

**AWJ Holding Company K.S.C.P. (Formerly
“Mashaer Holding Company K.S.C.P.”)
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2017 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO 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 31 March 2017, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity 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 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.

Emphasis of Matter

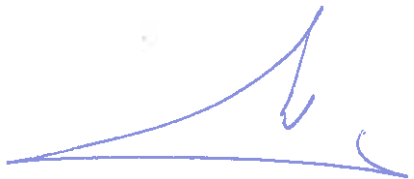
We draw attention to Note 7 to the interim condensed consolidated financial information, which states that Hajar Tower Real Estate Company K.S.C. (Closed) (“Hajar Tower”), an associate of the Group, has received a tax demand notice amounting to SAR 279 million (equivalent to KD 23 million) from the General Authority of Zakat and Tax (“GAZT”), Kingdom of Saudi Arabia (“tax claim”). In response to the tax claim, the management of Hajar Tower has filed an objection letter with GAZT to contest the tax claim. Based on the advice from the tax consultant of Hajar Tower, the management believes that the liability in respect to taxation amounting to SAR 19 million (equivalent to KD1.55 million) is adequate at the reporting date. Notwithstanding the above facts, there is a material uncertainty as to the outcome of the tax claim.

Our conclusion is not qualified in respect to the above matter.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO 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 material violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, 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.



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

14 May 2017
Kuwait

AWJ Holding Company K.S.C.P. (Formerly “Mashaer Holding Company K.S.C.P.”) and its 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
Income			
Hajj and Umrah services revenue		-	348,995
Hajj and Umrah services expense		-	(306,667)
Net Hajj and Umrah services income		-	42,328
Net real estate income	3	268,318	343,153
Investment income		7,969	17,813
Share of results of associates		485,218	97,250
Foreign exchange gain (loss)		1,497	(16,154)
Other income	4	81,164	657
Total income		844,166	485,047
Expenses			
Staff costs		166,070	229,346
Administration expenses		98,021	90,786
Finance costs		120,977	144,173
Depreciation		2,982	4,338
Total expenses		388,050	468,643
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), provision for National Labour Support Tax (NLST) and Zakat		456,116	16,404
KFAS		(6,593)	(2,886)
NLST		(12,050)	-
Zakat		(7,338)	(3,241)
Profit for the period		430,135	10,277
Attributable to:			
Shareholders of the Parent Company		422,753	6,264
Non-controlling interests		7,382	4,013
		430,135	10,277
Basic and diluted earnings per share attributable to shareholders of the Parent Company	5	2.36 fils	0.03 fils

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	430,135	10,277
Other comprehensive income:		
<i>Other comprehensive income (loss) to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Foreign currency translation adjustments	18,470	(1,394)
Other comprehensive income (loss) for the period	18,470	(1,394)
Total comprehensive income for the period	448,605	8,883
Attributable to:		
Shareholders of the Parent Company	441,223	4,870
Non-controlling interests	7,382	4,013
	448,605	8,883

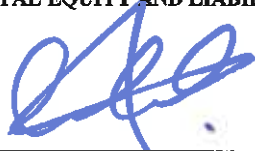
The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

AWJ Holding Company K.S.C.P. (Formerly "Mashaer Holding Company K.S.C.P.") and its 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 equipment		27,752	28,726	52,390
Investment properties	6	23,185,985	23,411,313	25,796,773
Investment in associates	7	14,393,278	13,908,060	17,171,050
Available for sale investments		1,815,906	1,815,906	1,815,906
Accounts receivable and other assets	8	753,307	983,124	-
		<u>40,176,228</u>	<u>40,147,129</u>	<u>44,836,119</u>
Current assets				
Amounts due from related parties	12	420,432	405,963	820,436
Accounts receivable and other assets	8	2,937,650	4,991,341	5,753,486
Investment deposits		414,506	400,000	240,000
Cash and bank balances		2,914,549	1,178,852	2,729,109
		<u>6,687,137</u>	<u>6,976,156</u>	<u>9,543,031</u>
TOTAL ASSETS		<u>46,863,365</u>	<u>47,123,285</u>	<u>54,379,150</u>
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		443,293	443,293	252,230
Foreign currency translation reserve		(6,546,326)	(6,564,796)	(129,735)
Treasury shares	9	(13,008)	(13,008)	(13,008)
Treasury shares reserve		2,761	2,761	2,761
Retained earnings		2,583,413	2,160,660	2,127,661
Equity attributable to shareholders of the Parent Company		<u>34,567,578</u>	<u>34,126,355</u>	<u>40,337,354</u>
Non-controlling interests		415,933	408,214	465,524
Total equity		<u>34,983,511</u>	<u>34,534,569</u>	<u>40,802,878</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		157,316	172,032	126,480
Tawarruq and murabaha facilities	11	6,715,044	6,762,364	7,194,955
		<u>6,872,360</u>	<u>6,934,396</u>	<u>7,321,435</u>
Current liabilities				
Accounts payable and other liabilities		2,792,995	3,446,455	2,715,866
Amounts due to related parties	12	331,691	331,762	654,984
Tawarruq and murabaha facilities	11	1,882,808	1,876,103	2,883,987
		<u>5,007,494</u>	<u>5,654,320</u>	<u>6,254,837</u>
Total liabilities		<u>11,879,854</u>	<u>12,588,716</u>	<u>13,576,272</u>
TOTAL EQUITY AND LIABILITIES		<u>46,863,365</u>	<u>47,123,285</u>	<u>54,379,150</u>


AbdulAziz Zaid Al-Subaie
Chairman

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

AWJ Holding Company K.S.C.P. (Formerly "Mashaer Holding Company K.S.C.P.") and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 31 March 2017

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 2017	17,942,989	20,154,456	443,293	(6,564,796)	(13,008)	2,761	2,160,660	34,126,355	408,214	34,534,569
Profit for the period	-	-	-	-	-	-	422,753	422,753	7,382	430,135
Other comprehensive income for the period	-	-	-	18,470	-	-	-	18,470	-	18,470
Total comprehensive income for the period	-	-	-	18,470	-	-	422,753	441,223	7,382	448,605
Change in effective holding in a subsidiary	-	-	-	-	-	-	-	-	337	337
Balance as at 31 March 2017	17,942,989	20,154,456	443,293	(6,546,326)	(13,008)	2,761	2,583,413	34,567,578	415,933	34,983,511
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	-	-	-	-	-	-	6,264	6,264	4,013	10,277
Other comprehensive loss for the period	-	-	-	(1,394)	-	-	-	(1,394)	-	(1,394)
Total comprehensive (loss) income for the period	-	-	-	(1,394)	-	-	6,264	4,870	4,013	8,883
Change in effective holding in a subsidiary	-	-	-	-	-	-	-	-	(13)	(13)
Balance as at 31 March 2016	17,942,989	20,154,456	252,230	(129,735)	(13,008)	2,761	2,127,661	40,337,354	465,524	40,802,878

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

For the period ended 31 March 2017

	Notes	Three months ended	
		31 March	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, provision for NLST and Zakat		456,116	16,404
Adjustments for:			
Depreciation		2,982	4,338
Investment income		(7,969)	(17,813)
Employees' end of service benefits		6,514	8,519
Amortization of leasehold prepayments		40,581	40,581
Share of results of associates		(485,218)	(97,250)
Foreign exchange (gain) loss		(1,497)	16,154
Finance costs		120,977	144,173
Unrealised loss on revaluation of investment properties	6	304,179	304,179
Gain on sale of investment properties	6	-	(4,976)
		<u>436,665</u>	<u>414,309</u>
Changes in operating assets and liabilities:			
Accounts receivable and other assets		2,242,927	(685,477)
Amounts due from related parties		(14,469)	60,730
Accounts payable and other liabilities		(677,944)	(807,288)
Amounts due to related parties		(71)	(548,591)
		<u>1,987,108</u>	<u>(1,566,317)</u>
Cash flows from (used in) operations		1,987,108	(1,566,317)
Employees' end of service benefits paid		(21,230)	(65,884)
		<u>1,965,878</u>	<u>(1,632,201)</u>
Net cash flows from (used in) operating activities		1,965,878	(1,632,201)
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(2,008)	(31,464)
Additions in investment properties	6	(2,070)	-
Proceeds from sale of an investment property		-	33,151
Net movement in investment deposits		(14,506)	-
Dividend received from an associate		-	992,640
Change in effective holding of a subsidiary		337	(13)
Investment income received		7,969	17,813
		<u>(10,278)</u>	<u>524,266</u>
Net cash flows (used in) from investing activities		(10,278)	524,266
FINANCING ACTIVITIES			
Finance costs paid		(120,977)	-
Movement in tawarruq and murabaha facilities		(40,615)	(67,918)
		<u>(161,592)</u>	<u>(67,918)</u>
Net cash flows used in financing activities		(161,592)	(67,918)
Net increase (decrease) in cash and bank balances		1,794,008	(687,992)
Foreign currency translation adjustments		(58,311)	-
Cash and bank balances at beginning of the period		1,178,852	3,417,101
		<u>2,914,549</u>	<u>2,729,109</u>
Cash and bank balances at end of the period		2,914,549	2,729,109

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

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 interim condensed consolidated financial information of the the Parent Company and its subsidiaries (collectively the “Group”) for the three months period ended 31 March 2017 were authorized for issue in accordance with a resolution of the directors of the Parent Company on 14 May 2017.

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 2016 were approved by the shareholders of the Parent Company on 2 May 2017.

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

During the year ended 31 December 2016, 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 2016. 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 31 March 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2016.

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 2016. There are no new accounting standards applicable to the Group for the period ended 31 March 2017. Also, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

3 NET REAL ESTATE INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Rental income	751,454	812,717
Rental and real estate related expenses	(138,376)	(129,780)
Amortisation of leasehold prepayments	(40,581)	(40,581)
Net rental income	572,497	642,356
Gain on sale of investment properties (Note 8)	-	4,976
Unrealised loss on revaluation of investment properties (Note 8)	(304,179)	(304,179)
	268,318	343,153

4 OTHER INCOME

Other income includes an amount of KD 77,245 (31 March 2016: Nil) that represents the unwinding of the receivable recorded by the Group from a third party (Note 8).

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:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
Profit for the period attributable to shareholders of the Parent Company (KD)	422,753	6,264
Weighted average number of ordinary shares outstanding during the period (shares)	179,429,890	179,429,890
Weighted average number of treasury shares	(53,000)	(53,000)
Weighted average number of shares outstanding (net of treasury shares)	179,376,890	179,376,890
Basic and diluted earnings per share attributable to shareholders of the Parent Company	2.36 fils	0.03 fils

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

6 INVESTMENT PROPERTIES

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
At the beginning of the period/year	23,411,313	26,129,127	26,129,127
Additions	2,070	-	-
Disposals	-	(173,550)	(28,175)
Foreign currency translation adjustment	76,781	(1,617,805)	-
Unrealised loss on the revaluation of investment properties	(304,179)	(926,459)	(304,179)
At the end of the period/year	<u>23,185,985</u>	<u>23,411,313</u>	<u>25,796,773</u>

Investment properties amounting to KD 10,985,070 (31 December 2016: 10,983,000 and 31 March 2016: KD 11,340,000) are pledged as collateral against tawarruq payables (Note 11).

During the three months period ended 31 March 2017, management has reassessed the fair value of an investment property that was carried previously for an amount of KD 6,793,342 as at 31 December 2016 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 6 years and discount rate of 10.34% (31 December 2016: 10.34% and 31 March 2016: 10.34%). This reassessment resulted in unrealized loss of KD 304,179 recorded in the interim condensed consolidated statement of income.

During the three months period ended 31 March 2016, the Group had sold investment properties with the carrying value of KD 28,176 (31 December 2016: KD 1,511,250) for a gain of KD 4,976 (31 December 2016: KD 13,651).

7 INVESTMENT IN ASSOCIATES

On 22 January 2017, Hajar Tower Real Estate Company K.S.C. (Closed) (‘Hajar Tower’), an associate of the Group, received a tax demand notice for SAR 279 million (equivalent to KD 23 million) from the the General Authority of Zakat and Tax (“GAZT”), Kingdom of Saudi Arabia, including the assessment on Hajar Tower for the years 2009 to 2014 and claimed corporate income tax, Zakat, withholding tax and penalties (“tax claim”). Refer to the consolidated financial statements of the Group for the year ended 31 December 2016 for details.

The management believes that the tax claim does not reflect the correct application of tax laws in the Kingdom of Saudi Arabia and the correct nature of the operations of Hajar Tower. Further, the management of Hajar Tower has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and the tax consultant has issued an opinion to Hajar Tower dated 23 February 2017, stating that the tax liability in relation to the operations of Hajar Tower recognised in the books as of 31 March 2017 is adequate. The management of Hajar Tower has filed an objection letter with GAZT in order to contest the tax claim.

Based on the advice from Hajar Tower’s tax consultant, the management of Hajar Tower believes that the tax liability currently recognised in the books amounting to SAR 19 million (equivalent to KD 1.55 million) is adequate as at 31 March 2017. Though, there is a significant uncertainty as to the outcome of the tax claim, the management of the Group and the Hajar tower believe that the provision currently recorded represents the best estimate of the tax liability that may arise from the tax claim.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Trade receivables	280,105	2,652,157	908,454
Prepayments	1,111,773	908,354	1,431,854
Other receivables *	2,299,079	2,413,954	3,413,178
	<u>3,690,957</u>	<u>5,974,465</u>	<u>5,753,486</u>
		<i>(Audited)</i>	
	<i>31 March 2017 KD</i>	<i>31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Current	2,937,650	4,991,341	5,753,486
Non- current	753,307	983,124	-
	<u>3,690,957</u>	<u>5,974,465</u>	<u>5,753,486</u>

* Other receivables include an amount of KD 2,261,947 (31 December 2016: KD 2,364,702 and 31 March 2016: 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 year ended 31 December 2016, the third party has repurchased the property and thereby extended the tenor of the principal (i.e. KD 2,450,000) to be paid over the next two years. The unwinding impact of discounting the balance to fair value is recognised under other income.

9 TREASURY SHARES

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
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	4,982	3,445	5,035
Weighted average market value per treasury share (fils)	94	65	95

The balance in the treasury share reserve amounting to KD 2,761 (31 December 2016: KD 2,761, 31 March 2016: 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.

10 ANNUAL GENERAL ASSEMBLY

The Annual General Meeting (AGM) of the Parent Company’s shareholders held on 2 May 2017 approved the consolidated financial statements of the Group for the year ended 31 December 2016 and also approved the Board of Directors’ proposal to distribute the cash dividend 7.5% to the shareholders amounting to KD 1,345,327 (2016: KD 1,345,327).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

11 TAWARRUQ AND MURABAHA FACILITIES

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Gross tawarruq and murabaha facilities	9,045,979	8,786,982	10,158,276
Less: deferred charges	(448,127)	(148,515)	(79,334)
	<u>8,597,852</u>	<u>8,638,467</u>	<u>10,078,942</u>
Current	1,882,808	1,876,103	2,883,987
Non-Current	6,715,044	6,762,364	7,194,955
	<u>8,597,852</u>	<u>8,638,467</u>	<u>10,078,942</u>

Certain tawarruq and murabaha facilities aggregating to KD 8,597,852 (31 December 2016: KD 8,638,467 and 31 March 2016: KD 10,078,942) are secured against shares of a subsidiary, an associate and investment properties (Note 6).

12 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:

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Balances included in interim condensed consolidated statement of financial position:			
Due from related parties			
- Associates	420,432	405,963	820,436
Due to related parties			
- Associates	323,591	321,892	515,103
- Other related parties	8,100	9,870	139,881
	<u>331,691</u>	<u>331,762</u>	<u>654,984</u>
		<i>Three months ended 31 March</i>	
		<u>2017</u>	<u>2016</u>
		<i>KD</i>	<i>KD</i>
Key management compensation:			
Short term benefits		48,428	66,816
Employees' end of service benefits		4,000	2,846
		<u>52,428</u>	<u>69,662</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

13 COMMITMENTS AND CONTINGENCIES

The Group has capital expenditure commitments amounting to KD 4,929,833 (31 December 2016: KD 1,265,875 and 31 March 2016: KD 1,883,661). At the reporting date, the Group had contingent liabilities in respect of outstanding letters of guarantee of KD 8,122 (31 December 2016: KD 49,622 and 31 March 2016: KD 191,537).

14 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 abroad, 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:

	<i>Real estate activities</i> <i>KD</i>	<i>Hajj & Umrah services</i> <i>KD</i>	<i>Investment activities</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 March 2017				
Segment revenue	834,275	4,948	488,080	1,327,303
Segment expenses	(607,318)	(3,896)	(285,954)	(897,168)
Segment results	226,957	1,052	202,126	430,135
Segment assets	27,610,628	433,046	18,819,691	46,863,365
Segment liabilities	2,542,514	240,221	9,097,119	11,879,854
	<i>Real estate activities</i> <i>KD</i>	<i>Hajj & Umrah services</i> <i>KD</i>	<i>Investment activities</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 March 2016				
Segment revenue	818,213	351,574	112,621	1,282,408
Segment expenses	(554,495)	(378,462)	(339,174)	(1,272,131)
Segment results	263,718	(26,888)	(226,553)	10,277
Segment assets	31,571,963	605,077	22,202,110	54,379,150
Segment liabilities	3,242,332	263,106	10,070,834	13,576,272

During the year ended 31 December 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

15 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 2016.

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:

	<i>Fair value measurement using</i>		<i>Total KD</i>
	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>31 March 2017</i>			
Investment properties	16,696,822	6,489,163	23,185,985
<i>31 December 2016</i>			
Investment properties	16,617,971	6,793,342	23,411,313
<i>31 March 2016</i>			
Investment properties	18,090,892	7,705,881	25,796,773

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

15 FAIR VALUE MEASUREMENT (continued)

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:

	<i>Balance at the beginning of the period/year KD</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD</i>	<i>Balance at the closing of the period/year KD</i>
31 March 2017			
Investment properties	6,793,342	(304,179)	6,489,163
31 December 2016			
Investment properties	8,010,060	(1,216,718)	6,793,342
31 March 2016			
Investment properties	8,010,060	(304,179)	7,705,881

Level 2 hierarchy

The fair value of investment properties under the Level 2 hierarchy were determined using the market comparable approach, conducted by valuers 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 6 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.