

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

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

31 MARCH 2020



Ernst & Young
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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 31 March 2020, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of the 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 the 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 three months period ended 31 March 2020 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

12 August 2020
Kuwait

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 31 March 2020

	<i>Notes</i>	<i>Three months ended</i>	
		<i>2020</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
Rental and services income		318,768	435,440
Property operating expenses		(76,000)	(73,835)
Net rental income		242,768	361,605
Share of result from associates	6	837,567	879,547
Unrealised loss on financial assets at fair value through profit or loss		(33,892)	(88,460)
Net investment income		803,675	791,087
Total operating income		1,046,443	1,152,692
Administrative expenses		(208,429)	(197,999)
Net operating income		838,014	954,693
Other income		34,421	37,821
Finance costs		(129,971)	(138,855)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST)		742,464	853,659
NLST		(19,188)	(22,027)
PROFIT FOR THE PERIOD		723,276	831,632
BASIC AND DILUTED EARNINGS PER SHARE	4	3.93 fils	4.51 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 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	723,276	831,632
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	272,025	15,334
Other comprehensive income for the period	272,025	15,334
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	995,301	846,966

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 31 March 2020

	<i>Notes</i>	<i>31 March 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>31 March 2019 KD</i>
ASSETS				
Non-current assets				
Property and equipment		402,872	371,651	430,751
Investment properties	5	67,935,194	66,055,553	63,756,792
Investment in associates	6	70,037,535	70,825,737	66,743,900
Receivable from sublease		835,738	1,000,277	1,537,158
		<u>139,211,339</u>	<u>138,253,218</u>	<u>132,468,601</u>
Current assets				
Receivable from sublease		701,419	711,858	688,278
Account receivables and prepayments		1,648,380	1,807,856	261,067
Financial assets at fair value through profit or loss		1,553,136	1,587,028	2,328,521
Term deposits	7	530,000	330,000	330,000
Bank balances and cash	8	1,683,679	382,713	1,587,404
		<u>6,116,614</u>	<u>4,819,455</u>	<u>5,195,270</u>
TOTAL ASSETS		<u><u>145,327,953</u></u>	<u><u>143,072,673</u></u>	<u><u>137,663,871</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		1,293,969	1,293,969	1,082,849
Voluntary reserve		1,110,338	1,110,338	899,218
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		207,120	(64,905)	(34,392)
Retained earnings		52,606,437	51,883,161	51,135,451
Total equity		<u>125,497,765</u>	<u>124,502,464</u>	<u>123,363,027</u>
Non-current liabilities				
Employees' end of service benefits		251,539	226,498	192,109
Account payables and accruals		1,323,020	1,469,771	2,013,636
Murabaha payables	11	14,700,000	14,200,000	10,000,000
		<u>16,274,559</u>	<u>15,896,269</u>	<u>12,205,745</u>
Current liabilities				
Account payables and accruals		2,886,921	2,671,524	2,095,099
Bank overdraft	8	668,708	2,416	-
		<u>3,555,629</u>	<u>2,673,940</u>	<u>2,095,099</u>
Total liabilities		<u>19,830,188</u>	<u>18,570,209</u>	<u>14,300,844</u>
TOTAL EQUITY AND LIABILITIES		<u><u>145,327,953</u></u>	<u><u>143,072,673</u></u>	<u><u>137,663,871</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 31 March 2020

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary 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 2020	18,522,000	5,199,430	1,293,969	1,110,338	759,234	(319,250)	46,118,487	(64,905)	51,883,161	124,502,464
Profit for the period	-	-	-	-	-	-	-	-	723,276	723,276
Other comprehensive income for the period	-	-	-	-	-	-	-	272,025	-	272,025
Total comprehensive income for the period	-	-	-	-	-	-	-	272,025	723,276	995,301
As at 31 March 2020	18,522,000	5,199,430	1,293,969	1,110,338	759,234	(319,250)	46,118,487	207,120	52,606,437	125,497,765

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) (continued)
For the period ended 31 March 2020

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary 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	-	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	831,632	831,632
Other comprehensive income for the period	-	-	-	-	-	-	-	15,334	-	15,334
Total comprehensive income for the period	-	-	-	-	-	-	-	15,334	831,632	846,966
As at 31 March 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(34,392)	51,135,451	123,363,027

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 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the period		723,276	831,632
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	6	(837,567)	(879,547)
Unrealised gain on financial assets at fair value through profit or loss		33,892	88,460
Interest income		(20,405)	(26,726)
Depreciation		22,413	20,430
Provision for employees' end of service benefits		25,041	27,424
Finance costs		129,971	138,855
		<u>76,621</u>	<u>200,528</u>
Working capital adjustments:			
Accounts receivable and prepayments		159,475	(86,406)
Accounts payable and accruals		20,077	(206,959)
Net cash flows from (used in) operating activities		<u>256,173</u>	<u>(92,837)</u>
INVESTING ACTIVITIES			
Additions to furniture and equipment		-	(120)
Additions to investment properties	5	(1,706,808)	(294,156)
Return of capital (additions) to investment in associates	6	121,087	(29,648)
Dividends received from associates	6	1,776,707	1,066,024
Proceeds from sale of financial assets at fair value through profit or loss		-	940
Net movement in term deposits		(200,000)	(330,000)
Interest income received		20,405	26,726
Lease collection received		174,979	167,294
Net cash flows from investing activities		<u>186,370</u>	<u>607,060</u>
FINANCING ACTIVITIES			
Dividends paid		(209)	(2,929)
Finance costs paid		(129,971)	(138,855)
Lease payments		(177,689)	(174,184)
Net movement in murabaha paybles		500,000	-
Net cash flows from (used) in financing activities		<u>192,131</u>	<u>(315,968)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>634,674</u>	<u>198,255</u>
Cash and cash equivalents at the beginning of the period		380,297	1,389,149
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	<u>1,014,971</u>	<u>1,587,404</u>
Non-cash transactions:			
Retention payable		172,833	-
Additions to investment properties		(172,833)	-
		<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 31 March 2020

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 three months period ended 31 March 2020 was authorised for issue in accordance with a resolution of the Board of Directors on 12 August 2020.

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 2019 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting (AGM) held on 25 June 2020.

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 2019.

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 2019. In addition, results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

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 31 March 2020

**3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
 (continued)**

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

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 31 March, 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 three months period ended 31 March is as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
Profit for the period	723,276	831,632
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	184,212,867	184,212,867
Basic and diluted earnings per share	3.93 fils	4.51 fils

5 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period / year	66,055,553	63,462,636	63,462,636
Additions	1,879,641	2,942,917	294,156
Change in fair value of investment properties	-	(350,000)	-
At the end of the period / year	67,935,194	66,055,553	63,756,792

Investment properties are categorised as follows:

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Properties under development	41,366,194	39,486,553	36,838,792
Developed properties	26,569,000	26,569,000	26,918,000
As at the end of the period / year	67,935,194	66,055,553	63,756,792

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 31 March 2020

5 INVESTMENT PROPERTIES (continued)

As at 31 March 2020, investment properties with a carrying value of KD 63,266,194 (31 December 2019: KD 61,386,553 and 31 March 2019: KD 58,738,792) is pledged as a security against Murabaha payables of KD 14,700,000 (31 December 2019: pledged as a security against Murabaha payables of KD 14,200,000 and 31 March 2019: pledged as a security against Murabaha payables of KD 10,000,000) (Note 11) and bank overdraft of KD 668,708 (31 December 2019: KD 2,416 and 31 March 2019: KD Nil) (Note 8).

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.

For the reasons described in Note 17, Management believes that there is no significant change in the fair value of investment properties since the latest valuation performed as at 31 December 2019.

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>31 March 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>31 March 2019 KD</i>
At the beginning of the period / year	70,825,737	66,885,395	66,885,395
Share of results	837,567	2,990,969	879,547
(Return of capital) additions	(121,087)	2,030,577	29,648
Dividends received	(1,776,707)	(1,066,025)	(1,066,024)
Foreign currency translation adjustments	272,025	(15,179)	15,334
At the end of the period / year	<u>70,037,535</u>	<u>70,825,737</u>	<u>66,743,900</u>

The share of results of an associate for the period ended 31 March 2020 have been recorded based on the management accounts.

7 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with a local financial institution and carry a fixed interest rate of 2.969% (31 December 2019: 3.125 % and 31 March 2019: 3.125%) per annum.

Terms deposits includes term deposit of KD 200,000 pledged against letter of credit issued to favour of one of the Group's contractor.

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>31 March 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>31 March 2019 KD</i>
Bank balances and cash	1,683,679	382,713	1,587,404
Bank overdraft	(668,708)	(2,416)	-
Total cash and cash equivalents	<u>1,014,971</u>	<u>380,297</u>	<u>1,587,404</u>

Bank overdraft represent facilities granted by local bank in Kuwaiti Dinars and carries an effective interest rates of 1.5% (31 December 2019: 1.5% and 31 March 2019: Nil) per annum over the Central Bank of Kuwait discount rate which is secured against certain investment properties (Note 5).

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 31 March 2020

9 SHARE CAPITAL

	31 March 2020 KD	<i>(Audited)</i> 31 December 2019 KD	31 March 2019 KD
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

Subsequent to the reporting date, on 25 June 2020, the Annual Ordinary General Assembly Meeting (“AGM”) of the Parent Company’s shareholders approved to issue bonus shares at 5% from the authorised, issued, and paid up share capital (i.e. 5 shares for each 100 shares) for the year ended 31 December 2019 (2018: Nil%)

On 2 July 2020, the Extra-Ordinary General Assembly (“EGM”) of the Parent Company’s shareholders approved the increase of the Parent Company’s authorised, issued, and paid up share capital by issuing 9,261,000 bonus shares amounting to KD 926,100 to the shareholders registered in the Parent Company’s records.

10 TREASURY SHARES

	31 March 2020 KD	<i>(Audited)</i> 31 December 2019 KD	31 March 2019 KD
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)	131,934	182,291	140,999
Cost (KD)	319,250	319,250	319,250

The weighted average market price of the Parent Company’s shares for the period ended 31 March 2020 was 131 fils per share (31 December 2019: 181 fils per share and 31 March 2019: 140 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.

11 MURABAHA PAYABLES

Murabaha payables is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries an average profit rate of 4.25% per annum (31 December 2019: profit rate of 4.5% per annum and 31 March 2019: 4.5%) and are secured against certain investment properties with a carrying value of KD 63,266,194 as at 31 March 2020 (31 December 2019: KD 61,386,553 and 31 March 2019: KD 58,738,792) (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 31 March</i>	
	2020 KD	2019 KD
Interim condensed consolidated statement of profit or loss		
Rent and other expenses (included in property operating expenses and administrative expenses) (an associate)	1,264	-

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 31 March 2020

12 RELATED PARTY DISCLOSURES (continued)

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
<i>Interim condensed consolidated statement of financial Position</i>			
Amounts due (to) from related parties	(6)	1,037	491
Lease liabilities	1,796,749	1,920,804	-

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>31 March</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
<i>Compensation of key management personnel:</i>		
Salaries and short-term benefits	41,481	38,206
Employees' end of service benefits	12,870	13,065
	<u>54,351</u>	<u>51,271</u>

The Board of Directors of the Parent Company proposed directors' remuneration of KD 50,000 for the year ended 31 December 2019 (2018: KD 40,000). This proposal was subject to the approval of the shareholders at the AGM of the Parent Company.

Subsequent to the reporting date, the Annual General Assembly of the Parent Company's shareholders held on 25 June 2020, approved not to distribute directors' remuneration for the year ended 31 December 2019. Accordingly, the unutilized amounts of KD 50,000 will be reversed to other income in the subsequent period.

13 FAIR VALUE MEASUREMENT

Investment properties and 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.

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13 FAIR VALUE MEASUREMENT (continued)

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 31 March 2020</i>				
Investment properties	-	41,366,194	26,569,000	67,935,194
Financial assets at fair value through profit or loss	-	-	1,553,136	1,553,136
<i>As at 31 December 2019 (Audited)</i>				
Investment properties	-	39,486,553	26,569,000	66,055,553
Financial assets at fair value through profit or loss	-	-	1,587,028	1,587,028
<i>As at 31 March 2019</i>				
Investment properties	-	36,838,792	26,918,000	63,756,792
Financial assets at fair value through profit or loss	187,500	-	2,141,021	2,328,521

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

Movement in the Level 3 of non-financial asset 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 31 March 2020</i>				
Investment properties	26,569,000	-	-	26,569,000
<i>As at 31 December 2019 (Audited)</i>				
Investment properties	26,918,000	(350,000)	1,000	26,569,000
<i>As at 31 March 2019</i>				
Investment properties	26,918,000	-	-	26,918,000

Movement in the Level 3 of 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 31 March 2020</i>				
Financial assets at fair value though profit or loss	1,587,028	(33,892)	-	1,553,136
<i>As at 31 December 2019 (Audited)</i>				
Financial assets at fair value though profit or loss	2,417,921	(444,629)	(386,264)	1,587,028
<i>As at 31 March 2019</i>				
Financial assets at fair value though profit or loss	2,417,921	(88,460)	(188,440)	2,141,021

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13 FAIR VALUE MEASUREMENT (continued)

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	Average market multiples approach	DLOM *	10%-50%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 73,478.

* 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 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. This is calculated by discounting rental income generated annually by the property using the current market discount rate.

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 31 March 2020				
Segment revenue	318,768	837,567	34,421	1,190,756
Unrealised loss on financial assets at fair value through profit or loss	-	(33,892)	-	(33,892)
Finance costs	-	(109,252)	(20,719)	(129,971)
Other expenses	(76,000)	-	(227,617)	(303,617)
Segment results	242,768	694,423	(213,915)	723,276
At 31 March 2020				
Segment assets	67,935,194	71,590,671	5,802,088	145,327,953
Segment liabilities	5,882,251	10,000,000	3,947,937	19,830,188

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14 SEGMENT INFORMATION

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Year ended 31 December 2019 (Audited)</i>				
Segment revenue	1,714,801	2,931,286	147,505	4,793,592
Change in fair value of investment properties	(350,000)	-	-	(350,000)
Unrealised loss on financial assets at fair value through profit or loss	-	(444,629)	-	(444,629)
Finance costs	-	(461,227)	(100,096)	(561,323)
Other expenses, net	(517,509)	-	(918,549)	(1,436,058)
Segment results	847,292	2,025,430	(871,140)	2,001,582
Segment assets	66,055,553	72,412,765	4,604,355	143,072,673
Segment liabilities	4,698,814	10,000,000	3,871,395	18,570,209
	<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 31 March 2019</i>				
Segment revenue	435,440	879,547	37,821	1,352,808
Unrealised loss on financial assets at fair value through profit or loss	-	(88,460)	-	(88,460)
Finance costs	-	(110,959)	(27,896)	(138,855)
Other expenses	(73,835)	-	(220,026)	(293,861)
Segment results	361,605	680,128	(210,101)	831,632
<i>As at 31 March 2019</i>				
Segment assets	63,756,792	71,297,857	2,609,222	137,663,871
Segment liabilities	463,472	10,000,000	3,837,372	14,300,844

15 CONTINGENT LIABILITIES

As at 31 March 2020, the Group has contingent liabilities representing a letter of guarantee amounting to KD 21,399 (31 December 2019: KD 21,399 and 31 March 2019: 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 14,096,109 (31 December 2019: KD 15,471,226 and 31 March 2019: KD 579,617).

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17 **IMPACT OF COVID-19**

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by the State of Kuwait and the Kingdom of Saudi Arabia to contain the virus have affected economic activity and the Group's business in various significant ways. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

Investment properties

The economic impact of COVID-19 has materially impacted the rental and services revenue earned during the period. The relevant authorities ordered the closure of Shopping Malls and other properties, including the Group's properties for a certain period of time. As at the date of the issuance of this interim condensed consolidated financial information, restrictive measures to contain the spread of the COVID-19 have been progressively eased leading to the gradual reopening of the Group's properties. While the near term cash flows and rental and services revenues were immediately impacted by the pandemic due to the short term rent concessions granted on case by case basis, Management is of the believe based on an internal assessment that the fair values determined by the external independent valuers at 31 December 2019 still represents the most reliable valuations for the purpose of preparing the interim condensed financial information for 31 March 2020 in the context of uncertainties associated with the lack of market transactions since the outbreak of the COVID-19, the limitation of availability of reliable market data relating to conditions as at 31 March 2020, the difficulties to estimate future market prospects after the gradual reopening, and the current stability in the rent and occupancy rates. Due to limited available market data, a high degree of judgment has been applied in the internal assessment of the fair value of investment properties. Consequently, a higher level of uncertainty exists in the valuations than would normally be the case.

The Group's exposure to tenant credit risk is influenced mainly by the individual characteristics of each tenant. Tenant credit risk is managed by requiring tenants to pay rent advances leading to substantially minimizing the Group's credit risk in this respect.

Depending on the duration of the COVID-19 crisis and any further restrictive measures by the relevant authorities, the Group may conduct another internal assessment or obtain independent fair value assessment of its investment properties on regular basis.

Financial assets at fair value through profit or loss

The Management has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the management of the Group is closely monitoring whether the fair values of its investment securities represent the price that would be achieved for transactions between market participants in the current scenario.

Investment in associates

As at the reporting date, the Group is not aware of any impairment indicators to the carrying value of its investment in associates based on the current available observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.