

**AWJ Holding Company K.S.C.P.
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2017 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF AWJ HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of AWJ Holding Company K.S.C.P. (“the Parent Company”) and its Subsidiaries (collectively “the Group”) as at 30 June 2017, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six 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.



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF AWJ HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES (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, as amended, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, during the six months period ended 30 June 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

13 August 2017
Kuwait

AWJ Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
Income					
Hajj and Umrah services revenue		-	68,933	-	417,928
Hajj and Umrah services expense		-	(58,075)	-	(364,742)
Net Hajj and Umrah services income		-	10,858	-	53,186
Net real estate income	3	265,916	339,739	534,233	682,892
Investment income		5,968	5,159	13,937	22,972
Share of results of associates		177,034	171,682	662,252	268,932
Foreign exchange gain (loss)		356	(357)	1,853	(16,511)
Other income	4	71,532	12,068	152,697	12,725
Total income		520,806	539,149	1,364,972	1,024,196
Expenses					
Staff costs		(177,610)	(199,599)	(343,680)	(428,945)
Administration expenses		(61,876)	(103,388)	(159,897)	(194,174)
Finance costs		(120,829)	(134,463)	(241,806)	(278,636)
Depreciation		(1,436)	(4,839)	(4,418)	(9,177)
Total expenses		(361,751)	(442,289)	(749,801)	(910,932)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), provision for National Labour Support Tax (NLST) and Zakat		159,055	96,860	615,171	113,264
KFAS		(1,472)	(1,665)	(8,065)	(4,551)
NLST		(3,031)	(2,621)	(15,081)	(2,621)
Zakat		(1,867)	(2,022)	(9,205)	(5,263)
Board of director remuneration		-	(11,000)	-	(11,000)
Profit for the period		152,685	79,552	582,820	89,829
Attributable to:					
Shareholders of the Parent Company		148,150	75,132	570,903	81,396
Non-controlling interests		4,535	4,420	11,917	8,433
		152,685	79,552	582,820	89,829
Basic and diluted earnings per share attributable to shareholders of the Parent Company	5	0.82 fils	0.42 fils	3.18 fils	0.45 fils

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

AWJ Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2017

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	152,685	79,552	582,820	89,829
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	1,188	99	19,658	(1,295)
Other comprehensive income (loss) for the period	1,188	99	19,658	(1,295)
Total comprehensive income for the period	153,873	79,651	602,478	88,534
Attributable to:				
Shareholders of the Parent Company	148,991	75,231	590,214	80,101
Non-controlling interests	4,882	4,420	12,264	8,433
	153,873	79,651	602,478	88,534

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

AWJ Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

		(Audited)	
	Notes	30 June 2017 KD	31 December 2016 KD
		30 June 2016 KD	
Assets			
Non-current assets			
Furniture and equipment		19,328	28,726
Investment properties	6	22,882,245	23,411,313
Investment in associates	7	13,757,638	13,908,060
Available for sale investments		1,763,906	1,815,906
Accounts receivable and other assets	8	513,160	983,124
		<u>38,936,277</u>	<u>40,147,129</u>
			<u>44,696,084</u>
Current assets			
Amounts due from related parties	12	481,685	405,963
Accounts receivable and other assets	8	2,893,215	4,991,341
Investment deposits		325,235	400,000
Cash and bank balances		1,208,543	1,178,852
		<u>4,908,678</u>	<u>6,976,156</u>
			<u>6,830,529</u>
TOTAL ASSETS		<u>43,844,955</u>	<u>47,123,285</u>
			<u>51,526,613</u>
Equity and liabilities			
Equity			
Share capital		17,942,989	17,942,989
Share premium		20,154,456	20,154,456
Statutory reserve		443,293	443,293
Foreign currency translation reserve		(6,545,485)	(6,564,796)
Treasury shares	9	(13,008)	(13,008)
Treasury shares reserve		2,761	2,761
Retained earnings		1,386,237	2,160,660
		<u>33,371,243</u>	<u>34,126,355</u>
Equity attributable to shareholders of the Parent Company		<u>33,371,243</u>	<u>34,126,355</u>
Non-controlling interests		420,478	408,214
		<u>33,791,721</u>	<u>34,534,569</u>
			<u>39,537,203</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits		178,000	172,032
Tawarruq and murabaha facilities	11	5,670,455	6,762,364
		<u>5,848,455</u>	<u>6,934,396</u>
			<u>5,987,147</u>
Current liabilities			
Accounts payable and other liabilities		1,989,480	3,446,455
Amounts due to related parties	12	331,692	331,762
Tawarruq and murabaha facilities	11	1,883,607	1,876,103
		<u>4,204,779</u>	<u>5,654,320</u>
			<u>6,002,263</u>
Total liabilities		<u>10,053,234</u>	<u>12,588,716</u>
			<u>11,989,410</u>
TOTAL EQUITY AND LIABILITIES		<u>43,844,955</u>	<u>47,123,285</u>
			<u>51,526,613</u>



AbdulAziz Zaid Al-Subaiei
Chairman

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

AWJ Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 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	-	-	-	-	-	-	570,903	570,903	11,917	582,820
Other comprehensive income for the period	-	-	-	19,311	-	-	-	19,311	347	19,658
Total comprehensive income for the period	-	-	-	19,311	-	-	570,903	590,214	12,264	602,478
Dividend Distribution (Note 10)	-	-	-	-	-	-	(1,345,326)	(1,345,326)	-	(1,345,326)
Balance as at 30 June 2017	17,942,989	20,154,456	443,293	(6,545,485)	(13,008)	2,761	1,386,237	33,371,243	420,478	33,791,721
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	-	-	-	-	-	-	81,396	81,396	8,433	89,829
Other comprehensive loss for the period	-	-	-	(1,295)	-	-	-	(1,295)	-	(1,295)
Total comprehensive (loss) income for the period	-	-	-	(1,295)	-	-	81,396	80,101	8,433	88,534
Change in effective holding in a subsidiary	-	-	-	-	-	-	-	-	(13)	(13)
Dividend distribution (Note 10)	-	-	-	-	-	-	(1,345,326)	(1,345,326)	-	(1,345,326)
Balance as at 30 June 2016	17,942,989	20,154,456	252,230	(129,636)	(13,008)	2,761	857,467	39,067,259	469,944	39,537,203

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

AWJ Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 June 2017

	Notes	Six months ended	
		30 June	
		2017	2016
		KD	KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, provision for NLST and Zakat		615,171	102,264
Adjustments for:			
Depreciation		4,418	9,177
Investment income		(13,937)	(22,972)
Employees' end of service benefits		27,197	21,670
Amortization of leasehold prepayments		81,613	81,613
Share of results of associates		(662,252)	(268,932)
Foreign exchange (gain) loss		(1,853)	16,511
Finance costs		241,806	278,636
Unrealised loss on revaluation of investment properties	6	608,359	608,359
Gain on sale of investment properties	6	-	(4,976)
		<u>900,522</u>	<u>821,350</u>
Changes in operating assets and liabilities:			
Accounts receivable and other assets		2,486,477	659,573
Amounts due from related parties		(75,722)	(1,348,287)
Accounts payable and other liabilities		(1,487,473)	197,231
Amounts due to related parties		(70)	(575,742)
		<u>1,823,734</u>	<u>(245,875)</u>
Cash flows from (used in) operations		1,823,734	(245,875)
Employees' end of service benefits paid		(21,229)	(69,815)
		<u>1,802,505</u>	<u>(315,690)</u>
INVESTING ACTIVITIES			
Purchase of furniture and equipment		-	(42,341)
Proceeds from disposal of furniture and equipment		4,980	-
Additions in investment properties	6	(2,070)	(585)
Proceeds from sale of an investment property		-	33,151
Net movement in investment deposits		74,765	-
Dividend received from an associate		812,674	1,006,800
Proceeds from disposal of available for sale investment		52,000	-
Change in effective holding of a subsidiary		-	(13)
Investment income received		13,937	22,972
		<u>956,286</u>	<u>1,019,984</u>
FINANCING ACTIVITIES			
Finance costs paid		(241,806)	(1,345,326)
Dividends paid		(1,345,326)	-
Movement in tawarruq and murabaha facilities		(1,084,405)	(1,236,879)
		<u>(2,671,537)</u>	<u>(2,582,205)</u>
Net cash flows used in financing activities		(2,671,537)	(2,582,205)
Net increase (decrease) in cash and bank balances		87,254	(1,877,911)
Foreign currency translation adjustments		(57,563)	-
Cash and bank balances at beginning of the period		1,178,852	3,417,101
Cash and bank balances at end of the period		<u>1,208,543</u>	<u>1,539,190</u>

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

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

1 INCORPORATION AND ACTIVITIES

AWJ 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 six months period ended 30 June 2017 were authorized for issue in accordance with a resolution of the directors of the Parent Company on 13 August 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 registered address of the Parent Company is P.O. Box 23110, Safat 13092, State of Kuwait.

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 30 June 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, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

3 NET REAL ESTATE INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rental income	755,176	814,067	1,506,630	1,626,784
Rental and real estate related expenses	(144,050)	(129,116)	(282,425)	(258,896)
Amortisation of leasehold prepayments	(41,030)	(41,032)	(81,613)	(81,613)
Net rental income	570,096	643,919	1,142,592	1,286,275
Gain on sale of investment properties	-	-	-	4,976
Unrealised loss on revaluation of investment properties (Note 6)	(304,180)	(304,180)	(608,359)	(608,359)
	265,916	339,739	534,233	682,892

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2017

4 OTHER INCOME

Other income includes an amount of KD 145,888 (30 June 2016: KD 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>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period attributable to shareholders of the Parent Company (KD)	148,150	75,132	570,903	81,396
Weighted average number of ordinary shares outstanding during the period (shares)	179,429,890	179,429,890	179,429,890	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	0.82 fils	0.42 fils	3.18 fils	0.45 fils

6 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</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	-	585
Disposals	-	(173,550)	(28,175)
Foreign currency translation adjustment	77,221	(1,617,805)	-
Unrealised loss on the revaluation of investment properties	(608,359)	(926,459)	(608,359)
At the end of the period/year	22,882,245	23,411,313	25,493,178

Investment properties amounting to KD 10,985,070 (31 December 2016: 10,983,000 and 30 June 2016: KD 11,340,000) are pledged as collateral against tawarruq payables (Note 11).

During the six months period ended 30 June 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 30 June 2016: 10.34%). This reassessment resulted in unrealized loss of KD 608,359 recorded in the interim condensed consolidated statement of income.

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

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 30 June 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 30 June 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.

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Trade receivables	190,787	2,652,157	703,448
Prepayments	935,279	908,354	314,423
Other receivables *	2,280,309	2,413,954	3,349,533
	<u>3,406,375</u>	<u>5,974,465</u>	<u>4,367,404</u>
		<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Current	2,893,215	4,991,341	4,367,404
Non- current	513,160	983,124	-
	<u>3,406,375</u>	<u>5,974,465</u>	<u>4,367,404</u>

* Other receivables include an amount of KD 2,230,528 (31 December 2016: KD 2,364,702, 30 June 2016: KD 2,450,000) placed by the Group with a third party for purchase of a property and simultaneously leased it back to the third party. 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 the third party an option to repurchase the property by making early repayment at any time during the tenure of the agreement. During 2015, the third party repurchased the property and agreed to pay KD 2,450,000 over a period of 36 months starting from January 2016 thereby extended the tenor of the principal to be paid. The unwinding impact of discounting the balance to fair value is recognised under other income.

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

9 TREASURY SHARES

	<i>30 June 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 June 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	<u>13,008</u>	<u>13,008</u>	<u>13,008</u>
Market value of treasury shares	<u>4,081</u>	<u>3,445</u>	<u>3,975</u>
Weighted average market value per treasury share (fils)	<u>77</u>	<u>65</u>	<u>75</u>

The balance in the treasury share reserve amounting to KD 2,761 (31 December 2016: KD 2,761, 30 June 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 1,345,326 (2015: KD 1,345,326).

11 TAWARRUQ AND MURABAHA FACILITIES

	<i>30 June 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 June 2016 KD</i>
Gross tawarruq and murabaha facilities	7,884,477	8,786,982	9,223,854
Less: deferred charges	<u>(330,415)</u>	<u>(148,515)</u>	<u>(179,410)</u>
	<u>7,554,062</u>	<u>8,638,467</u>	<u>9,044,444</u>
Current	1,883,607	1,876,103	3,192,997
Non-Current	<u>5,670,455</u>	<u>6,762,364</u>	<u>5,851,447</u>
	<u>7,554,062</u>	<u>8,638,467</u>	<u>9,044,444</u>

Tawarruq and murabaha facilities aggregating to KD 7,554,062 (31 December 2016: KD 8,638,467 and 30 June 2016: KD 10,078,942) are secured against shares of a subsidiary, an associate and investment properties (Note 6).

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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:

	30 June 2017 KD	<i>(Audited)</i> 31 December 2016 KD	30 June 2016 KD
Balances included in interim condensed consolidated statement of financial position:			
Due from related parties			
- Associates	481,685	405,963	683,935
Due to related parties			
- Associates	323,592	321,892	487,952
- Other related parties	8,100	9,870	139,881
	331,692	331,762	627,833
		<i>Three months ended</i>	<i>Six months ended</i>
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Key management compensation:			
Short term benefits	44,910	60,486	93,338
Employees' end of service benefits	3,924	2,847	7,924
	48,834	63,333	101,262
	48,834	63,333	132,995

13 COMMITMENTS AND CONTINGENCIES

The Group has capital expenditure commitments amounting to KD 4,929,833 (31 December 2016: KD 1,265,875 and 30 June 2016: KD 1,591,240). 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 30 June 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.

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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14 SEGMENTAL INFORMATION (Continued)

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 KD</i>	<i>Hajj & Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>
30 June 2017				
Segment revenue	1,664,076	8,022	665,273	2,337,371
Segment expenses	(1,177,551)	(7,932)	(569,068)	(1,754,551)
Segment results	486,525	90	96,205	582,820
Segment assets	27,189,156	179,870	16,475,929	43,844,955
Segment liabilities	1,880,217	61,581	8,111,436	10,053,234
	<i>Real estate activities KD</i>	<i>Hajj and Umrah services KD</i>	<i>Investment activities KD</i>	<i>Total KD</i>
30 June 2016				
Segment revenue	1,644,273	421,746	288,298	2,354,317
Segment expenses	(1,152,905)	(458,355)	(653,228)	(2,264,488)
Segment results	491,368	(36,609)	(364,930)	89,829
Segment assets	29,990,698	517,870	21,018,045	51,526,613
Segment liabilities	2,471,197	169,794	9,348,419	11,989,410

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.

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.

AWJ Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

15 FAIR VALUE MEASUREMENT (Continued)

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 assets:

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>	
30 June 2017			
Investment property	16,697,262	6,184,983	22,882,245
31 December 2016			
Investment property	16,617,971	6,793,342	23,411,313
30 June 2016			
Investment property	18,091,477	7,401,701	25,493,178

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>
30 June 2017			
Investment property	6,793,342	(608,359)	6,184,983
31 December 2016			
Investment property	8,010,060	(1,216,718)	6,793,342
30 June 2016			
Investment property	8,010,060	(608,359)	7,401,701

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15 FAIR VALUE MEASUREMENT (continued)

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 5 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.