

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2017 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mashaer Holding Company K.S.C.P. (Formerly “AWJ Holding Company K.S.C.P.”) (“the Parent Company”) and its Subsidiaries (collectively “the Group”) as at 30 September 2017, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International 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

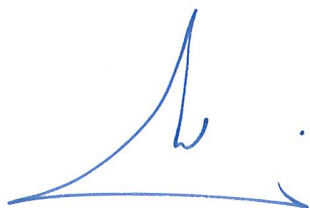
We draw attention to Note 8 to the interim condensed consolidated financial information, which states that Hajar Tower Real Estate Company K.S.C. (Closed) (‘Hajar Tower’), an associate of the Group, has received a tax demand notice amounting to SAR 279 million (equivalent to KD 23 million) from the General 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 MASHAER HOLDING COMPANY K.S.C.P. (FORMERLY “AWJ 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, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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

13 November 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 KD	2016 KD	2017 KD	2016 KD
Income					
Hajj and Umrah services revenue		-	-	-	417,928
Hajj and Umrah services expense		-	(424)	-	(365,166)
Net Hajj and Umrah services income		-	(424)	-	52,762
Net real estate income	3	397,629	344,746	931,862	1,027,638
Investment income		17,604	8,891	31,541	31,863
Share of results of associates		458,043	236,721	1,120,295	505,653
Foreign exchange (loss) gain		(1,200)	51	653	(16,459)
Other income	4	61,956	306,386	214,653	319,110
Total income		934,032	896,371	2,299,004	1,920,567
Expenses					
Staff costs		(289,151)	(191,446)	(632,831)	(620,391)
Administration expenses		(79,235)	(48,930)	(239,132)	(243,104)
Tax claim provision	5	(1,030,769)	-	(1,030,769)	-
Finance costs		(119,736)	(119,506)	(361,542)	(398,142)
Depreciation		(1,389)	(3,125)	(5,807)	(12,302)
Total expenses		(1,520,280)	(363,007)	(2,270,081)	(1,273,939)
(Loss) profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), provision for National Labour Support Tax (NLST) and Zakat		(586,248)	533,364	28,923	646,628
Taxation of overseas subsidiaries		(21,047)	-	(21,047)	-
KFAS		1,133	(4,091)	(6,932)	(8,642)
NLST		14,649	(13,136)	(432)	(15,757)
Zakat		1,049	(4,840)	(8,156)	(10,103)
Board of director remuneration		-	-	-	(11,000)
(Loss)/profit for the period		(590,464)	511,297	(7,644)	601,126
Attributable to:					
Shareholders of the Parent Company		(590,185)	503,402	(19,282)	584,798
Non-controlling interests		(279)	7,895	11,638	16,328
		(590,464)	511,297	(7,644)	601,126
Basic and diluted (loss) earnings per share attributable to shareholders of the Parent	6	(3.28) fils	2.81 fils	(0.10) fils	3.26 fils

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 September 2017

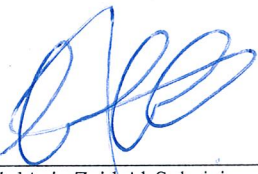
	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
(Loss)/profit for the period	(590,464)	511,297	(7,644)	601,126
Other comprehensive income:				
<i>Other comprehensive income (loss) to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Foreign currency translation adjustments	113,143	(495)	132,801	(1,790)
Other comprehensive income (loss) for the period	113,143	(495)	132,801	(1,790)
Total comprehensive (loss) income for the period	(477,321)	510,802	125,157	599,336
Attributable to:				
Shareholders of the Parent Company	(477,044)	502,907	113,170	583,008
Non-controlling interests	(277)	7,895	11,987	16,328
	(477,321)	510,802	125,157	599,336

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)

As at 30 September 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
Assets				
Non-current assets				
Furniture and equipment		8,840	28,726	59,829
Investment properties	7	22,346,692	23,411,313	25,188,999
Investment in associates	8	14,208,336	13,908,060	17,417,378
Available for sale investments		1,763,906	1,815,906	1,815,906
Accounts receivable and other assets	9	262,220	983,124	1,203,056
		<u>38,589,994</u>	<u>40,147,129</u>	<u>45,685,168</u>
Current assets				
Amounts due from related parties	13	491,139	405,963	688,313
Accounts receivable and other assets	9	3,267,603	4,991,341	2,878,504
Investment deposits		335,365	400,000	240,000
Cash and bank balances		1,130,561	1,178,852	1,288,458
		<u>5,224,668</u>	<u>6,976,156</u>	<u>5,095,275</u>
TOTAL ASSETS		<u><u>43,814,662</u></u>	<u><u>47,123,285</u></u>	<u><u>50,780,443</u></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		(6,432,344)	(6,564,796)	(130,131)
Treasury shares	10	(13,008)	(13,008)	(13,008)
Treasury shares reserve		2,761	2,761	2,761
Retained earnings		796,052	2,160,660	1,360,868
		<u>32,894,199</u>	<u>34,126,355</u>	<u>39,570,165</u>
Equity attributable to shareholders of the Parent Company		<u>32,894,199</u>	<u>34,126,355</u>	<u>39,570,165</u>
Non-controlling interests		420,201	408,214	453,772
		<u>33,314,400</u>	<u>34,534,569</u>	<u>40,023,937</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		296,472	172,032	133,164
Tawarruq and murabaha facilities	12	5,623,414	6,762,364	5,807,253
		<u>5,919,886</u>	<u>6,934,396</u>	<u>5,940,417</u>
Current liabilities				
Accounts payable and other liabilities		2,256,235	3,446,455	1,217,941
Amounts due to related parties	13	332,613	331,762	723,673
Tawarruq and murabaha facilities	12	1,991,528	1,876,103	2,874,475
		<u>4,580,376</u>	<u>5,654,320</u>	<u>4,816,089</u>
Total liabilities		<u>10,500,262</u>	<u>12,588,716</u>	<u>10,756,506</u>
TOTAL EQUITY AND LIABILITIES		<u><u>43,814,662</u></u>	<u><u>47,123,285</u></u>	<u><u>50,780,443</u></u>


AbdulAziz Zaid Al-Subaiei
Chairman

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Mashaer Holding Company K.S.C.P. (Formerly AWJ Holding Company K.S.C.P.) and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 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
(Loss) profit for the period	-	-	-	-	-	-	(19,282)	(19,282)	11,638	(7,644)
Other comprehensive income for the period	-	-	-	132,452	-	-	-	132,452	349	132,801
Total comprehensive income (loss) for the period	-	-	-	132,452	-	-	(19,282)	113,170	11,987	125,157
Dividend Distribution (Note 11)	-	-	-	-	-	-	(1,345,326)	(1,345,326)	-	(1,345,326)
Balance as at 30 September 2017	17,942,989	20,154,456	443,293	(6,432,344)	(13,008)	2,761	796,052	32,894,199	420,201	33,314,400
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 distribution (Note 11)	-	-	-	-	-	-	(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

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2017

	<i>Nine months ended</i>	
	<i>30 September</i>	
Notes	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Profit for the period before taxation of overseas subsidiaries, contribution to KFAS, provision for NLST and Zakat	28,923	646,628
Adjustments for:		
Depreciation	5,807	12,302
Investment income	(31,541)	(31,863)
Employees' end of service benefits	155,190	19,134
Amortization of leasehold prepayments	123,096	123,096
Share of results of associates	(1,120,295)	(505,653)
Foreign exchange (gain) loss	(653)	16,459
Finance costs	361,542	398,142
Unrealised loss on revaluation of investment properties	912,538	912,538
Gain on sale of investment properties	(97,545)	(4,976)
	<u>337,062</u>	<u>1,585,807</u>
Changes in operating assets and liabilities:		
Accounts receivable and other assets	2,321,546	903,934
Amounts due from related parties	(85,176)	192,853
Accounts payable and other liabilities	(1,226,134)	(2,345,289)
Amounts due to related parties	851	(479,902)
	<u>1,348,149</u>	<u>(142,597)</u>
Net cash flows from (used in) operations	1,348,149	(142,597)
Employees' end of service benefits paid	(30,750)	(69,815)
	<u>1,317,399</u>	<u>(212,412)</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(686)	(46,867)
Proceeds from disposal of furniture and equipment	14,765	(585)
Additions in investment properties	(5,982)	33,151
Proceeds from sale of an investment property	333,012	-
Net movement in investment deposits	64,635	-
Dividend received from an associate	933,099	1,154,715
Investment in a subsidiary	-	(24,080)
Proceeds from disposal of available for sale investment	52,000	-
Investment income received	31,541	31,863
	<u>1,422,384</u>	<u>1,148,197</u>
FINANCING ACTIVITIES		
Finance costs paid	(361,542)	-
Dividends paid	(1,345,326)	(1,345,327)
Movement in tawarruq and murabaha facilities	(1,023,525)	(1,719,101)
	<u>(2,730,393)</u>	<u>(3,064,428)</u>
Cash flows used in financing activities	(2,730,393)	(3,064,428)
Net increase (decrease) in cash and bank balances	9,390	(2,128,643)
Foreign currency translation adjustments	(57,681)	-
Cash and bank balances at beginning of the period	1,178,852	3,417,101
	<u>1,130,561</u>	<u>1,288,458</u>
Cash and bank balances at end of the period	1,130,561	1,288,458

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2017

1 INCORPORATION AND ACTIVITIES

Mashaer Holding Company K.S.C.P. (Formerly 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 nine months period ended 30 September 2017 were authorized for issue in accordance with a resolution of the directors of the Parent Company on 13 November 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.

During the period, the name of the Parent Company changed to Mashaer Holding Company with the approval of the shareholders of the Parent Company on 22 August 2017. This was approved by the Ministry of Commerce in its letter dated 11 September 2017.

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 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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	760,870	822,637	2,267,500	2,449,421
Rental and real estate related expenses	(115,123)	(132,229)	(397,548)	(391,125)
Amortisation of leasehold prepayments	(41,484)	(41,483)	(123,097)	(123,096)
Net rental income	604,263	648,925	1,746,855	1,935,200
Gain on sale of investment properties	97,545	-	97,545	4,976
Unrealised loss on revaluation of investment properties (Note 7)	(304,179)	(304,179)	(912,538)	(912,538)
	<u>397,629</u>	<u>344,746</u>	<u>931,862</u>	<u>1,027,638</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2017

4 OTHER INCOME

Other income includes an amount of KD 205,416 (30 September 2016: KD 302,865) that represents the unwinding of the receivable recorded by the Group from a third party (Note 9).

5 TAX CLAIM PROVISION

Tax claim provision represents capital gain tax and related penalties ("Tax claim") amounting to KD 1,030,769 calculated based on the demand notice received by the Parent Company from the Department of Zakat and Income Tax ("DZIT"), Kingdom of Saudi Arabia. In addition, DZIT has also claimed penalties at the rate of 1% for every thirty days delay on the settlement of capital gain tax calculated as of the due date and till the payment date. The tax claim covers the sale transaction of the property partly owned and/or managed by the Parent Company.

The management of Parent Company believes that the tax claim does not reflect the correct application of tax laws in the Kingdom of Saudi Arabia. Further, the management of the Parent Company has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and file an objection letter with Ministry of Finance, Kingdom of Saudi Arabia ("MOF"). Accordingly, the tax consultant has filed an objection letter dated 5 July 2017 with MOF covering the Capital gains tax on the transfer of leasing rights.

Hence, as on the date of these condensed consolidated financial information there is a significant uncertainty as to the outcome of the tax claim. The provision recorded in the condensed consolidated financial information for the period ended 30 September 2017 represents the best estimate of the tax liability that may arise from the tax claim.

6 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share amounts are calculated by dividing the (loss) 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 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
(Loss) profit for the period attributable to shareholders of the Parent Company (KD)	<u>(590,185)</u>	<u>503,402</u>	<u>(19,282)</u>	<u>584,798</u>
Weighted average number of ordinary shares outstanding during the period (shares)	<u>179,429,890</u>	<u>179,429,890</u>	<u>17,942,989</u>	<u>17,942,989</u>
Weighted average number of treasury shares	<u>(53,000)</u>	<u>(53,000)</u>	<u>(53,000)</u>	<u>(53,000)</u>
Weighted average number of shares outstanding (net of treasury shares)	<u>179,376,890</u>	<u>179,376,890</u>	<u>179,376,890</u>	<u>179,376,890</u>
Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company	<u>(3.29) fils</u>	<u>2.81 fils</u>	<u>(0.11) fils</u>	<u>3.26 fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2017

7 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
At the beginning of the period/year	23,411,313	26,129,127	26,129,127
Additions	5,982	-	585
Disposals	(235,467)	(173,550)	-
Foreign currency translation adjustment	77,402	(1,617,805)	(28,175)
Unrealised loss on the revaluation of investment properties	(912,538)	(926,459)	(912,538)
At the end of the period/year	<u>22,346,692</u>	<u>23,411,313</u>	<u>25,188,999</u>

Investment properties amounting to KD 10,985,420 (31 December 2016: 10,983,000 and 30 September 2016: KD 11,340,000) are pledged as collateral against tawarruq payables (Note 12).

During the nine months period ended 30 September 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 falls 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 4 years and discount rate of 10.34 % (31 December 2016: 10.34% and 30 September 2016: 10.34%). This reassessment resulted in unrealized loss of KD 912,538 recorded in the interim condensed consolidated statement of income.

8 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 December 2016 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 September 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.

Mashaer Holding Company K.S.C.P. (Formerly AWJ Holding Company K.S.C.P.)
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9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Trade receivables	435,328	2,652,157	747,069
Prepayments	810,497	908,354	208,218
Other receivables *	2,283,998	2,413,954	3,126,273
	<u>3,529,823</u>	<u>5,974,465</u>	<u>4,081,560</u>

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Current	3,267,603	4,991,341	2,878,504
Non- current	262,220	983,124	1,203,056
	<u>3,529,823</u>	<u>5,974,465</u>	<u>4,081,560</u>

* Other receivables include an amount of KD 2,240,057 (31 December 2016: KD 2,364,702, 30 September 2016: KD 2,279,165) 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.

10 TREASURY SHARES

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>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>4,240</u>	<u>3,445</u>	<u>3,180</u>
Weighted average market value per treasury share (fils)	<u>80</u>	<u>65</u>	<u>60</u>

The balance in the treasury share reserve amounting to KD 2,761 (31 December 2016: KD 2,761, 30 September 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.

11 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 (2016: KD 1,345,327).

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12 TAWARRUQ AND MURABAHA FACILITIES

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Gross tawarruq and murabaha facilities	7,827,188	8,786,982	8,845,364
Less: deferred charges	<u>(212,246)</u>	<u>(148,515)</u>	<u>(163,636)</u>
	<u><u>7,614,942</u></u>	<u><u>8,638,467</u></u>	<u><u>8,681,728</u></u>
Current	1,991,528	1,876,103	2,874,475
Non-Current	<u>5,623,414</u>	<u>6,762,364</u>	<u>5,807,253</u>
	<u><u>7,614,942</u></u>	<u><u>8,638,467</u></u>	<u><u>8,681,728</u></u>

Tawarruq and murabaha facilities aggregating to KD 7,614,942 (31 December 2016: KD 8,638,467 and 30 September 2016: KD 8,681,728) are secured against shares of a subsidiary, an associate and investment properties (Note 7).

13 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>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Balances included in interim condensed consolidated statement of financial position:			
Due from related parties			
- Associates	<u>491,139</u>	<u>405,963</u>	<u>688,313</u>
Due to related parties			
- Associates	324,513	321,892	583,792
- Other related parties	<u>8,100</u>	<u>9,870</u>	<u>139,881</u>
	<u><u>332,613</u></u>	<u><u>331,762</u></u>	<u><u>723,673</u></u>
	<i>Three months ended</i> <i>30 September</i>	<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Key management compensation:			
Short term benefits	51,274	63,869	144,612
Employees' end of service benefits	<u>75,077</u>	<u>2,846</u>	<u>83,001</u>
	<u><u>126,351</u></u>	<u><u>66,715</u></u>	<u><u>199,710</u></u>

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14 COMMITMENTS AND CONTINGENCIES

The Group has capital expenditure commitments amounting to KD 4,697,158 (31 December 2016: KD 1,265,875 and 30 September 2016: KD 1,678,862). 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 September 2016: KD 149,622).

15 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> KD	<i>Hajj & Umrah services</i> KD	<i>Investment activities</i> KD	<i>Total</i> KD
30 September 2017				
Segment revenue	2,594,116	10,141	1,127,929	3,732,186
Segment expenses	(2,238,573)	(10,039)	(1,491,218)	(3,739,830)
Segment results	355,543	102	(363,289)	(7,644)
Segment assets	26,841,896	148,447	16,824,319	43,814,662
Segment liabilities	1,768,927	61,277	8,670,058	10,500,262
	<i>Real estate activities</i> KD	<i>Hajj & Umrah services</i> KD	<i>Investment activities</i> KD	<i>Total</i> 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

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.

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16 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 assets:

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

Investment properties 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 September 2017			
Investment property	16,465,888	5,880,804	22,346,692
31 December 2016			
Investment property	16,617,971	6,793,342	23,411,313
30 September 2016			
Investment property	18,091,477	7,097,522	25,188,999

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16 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>
30 September 2017			
Investment property	6,793,342	(912,538)	5,880,804
31 December 2016			
Investment property	8,010,060	(1,216,718)	6,793,342
30 September 2016			
Investment property	8,010,060	(912,538)	7,097,522

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 4 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.