

**AJIAL REAL ESTATE ENTERTAINMENT
COMPANY K.S.C.P. AND ITS SUBSIDIARY**

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

30 SEPTEMBER 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group"), as at 30 September 2019 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, interim condensed consolidated statement of changes in equity and the 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 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

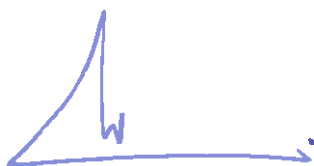
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons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

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of 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 have occurred during the nine months period ended 30 September 2019 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

21 October 2019

Kuwait

A member firm of Ernst & Young Global Limited

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
For the period ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		KD	KD	KD	KD
Rental and services income		426,498	597,612	1,277,510	1,744,422
Property operating expenses		(80,936)	(258,679)	(244,896)	(795,083)
Net rental income		345,562	338,933	1,032,614	949,339
Share of result of associates	6	818,446	602,331	2,593,531	2,294,471
Unrealised gain (loss) on financial assets at fair value through profit or loss		151,478	(143,840)	199,021	(188,661)
Realised (loss) gain on sale of financial assets at fair value through profit or loss		-	(28,737)	36	(128,916)
Dividends income		62,500	62,849	62,500	150,186
Net investment income		1,032,424	492,603	2,855,088	2,127,080
Total operating income		1,377,986	831,536	3,887,702	3,076,419
Administrative expenses		(171,692)	(166,583)	(549,805)	(531,108)
Net operating income		1,206,294	664,953	3,337,897	2,545,311
Other income		34,958	11,394	115,384	43,141
Finance costs		(145,882)	(113,424)	(423,377)	(356,575)
Reversal of claim for legal expenses	17	-	-	-	886,723
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		1,095,370	562,923	3,029,904	3,118,600
Contribution to KFAS		(2,113)	3,412	(2,113)	(2,003)
NLST		(27,629)	(14,514)	(76,981)	(78,930)
Zakat		(3,687)	2,843	(5,143)	(5,128)
PROFIT FOR THE PERIOD		1,061,941	554,664	2,945,667	3,032,539
BASIC AND DILUTED EARNINGS PER SHARE	4	5.76 fils	3.01 fils	15.99 fils	16.46 fils

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	1,061,941	554,664	2,945,667	3,032,539
Other comprehensive income:				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments of an associate	20,600	7,937	17,173	24,933
Other comprehensive income for the period	20,600	7,937	17,173	24,933
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,082,541	562,601	2,962,840	3,057,472

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		30 September 2019	(Audited) 31 December 2018	30 September 2018
	Notes	KD	KD	KD
ASSETS				
Non-current assets				
Furniture and equipment		391,450	24,530	26,542
Investment properties	5	65,059,123	63,462,636	64,695,075
Investment in associates	6	70,460,652	66,885,395	66,681,182
Receivable from sublease		1,181,251	-	-
		<u>137,092,476</u>	<u>130,372,561</u>	<u>131,402,799</u>
Current assets				
Receivable from sublease		703,909	-	-
Account receivables and prepayments		1,919,034	174,661	181,298
Financial assets at fair value through profit or loss		2,584,960	2,417,921	2,277,104
Term deposit	7	330,000	-	-
Bank balances and cash	8	375,645	1,389,149	1,378,445
		<u>5,913,548</u>	<u>3,981,731</u>	<u>3,836,847</u>
TOTAL ASSETS		<u><u>143,006,024</u></u>	<u><u>134,354,292</u></u>	<u><u>135,239,646</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	9	18,522,000	18,522,000	18,522,000
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		1,082,849	1,082,849	826,310
General reserve		899,218	899,218	642,679
Share options reserve		-	-	37,213
Capital surplus		759,234	759,234	759,234
Treasury shares	10	(319,250)	(319,250)	(319,250)
Effect of change in accounting policy of investment properties		46,118,487	46,118,487	46,118,487
Foreign currency translation reserve		(32,553)	(49,726)	(50,487)
Retained earnings		53,249,486	50,094,927	51,181,218
Total equity		<u>125,478,901</u>	<u>122,307,169</u>	<u>122,916,834</u>
Non-current liabilities				
Employees' end of service benefits		214,029	164,685	169,905
Murabaha payables	11	13,100,000	10,000,000	10,000,000
Account payables and accruals		1,659,447	259,963	252,063
		<u>14,973,476</u>	<u>10,424,648</u>	<u>10,421,968</u>
Current liabilities				
Account payables and accruals		2,250,146	1,622,475	1,900,844
Bank overdraft	8	303,501	-	-
		<u>2,553,647</u>	<u>1,622,475</u>	<u>1,900,844</u>
Total liabilities		<u>17,527,123</u>	<u>12,047,123</u>	<u>12,322,812</u>
TOTAL EQUITY AND LIABILITIES		<u><u>143,006,024</u></u>	<u><u>134,354,292</u></u>	<u><u>135,239,646</u></u>

Sheikh\ Ali Al Abdullah Al Khalifah Al Sabah
Chairman

Sheikh\ Hamad Mubarak Jaber Al Ahmad Al Sabah
Vice Chairman

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2019

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Capital surplus KD	Treasury shares KD	Effect of change in accounting policy of investment properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(49,726)	50,094,927	122,307,169
Impact on adoption of IFRS 16 at 1 January 2019 (Note 3)	-	-	-	-	-	-	-	-	208,892	208,892
Restated balance at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(49,726)	50,303,819	122,516,061
Profit for the period	-	-	-	-	-	-	-	-	2,945,667	2,945,667
Other comprehensive income for the period	-	-	-	-	-	-	-	17,173	-	17,173
Total comprehensive income for the period	-	-	-	-	-	-	-	17,173	2,945,667	2,962,840
As at 30 September 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(32,553)	53,249,486	125,478,901

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the period ended 30 September 2019

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Capital surplus KD	Treasury shares KD	Fair value reserve KD	Effect of change in accounting policy of investment properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2018	18,522,000	5,199,430	826,310	642,679	37,213	1,680,298	(319,250)	28,412	46,118,487	(75,420)	48,120,267	120,780,426
Impact on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	(28,412)	-	-	28,412	-
Restated balance at 1 January 2018	18,522,000	5,199,430	826,310	642,679	37,213	1,680,298	(319,250)	-	46,118,487	(75,420)	48,148,679	120,780,426
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,032,539	3,032,539
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	24,933	-	24,933
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	24,933	3,032,539	3,057,472
Dividends paid (Note 9)	-	-	-	-	-	(921,064)	-	-	-	-	-	(921,064)
As at 30 September 2018	18,522,000	5,199,430	826,310	642,679	37,213	759,234	(319,250)	-	46,118,487	(50,487)	51,181,218	122,916,834

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period		2,945,667	3,032,539
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	6	(2,593,531)	(2,294,471)
Unrealised (gain) loss on financial assets at fair value through profit or loss		(199,021)	188,661
Realised (gain) loss on sale of financial assets at fair value through profit or loss		(36)	128,916
Dividends income		(62,500)	(150,186)
Interest income		(79,091)	(10,186)
Depreciation		61,197	28,888
Provision for employees' end of service benefits		51,127	34,143
Finance costs		423,377	356,575
		<u>547,189</u>	<u>1,314,879</u>
Working capital adjustments:			
Accounts receivable and prepayments		120,627	(59,067)
Accounts payable and accruals		(207,166)	(1,855,285)
		<u>460,650</u>	<u>(599,473)</u>
Cash flows used in operating activities			
Employees' end of service benefits paid		(1,783)	(2,000)
		<u>458,867</u>	<u>(601,473)</u>
INVESTING ACTIVITIES			
Advance payment to contractor		(1,865,000)	-
Additions to furniture and equipment		(1,585)	(10,733)
Additions to investment properties	5	(1,453,305)	(319,075)
Additions to investment in associates	6	(2,030,577)	(287,569)
Dividends received from associates	6	1,066,024	710,683
Proceeds from sale of financial assets at fair value through profit or loss		32,017	1,120,992
Purchase of financial assets at fair value through profit or loss		-	(75,000)
Dividend income		62,500	150,186
Net movement in term deposits		(330,000)	1,000,000
Interest income received		79,091	10,186
Lease collection received		507,570	-
		<u>(3,933,265)</u>	<u>2,299,670</u>
FINANCING ACTIVITIES			
Dividends paid		(4,280)	(925,952)
Finance costs paid		(423,377)	(356,575)
Lease payments		(514,950)	-
Murabaha finance facilities available		3,100,000	-
		<u>2,157,393</u>	<u>(1,282,527)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(1,317,005)</u>	<u>415,670</u>
Cash and cash equivalents at the beginning of the period		1,389,149	962,775
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	<u>72,144</u>	<u>1,378,445</u>
Non-cash transactions:			
Utilization of advance payment		143,182	-
Additions to investment properties		(143,182)	-
		<u>-</u>	<u>-</u>

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the Board of Directors on 21 October 2019.

The Parent Company is a Kuwaiti public shareholding company registered and incorporated in Kuwait on 26 October 1996. The Group is engaged in real estate, contracting and entertainment activities and all related real estate trading activities, which includes renting, purchasing and selling lands and buildings. The Parent Company's shares are listed on Boursa. Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the shareholders of the Parent Company at the annual general assembly meeting (AGM) held on 26 March 2019. No dividends were declared by the parent company.

The registered head office of the Parent Company is located at Al Hamra Tower, 26th Floor, Office No. 2, P.O. Box 22448, Safat 13085, Kuwait.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), '*Interim Financial Reporting*'. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of IFRS 16: *Leases* from 1 January 2019 as disclosed in Note 3. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. In addition, results for the Nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 is summarised below:

IFRS 16: Leases ("IFRS 16")

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 16: Leases (continued)

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the interim condensed consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has recorded right-of-use assets representing the right to use the underlying assets under furniture and equipment, receivable from sublease use assets and the corresponding lease liabilities to make lease payments under accounts payable and accruals. As at 1 January 2019, the Group recorded right-of-use assets of KD 426,531, receivable from sublease of KD 2,392,729 and lease liabilities of KD 2,610,368 with an impact on retained earnings of KD 208,892. When measuring lease liabilities, the Group discounted lease payments using its incremental profit rate of 4.5% at 1 January 2019.

Summary of new accounting policies

The accounting policies of the Group upon adoption of IFRS 16, are as follows:

a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease costs for the period ended 30 September 2019 relating to the right-of-use assets amounting to KD 36,342 are included under depreciation expenses.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 16: Leases (continued)

Summary of new accounting policies (continued)

b. Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 September, the Parent Company has no outstanding dilutive potential ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The basic and diluted earnings per share for the three and nine months ended 30 September is as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period	1,061,941	554,664	2,945,667	3,032,539
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	184,212,867	184,212,867	184,212,867	184,212,867
Basic and diluted earnings per share	5.76 fils	3.01 fils	15.99 fils	16.46 fils

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

As at and for the period ended 30 September 2019

5 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
At the beginning of the period / year	63,462,636	64,376,000	64,376,000
Additions	1,596,487	352,787	319,075
Change in fair value of investment properties	-	(1,266,151)	-
At the end of the period / year	<u>65,059,123</u>	<u>63,462,636</u>	<u>64,695,075</u>

Investment properties are categorised as follows:

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Properties under development	38,141,123	36,544,636	37,695,925
Developed properties	26,918,000	26,918,000	26,999,150
As at the end of the period / year	<u>65,059,123</u>	<u>63,462,636</u>	<u>64,695,075</u>

As at 30 September 2019, investment properties with a carrying value of KD 60,041,122 (31 December 2018: KD 58,444,636 and 30 September 2019: KD 59,552,075) is pledged as a security against Murabaha payables of KD 13,100,000 (Note 11) (31 December 2018: pledged as a security against Murabaha payables of KD 10,000,000 and 30 September 2018: pledged as a security against Murabaha payables of KD 10,000,000) and bank overdraft of KD 303,501 (31 December 2018: KD Nil and 30 September 2018: KD Nil).

The fair value of investment properties has been determined based on valuations performed by two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. Both valuers have used the following methods:

- Properties under development has been valued using a combination of the sales comparison approach for the land and cost approach for the construction work.
- Developed properties which generates rental income has been valued using the income capitalisation approach.

Management believes that there is no significant change in the fair value of investment properties since the latest valuation performed as at 31 December 2018.

Fair value hierarchy disclosures for investment properties are provided in Note 13.

6 INVESTMENT IN ASSOCIATES

Movement in the carrying amount of investment in associates during the period/year is as follows:

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
At the beginning of the period / year	66,885,395	64,784,892	64,784,892
Share of results	2,593,531	2,467,629	2,294,471
Additions	2,030,577	317,863	287,569
Dividends received	(1,066,024)	(710,683)	(710,683)
Foreign currency translation adjustments	17,173	25,694	24,933
At the end of the period / year	<u>70,460,652</u>	<u>66,885,395</u>	<u>66,681,182</u>

The share of results of an associate for the period ended 30 September 2019 have been recorded based on the management accounts.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

7 TERM DEPOSIT

Term deposit are denominated in Kuwaiti Dinars and placed with a local financial institution and carry a fixed interest rate of 3.125% (31 December 2018: Nil and 30 September 2018: Nil) per annum.

8 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Bank balances and cash	375,645	1,389,149	1,378,445
Bank overdraft	(303,501)	-	-
Total cash and cash equivalents	72,144	1,389,149	1,378,445

Bank overdraft represent facilities granted by local bank in Kuwaiti Dinars. The effective interest rates is 1.5% (31 December 2018: Nil and 30 September 2018: Nil) per annum over the Central Bank of Kuwait discount rate.

9 SHARE CAPITAL

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Authorized, issued and paid up share capital (185,220,000 shares of 100 fils each, fully paid in cash)	18,522,000	18,522,000	18,522,000

The Annual General Assembly of the shareholders of the Parent Company held on 26 March 2019 approved the consolidated financial statements for the year ended 31 December 2018 and not to distribute a cash dividend (2017: 5 fils) per share of KD Nil for the year ended 31 December 2018 (31 December 2017: KD 921,064) for shareholders registered on that date.

10 TREASURY SHARES

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Number of treasury shares	1,007,133	1,007,133	1,007,133
Percentage of ownership	0.54%	0.54%	0.54%
Market value (KD)	136,970	135,963	145,027
Cost (KD)	319,250	319,250	319,250

The weighted average market price of the Parent Company's shares for the period ended 30 September 2019 was 136 fils per share (31 December 2018: 135 fils per share and 30 September 2018: 144 fils per share).

Reserves equivalent to the cost of treasury shares are not available for distribution throughout the period these shares are held by the Group as per CMA guidelines.

Ajjal Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

11 MURABAHA PAYABLES

Murabaha payables is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries an average profit rate of 4.5% per annum (31 December 2018: profit rate of 4.69% per annum and 30 September 2018: 4.75 %) and secured over investment properties with a carrying value of KD 60,041,122 as at 30 September 2019 (31 December 2018: KD 58,444,636 and 30 September 2018: KD 59,552,075) (Note 5).

12 RELATED PARTY DISCLOSURES

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of profit or loss</i>				
Rent and other expense (included in property operating expenses and administrative expenses) (an associate)	1,272	195,953	3,812	587,855
<i>Interim condensed consolidated statement of financial Position</i>				
Amounts due (to) from related parties		(489)	(562)	60,211

Amounts due from / to related party are interest free and are receivable/payable within one year from the reporting date.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Compensation of key management personnel:</i>				
Salaries and short-term benefits	39,194	37,279	119,741	111,318
Employees' end of service benefits	5,809	4,412	24,621	13,235
	<u>45,003</u>	<u>41,691</u>	<u>144,362</u>	<u>124,553</u>

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

13 FAIR VALUE MEASUREMENT

Investment securities classified as 'Financial assets at fair value through profit or loss' have been stated at fair values. 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 repriced immediately based on market movement in interest rates.

Fair value hierarchy

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

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of the Group's assets recorded at fair value by level of the fair value hierarchy:

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>As at 30 September 2019</i>				
Investment properties	-	38,141,123	26,918,000	65,059,123
Financial assets at fair value through profit or loss	182,500	-	2,402,460	2,584,960
<i>As at 31 December 2018 (Audited)</i>				
Investment properties	-	36,544,636	26,918,000	63,462,636
Financial assets at fair value through profit or loss	-	-	2,417,921	2,417,921
<i>As at 30 September 2018</i>				
Investment properties	-	37,695,925	26,999,150	64,695,075
Financial assets at fair value through profit or loss	-	-	2,277,104	2,277,104

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets:

	<i>At the beginning of the period / year KD</i>	<i>Net gains (losses) KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the period / year KD</i>
<i>As at 30 September 2019</i>				
Financial assets at fair value through profit or loss	2,417,921	364,073	(379,534)	2,402,460
<i>As at 31 December 2018 (Audited)</i>				
Financial assets at fair value through profit or loss	1,450,234	(47,844)	1,015,531	2,417,921
<i>As at 30 September 2018</i>				
Financial assets at fair value through profit or loss	213,025	(188,661)	2,252,740	2,277,104

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)**

As at and for the period ended 30 September 2019

13 FAIR VALUE MEASUREMENT (continued)

Movement in the Level 3 of non-financial instruments is as follows:

	<i>At the beginning of the period / year KD</i>	<i>Net losses KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the period / year KD</i>
<i>As at 30 September 2019</i>				
Investment properties	26,918,000	-	-	26,918,000
<i>As at 31 December 2018 (Audited)</i>				
Investment properties	26,943,000	(81,150)	56,150	26,918,000
<i>As at 30 September 2018</i>				
Investment properties	26,943,000	-	56,150	26,999,150

Description of significant unobservable inputs to valuation of financial assets:

Managed funds:

Managed funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund, the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

Unquoted equity securities:

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Market multiples approach	DLOM *	20%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 9,951.

* Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Description of valuation techniques used and key inputs to valuation of investment properties:

Investment properties

Property under development

Property under development is valued using using a combination of the sales comparison approach for the land and cost approach for the construction work. Sales comparison approach is based on a comparison of active market prices for similar properties and recent arm's length market transactions, adjusted for difference in the nature, location or condition of the specific property. Estimated cost approach is based on a comparison of the cost of constructing a similar property taking into consideration depreciation of the construction costs, adjusted for difference in the nature, location or condition of the specific property.

Developed properties

Developed properties are valued using the income capitalization approach, which is based on capitalization of the discounted annual cash flows from the property, which is calculated by discounting rental income generated annually by the property using the current market discount rate.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

14 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equities and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Segment reporting information is as follows:

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Period ended 30 September 2019				
Segment revenue	<u>1,277,510</u>	<u>2,656,067</u>	<u>115,384</u>	<u>4,048,961</u>
Unrealised gain on financial assets at fair value through profit or loss	-	199,021	-	199,021
Finance costs	-	(345,386)	(77,991)	(423,377)
Other expenses	(244,896)	-	(634,042)	(878,938)
Segment results	<u>1,032,614</u>	<u>2,509,702</u>	<u>(596,649)</u>	<u>2,945,667</u>
At 30 September 2019				
Segment assets	<u>65,059,123</u>	<u>73,045,612</u>	<u>4,901,289</u>	<u>143,006,024</u>
Segment liabilities	<u>3,891,230</u>	<u>10,000,000</u>	<u>3,635,893</u>	<u>17,527,123</u>
	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Year ended 31 December 2018 (Audited)				
Segment revenue	<u>2,334,540</u>	<u>2,488,899</u>	<u>1,373,503</u>	<u>6,196,942</u>
Change in fair value of investment properties	(1,266,151)	-	-	(1,266,151)
Unrealised loss on financial assets at fair value through profit or loss	-	(47,844)	-	(47,844)
Finance costs	-	(472,466)	-	(472,466)
Other expenses, net	(1,083,584)	-	(867,571)	(1,951,155)
Segment results	<u>(15,195)</u>	<u>1,968,589</u>	<u>505,932</u>	<u>2,459,326</u>
At 31 December 2018				
Segment assets	<u>63,462,636</u>	<u>69,303,316</u>	<u>1,588,340</u>	<u>134,354,292</u>
Segment liabilities	<u>424,648</u>	<u>10,000,000</u>	<u>1,622,475</u>	<u>12,047,123</u>

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

14 SEGMENT INFORMATION (continued)

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 30 September 2018</i>				
Segment revenue	1,744,422	2,444,657	929,864	5,118,943
Unrealised loss on financial assets at fair value through profit or loss	-	(188,661)	-	(188,661)
Realised loss on sale of financial assets at fair value through profit or loss	-	(128,916)	-	(128,916)
Finance costs	-	(356,575)	-	(356,575)
Other expenses	(795,083)	-	(617,169)	(1,412,252)
Segment results	949,339	1,770,505	312,695	3,032,539
<i>At 30 September 2018</i>				
Segment assets	64,695,075	68,958,286	1,586,285	135,239,646
Segment liabilities	421,968	10,000,000	1,900,844	12,322,812

15 CONTINGENT LIABILITIES

As at 30 September 2019, the Group has contingent liabilities representing a letter of guarantee amounting to KD 21,399 (31 December 2018: KD 21,399 and 30 September 2018: KD 21,399) issued to the Ministry of Finance in respect of its investment properties, from which it is anticipated that no material liability will arise.

16 CAPITAL COMMITMENTS

The Group has entered into construction contracts with third parties and is consequently committed to future capital expenditure in respect of properties under construction amounting to KD 16,425,191 (31 December 2018: KD 783,747 and 30 September 2018: KD Nil).

17 REVERSAL OF EXCESS PROVISION FOR LEGAL CLAIM

During previous years, the Parent Company recorded a provision for legal claims relating to National Labour Support Tax (NLST) and Zakat claimed by the Ministry of Finance for the fiscal years 2011 and 2012. During the period ended 30 September 2018, the Parent Company signed a final settlement agreement with the Ministry of Finance relating to NLST of 2011, for which a provision of KD 1,696,902 was recorded in the books of the Parent Company. Based on this agreement, the Parent Company paid an amount of KD 810,179 as a final settlement of the claimed amount and reversed an excess provision of 886,723 in the interim condensed consolidated statement of profit or loss for the period then ended.