

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

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

30 SEPTEMBER 2017

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 2017 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three month and nine month 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

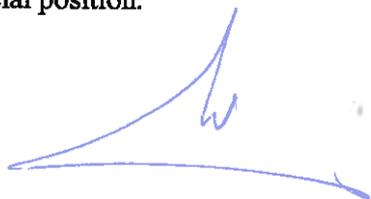
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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 review of 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 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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

23 October 2017
Kuwait

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
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	2016	2017	2016
		KD	KD	KD	KD
Rental and services income		620,603	606,382	1,864,616	1,865,350
Property operating expenses and cost of services		(260,352)	(251,166)	(765,105)	(752,389)
Net rental and services income		360,251	355,216	1,099,511	1,112,961
Share of result of associates	5	597,989	686,042	2,159,123	2,233,942
Gain on sale/redemption of financial assets available for sale	11	2,164,782	-	2,164,782	66,337
Impairment loss on financial assets available for sale		(265,803)	-	(265,803)	(330,000)
Unrealised loss (gain) on financial assets at fair value through profit or loss		(192,688)	37,070	(207,983)	33,829
Realised loss on sale of financial assets at fair value through profit or loss		(942)	-	(942)	(16,792)
Dividend income		74,700	62,500	74,700	73,321
Net investment income		2,378,038	785,612	3,923,877	2,060,637
Total operating income		2,738,289	1,140,828	5,023,388	3,173,598
Administrative expenses		(165,283)	(114,754)	(509,996)	(373,932)
Net operating income		2,573,006	1,026,074	4,513,392	2,799,666
Other income		18,337	15,435	51,295	48,474
Finance costs		(118,425)	(132,945)	(349,110)	(407,525)
Claim for legal case expense	12	(678,761)	-	(678,761)	-
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		1,794,157	908,564	3,536,816	2,440,615
Contribution to KFAS		(9,905)	(1,929)	(10,120)	(1,929)
NLST		(45,062)	(20,443)	(89,129)	(54,914)
Zakat		(11,089)	(1,929)	(11,528)	(1,929)
PROFIT FOR THE PERIOD		1,728,101	884,263	3,426,039	2,381,843
BASIC AND DILUTED EARNINGS PER SHARE	3	9.38 fils	4.80 fils	18.60 fils	12.93 fils

The attached notes 1 to 14 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 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>
Profit for the period	1,728,101	884,263	3,426,039	2,381,843
Other comprehensive loss:				
<i>Item that are (or) may be reclassified subsequently to interim condensed consolidated statement of income in subsequent periods:</i>				
<i>Financial assets available for sale:</i>				
- Net change in fair values	(458,330)	-	(458,330)	(330,000)
- Transferred to interim condensed consolidated statement of income on impairment	265,803	-	265,803	330,000
Foreign currency translation adjustments of an associate	(27,372)	-	(74,426)	-
Other comprehensive loss for the period	(219,899)	-	(266,953)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,508,202	884,263	3,159,086	2,381,843

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2017

	Notes	30 September 2017 KD	(Audited) 31 December 2016 KD	30 September 2016 KD
ASSETS				
Non-current assets				
Furniture and equipment		46,229	67,048	73,595
Investment properties	4	64,779,835	64,514,500	64,683,220
Investment in associates	5	64,293,151	61,918,745	56,491,727
Financial assets available for sale		2,397,096	2,855,426	8,675,327
		<u>131,516,311</u>	<u>129,355,719</u>	<u>129,923,869</u>
Current assets				
Accounts receivable and prepayments		105,593	76,040	82,428
Financial assets at fair value through profit or loss		2,029,674	260,412	276,832
Term deposits	6	1,400,000	1,000,000	1,000,000
Bank balances and cash		327,157	754,747	666,241
		<u>3,862,424</u>	<u>2,091,199</u>	<u>2,025,501</u>
TOTAL ASSETS		<u>135,378,735</u>	<u>131,446,918</u>	<u>131,949,370</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	7	18,522,000	17,640,000	17,640,000
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		513,503	513,503	357,386
General reserve		329,872	329,872	173,755
Share options reserve		37,213	37,213	37,213
Capital surplus		1,680,298	2,562,298	2,562,298
Treasury shares	8	(319,250)	(319,250)	(319,250)
Cumulative changes in fair value reserve		61,586	254,113	254,113
Effect of change in accounting policy of investment properties		46,118,487	46,118,487	46,118,487
Foreign currency translation reserve		(74,426)	-	-
Retained earnings		49,169,663	45,743,624	46,946,318
Total equity		<u>121,238,376</u>	<u>118,079,290</u>	<u>118,969,750</u>
Non-current liabilities				
Employees' end of service benefits		133,014	104,660	87,432
Murabaha payable	9	10,000,000	10,000,000	10,000,000
Accounts payable and accruals		252,609	250,249	247,199
		<u>10,385,623</u>	<u>10,354,909</u>	<u>10,334,631</u>
Current liability				
Accounts payable and accruals		3,754,736	3,012,719	2,644,989
Total liabilities		<u>14,140,359</u>	<u>13,367,628</u>	<u>12,979,620</u>
TOTAL EQUITY AND LIABILITIES		<u>135,378,735</u>	<u>131,446,918</u>	<u>131,949,370</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 14 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 2017

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Capital surplus KD	Treasury shares KD	Cumulative changes in fair value reserve KD	Effect of change in accounting policy of investment property KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2017	17,640,000	5,199,430	513,503	329,872	37,213	2,562,298	(319,250)	254,113	46,118,487	-	45,743,624	118,079,290
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,426,039	3,426,039
Other comprehensive loss for the period	-	-	-	-	-	-	-	(192,527)	-	(74,426)	-	(266,953)
Issuance of bonus share (Note 7)	882,000	-	-	-	-	(882,000)	-	-	-	-	-	-
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(192,527)	-	(74,426)	3,426,039	3,159,086
As at 30 September 2017	18,522,000	5,199,430	513,503	329,872	37,213	1,680,298	(319,250)	61,586	46,118,487	(74,426)	49,169,663	121,238,376
As at 1 January 2016	17,640,000	5,199,430	357,386	173,755	37,213	2,562,298	(319,250)	254,113	46,118,487	-	44,564,475	116,587,907
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,381,843	2,381,843
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	2,381,843	2,381,843
As at 30 September 2016	17,640,000	5,199,430	357,386	173,755	37,213	2,562,298	(319,250)	254,113	46,118,487	-	46,946,318	118,969,750

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 2017

	<i>Nine months ended</i> <i>30 September</i>	
<i>Notes</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
OPERATING ACTIVITIES		
Profit for the period	3,426,039	2,381,843
Adjustments to reconcile profit for the period to net cash flows:		
Share of result of associates	5 (2,159,123)	(2,233,942)
Gain on sale/redemption of financial assets available for sale	11 (2,164,782)	(66,337)
Impairment loss on financial assets available for sale	265,803	330,000
Unrealised loss (gain) on financial assets at fair value through profit or loss	207,983	(33,829)
Realised loss on sale of financial assets at fair value through profit or loss	942	16,792
Dividend income	(74,700)	(73,321)
Interest income	(18,599)	(20,764)
Gain on disposal of furniture and equipment	(1,100)	-
Depreciation	27,264	26,648
Provision for employees' end of service benefits	38,354	13,176
Finance costs	349,110	407,525
	(102,809)	747,791
Working capital adjustments:		
Accounts receivable and prepayments	(29,553)	1,869
Accounts payable and accruals	746,548	(5,997)
	614,186	743,663
Cash flows from operating activities	(10,000)	-
Employees' end of service benefits paid	604,186	743,663
Net cash flows from operating activities	604,186	743,663
INVESTING ACTIVITIES		
Additions to furniture and equipment	(6,445)	(1,262)
Proceeds from disposal of furniture and equipment	1,100	-
Additions to investment properties	4 (265,335)	(101,220)
Purchase of financial assets available for sale	-	(96,672)
Proceeds from sale/redemption of financial assets available for sale	2,869	66,337
Additions to investment in associates	5 (289,709)	-
Financial assets at fair value through profit or loss	183,726	1,406,919
Placement of a term deposit	(400,000)	(1,000,000)
Dividend income received	74,700	73,321
Interest income received	18,599	20,764
Net cash flows (used in) from investing activities	(680,495)	368,187
FINANCING ACTIVITIES		
Dividend paid	(2,171)	(9,767)
Repayment of term loan	-	(7,250,000)
Proceeds from murabaha payable	-	10,000,000
Repayment of tawarruq payable	-	(3,500,000)
Finance costs paid	(349,110)	(407,525)
Net cash flows used in financing activities	(351,281)	(1,167,292)
NET DECREASE IN BANK BALANCES AND CASH	(427,590)	(55,442)
Bank balances and cash at the beginning of the period	754,747	721,683
BANK BALANCES AND CASH AT THE END OF THE PERIOD	327,157	666,241

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

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 period ended 30 September 2017 was authorised for issue in accordance with a resolution of the Board of Directors on 23 October 2017.

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 the Kuwait Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2016 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting held on 31 July 2017.

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 of the Group has been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34").

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 does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. Further, operating results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share for the nine months period ended 30 September is as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period	1,728,101	884,263	3,426,039	2,381,843
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	9.38 fils	4.80 fils	18.60 fils	12.93 fils

Basic and diluted earnings per share of the comparative periods have been restated for the bonus shares approved by the extraordinary general assembly of the shareholders of the Parent Company for the year ended 31 December 2016.

4 INVESTMENT PROPERTIES

	<i>30 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 September 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at the beginning of the period/year	64,514,500	64,582,000	64,582,000
Additions	265,335	108,540	101,220
Change in fair value of investment properties	-	(176,040)	-
As at the end of the period/year	64,779,835	64,514,500	64,683,220

Investment properties are categorized as follows:

	<i>30 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 September 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Properties under development	37,642,235	37,433,500	37,426,220
Developed property	27,137,600	27,081,000	27,257,000
As at the end of the period/year	64,779,835	64,514,500	64,683,220

As at 30 September 2017, an investment property with a carrying value of KD 37,642,235 (31 December 2016: KD 37,433,500 and 30 September 2016: KD 37,426,220) is pledged as a security against Murabaha payable of KD 10,000,000 (Note 9) (31 December 2016: pledged as a security against Murabaha payable of KD 10,000,000 and 30 September 2016: pledged as a security against Murabaha payable of KD 10,000,000).

The fair value of investment properties has been determined on 31 December 2016 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 the sales comparison approach.
- Developed properties which generates rental income has been valued using the income capitalisation approach.

Management believe that there is no significant change in the fair value of investment properties since latest valuation performed as at 31 December 2016.

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

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

As at 30 September 2017

5 INVESTMENT IN ASSOCIATES

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

	30 September 2017 KD	<i>(Audited)</i> 31 December 2016 KD	30 September 2016 KD
At the beginning of the period/year	61,918,745	54,257,785	54,257,785
Share of results	2,159,123	2,027,266	2,233,942
Additions	289,709	-	-
Transferred to investment in associates	-	5,633,694	-
Foreign currency translation adjustments	(74,426)	-	-
At the end of the period/year	<u>64,293,151</u>	<u>61,918,745</u>	<u>56,491,727</u>

6 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with local financial institution and carries a fixed interest ranging between 1.875% to 2.25% (31 December 2016: 1.76% and 30 September 2016: 2.31%) per annum.

7 SHARE CAPITAL

	30 September 2017 KD	<i>(Audited)</i> 31 December 2016 KD	30 September 2016 KD
Authorized, issued and paid up share capital (185,220,000 shares of 100 fils each, fully paid in cash)	<u>18,522,000</u>	<u>17,640,000</u>	<u>17,640,000</u>

On 31 July 2017, the Ordinary Annual General Assembly of the Parent Company's shareholders approved issuance of bonus shares of 5%, totaling 8,820,000 shares for the year ended 31 December 2016.

On 31 July 2017, the Extraordinary General Assembly of the Parent Company's shareholders approved the increase in share capital as a result of the issue of bonus shares.

On 14 August 2017, the Department of Commercial Register of the Ministry of Commerce approved the increase in share capital as a result of the issue of bonus shares.

8 TREASURY SHARES

	30 September 2017 KD	<i>(Audited)</i> 31 December 2016 KD	30 September 2016 KD
Number of treasury shares	<u>1,007,133</u>	<u>959,175</u>	<u>959,175</u>
Percentage of ownership	<u>0.54%</u>	<u>0.54%</u>	<u>0.54%</u>
Market value (KD)	<u>152,077</u>	<u>138,390</u>	<u>132,524</u>
Cost (KD)	<u>319,250</u>	<u>319,250</u>	<u>319,250</u>

The weighted average market price of the Parent Company's shares for the period ended 30 September 2017 was 151 fils per share (31 December 2016: 144 fils per share and 30 September 2016: 142 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

9 MURABAHA PAYABLE

Murabaha payable is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries average profit rate of 4.75% per annum (31 December 2016: profit rate of 4.25% per annum and 30 September 2016: 4.25%), payable on instalments starting from 31 March 2020 and ending on 30 June 2025 and secured by a pledge over an investment property with a carrying value of KD 37,642,235 as at 30 September 2017 (31 December 2016: KD 37,433,500 and 30 September 2016: 37,426,220) (Note 4).

10 RELATED PARTY TRANSACTIONS

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>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>
<i>Interim condensed consolidated statement of income</i>				
Other income (an associate)	-	900	-	900
Rent expense (included in property operating expenses and administrative expenses) (an associate)	196,470	196,503	589,410	600,872
			<i>(Audited)</i>	
		<i>30 September</i> <i>2017</i> <i>KD</i>	<i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
<i>Interim condensed consolidated statement of financial position</i>				
Dividends payable		143,658	145,829	149,426
Amounts due to related parties		30,090	27,912	1,274
			<i>Nine months ended</i> <i>30 September</i>	
			<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
<i>Compensation of key management personnel:</i>				
Salaries and short-term benefits			107,804	33,188
Employees' end of service benefits			13,040	2,438
			<u>120,844</u>	<u>35,626</u>

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

11 GAIN ON SALE OF FINANCIAL ASSETS AVAILABLE FOR SALE

Gain on sale of financial assets available for sale includes gain of KD 2,161,913 relating to an agreement entered by the Parent Company to obtain certain quoted shares with fair value of KD 2,161,913, against unquoted shares that were classified as financial assets available for sale and were fully impaired in previous years. The acquired shares were transferred to the Parent Company during the current period and classified as financial assets at fair value through profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

12 CLAIM FOR LEGAL CASE

During the period ended 30 September 2017, the Group recorded additional legal claim expense of KD 678,761 relating to Zakat claimed by Ministry of Finance, Kuwait for prior years, over which the Parent Company has disputed and submitted an appeal against zakat assessment.

13 FAIR VALUE OF FINANCIAL AND NON FINANCIAL INSTRUMENTS

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets by valuation technique:

- 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
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial instruments

Financial instruments comprise financial assets and financial liabilities

The fair values of financial assets and financial liabilities that are not carried at fair value are not materially different from their carrying amounts except for financial assets available for sale which are carried at cost less impairment amounting to KD 2,397,096 as at 30 September 2017 (31 December 2016: KD 2,855,426 and 30 September 2016: KD 8,675,327)

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</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>As at 30 September 2017</i>				
Investment properties	-	37,642,235	27,137,600	64,779,835
Financial assets at fair value through profit or loss	-	-	2,029,674	2,029,674
<i>As at 31 December 2016 (Audited)</i>				
Investment properties	-	37,433,500	27,081,000	64,514,500
Financial assets at fair value through profit or loss	-	-	260,412	260,412
<i>As at 30 September 2016</i>				
Investment properties	-	64,683,220	-	64,683,220
Financial assets at fair value through profit or loss	75,767	-	201,065	276,832

During the year ended 31 December 2016, the Group transferred its developed properties' fair value from level 2 to level 3 since valuation techniques used certain inputs that are not based on observable market data.

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

As at 30 September 2017

13 FAIR VALUE OF FINANCIAL AND NON FINANCIAL INSTRUMENTS (continued)

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

	<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>
As at 30 September 2017				
Financial assets at fair value though profit or loss	<u>260,412</u>	<u>1,952,988</u>	<u>(183,726)</u>	<u>2,029,674</u>
As at 31 December 2016 (Audited)				
Financial assets at fair value though profit or loss	<u>260,825</u>	<u>17,408</u>	<u>(17,821)</u>	<u>260,412</u>
As at 30 September 2016				
Financial assets available for sale	<u>330,000</u>	<u>(330,000)</u>	<u>-</u>	<u>-</u>
Financial assets at fair value though profit or loss	<u>260,825</u>	<u>33,829</u>	<u>(93,589)</u>	<u>201,065</u>

Description of significant unobservable inputs to valuation of financial assets:

Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

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

	<i>At the beginning of the period / year KD</i>	<i>Transfer to level 3 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>
As at 30 September 2017					
Investment properties	<u>27,081,000</u>	<u>-</u>	<u>-</u>	<u>56,600</u>	<u>27,137,600</u>
As at 31 December 2016					
Investment properties	<u>-</u>	<u>27,257,000</u>	<u>(176,000)</u>	<u>-</u>	<u>27,081,000</u>

14 SEGMENTAL 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.

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

As at 30 September 2017

14 SEGMENTAL INFORMATION (continued)

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 2017				
Segment revenue	<u>1,864,616</u>	<u>4,397,663</u>	<u>51,295</u>	<u>6,313,574</u>
Unrealised loss on financial assets at fair value through profit or loss	-	(207,983)	-	(207,983)
Impairment loss on financial assets available for sale	-	(265,803)	-	(265,803)
Finance costs	-	(349,110)	-	(349,110)
Other expenses	(765,105)	-	(1,299,534)	(2,064,639)
Segment results	<u>1,099,511</u>	<u>3,574,767</u>	<u>(1,248,239)</u>	<u>3,426,039</u>
As at 30 September 2017				
Segment assets	<u>64,779,835</u>	<u>68,719,921</u>	<u>1,878,979</u>	<u>135,378,735</u>
Segment liabilities	<u>385,623</u>	<u>10,000,000</u>	<u>3,754,736</u>	<u>14,140,359</u>
	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
As at 31 December 2016 (Audited)				
Segment assets	<u>64,514,500</u>	<u>65,034,582</u>	<u>1,897,836</u>	<u>131,446,918</u>
Segment liabilities	<u>354,352</u>	<u>10,000,000</u>	<u>3,013,276</u>	<u>13,367,628</u>
	<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 2016				
Segment revenue	<u>1,865,350</u>	<u>2,390,637</u>	<u>48,474</u>	<u>4,304,461</u>
Impairment loss on financial assets available for sale	-	(330,000)	-	(330,000)
Finance costs	-	(407,525)	-	(407,525)
Other expenses	(752,389)	-	(432,704)	(1,185,093)
Segment results	<u>1,112,961</u>	<u>1,653,112</u>	<u>(384,230)</u>	<u>2,381,843</u>
As at 30 September 2016				
Segment assets	<u>64,683,220</u>	<u>65,443,886</u>	<u>1,822,264</u>	<u>131,949,370</u>
Segment liabilities	<u>359,868</u>	<u>10,000,000</u>	<u>2,619,752</u>	<u>12,979,620</u>