suspend the business operations, until the market condition of Hajj & Umrah Services become favourable.

14 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in active market for the same instrument;
Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data ; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

Financial instruments:

Financial instruments comprise financial assets and financial liabilities

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Significant Accounting Policies in the consolidated financial statements for the year ended 31 December 2015.

14 FAIR VALUE MEASUREMENT (continued)

The Group's available for sale investments are carried at cost less impairment.

For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in profit rates.

Non-financial instruments:
Description of significant unobservable inputs to valuation of non-financial assets:

Investment properties (excluding the investment property under development) are fair valued and are classified under level 2 and level 3 fair value hierarchies as given below:

	Fair value measurement using		
	Significant observable inputs (Level 2) KD	*Significant unobservable inputs (Level 3) KD*	*Total KD*
30 September 2016			
Investment properties (developed properties)	**18,091,477**	**7,097,522**	**25,188,999**
31 December 2015			
Investment properties (developed properties)	18,119,067	8,010,060	26,129,127
30 September 2015			
Investment properties (developed properties)	16,289,026	8,018,622	24,307,648

The following table shows a reconciliation of the opening and closing amount of level 3 of non- financial assets which are recorded at fair value:

	Balance at the beginning of the period/year KD	*Loss recorded in the interim condensed consolidated statement of income KD*	*Balance at the closing of the period/year KD*
30 September 2016			
Investment properties	**8,010,060**	**(912,538)**	**7,097,522**
31 December 2015			
Investment properties	8,898,715	(888,655)	8,010,060
30 September 2015			
Investment properties	8,898,715	(880,093)	8,018,622

Level 2 hierarchy
The fair value of investment properties under the Level 2 hierarchy were determined using the market comparable approach, conducted by valuators considering recent transaction prices of the property and similar properties. Market price per square meter and annual income are the significant observable market inputs to the valuation.

Level 3 hierarchy
The fair value of the investment property under the Level 3 hierarchy was determined using the income approach. The fair value is determined based on discounted cash flow method, using rental fixed cash flows for 7 years and discount rate of 10.34%.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.