

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

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

30 SEPTEMBER 2018



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

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 2018 and the related interim condensed consolidated statement of income, 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 2018 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

29 October 2018
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 2018

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rental and services income		597,612	620,603	1,744,422	1,864,616
Property operating expenses		(258,679)	(260,352)	(795,083)	(765,105)
Net rental income		338,933	360,251	949,339	1,099,511
Share of result of associates	5	602,331	597,989	2,294,471	2,159,123
Gain on sale/redemption of financial assets available for sale	11	-	2,164,782	-	2,164,782
Impairment loss on financial assets available for sale		-	(265,803)	-	(265,803)
Unrealised loss on financial assets at fair value through profit or loss		(143,840)	(192,688)	(188,661)	(207,983)
Realised loss on sale of financial assets at fair value through profit or loss		(28,737)	(942)	(128,916)	(942)
Dividend income		62,849	74,700	150,186	74,700
Net investment income		492,603	2,378,038	2,127,080	3,923,877
Total operating income		831,536	2,738,289	3,076,419	5,023,388
Administrative expenses		(166,583)	(165,283)	(531,108)	(509,996)
Net operating income		664,953	2,573,006	2,545,311	4,513,392
Other income		11,394	18,337	43,141	51,295
Finance costs		(113,424)	(118,425)	(356,575)	(349,110)
Reversal/(charge) of claim for legal expenses	15	-	(678,761)	886,723	(678,761)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		562,923	1,794,157	3,118,600	3,536,816
Contribution to KFAS		3,412	(9,905)	(2,003)	(10,120)
NLST		(14,514)	(45,062)	(78,930)	(89,129)
Zakat		2,843	(11,089)	(5,128)	(11,528)
PROFIT FOR THE PERIOD		554,664	1,728,101	3,032,539	3,426,039
BASIC AND DILUTED EARNINGS PER SHARE	3	3.01 fils	9.38 fils	16.46 fils	18.60 fils

The attached notes 1 to 15 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 2018

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	554,664	1,728,101	3,032,539	3,426,039
Other comprehensive income (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)
- Transferred to interim condensed consolidated statement of income on impairment	-	265,803	-	265,803
Foreign currency translation adjustments of an associate	7,937	(27,372)	24,933	(74,426)
Other comprehensive income (loss) for the period	7,937	(219,899)	24,933	(266,953)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	562,601	1,508,202	3,057,472	3,159,086

The attached notes 1 to 15 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 2018

	Notes	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
ASSETS				
Non-current assets				
Furniture and equipment		26,542	44,697	46,229
Investment properties	4	64,695,075	64,376,000	64,779,835
Investment in associates	5	66,681,182	64,784,892	64,293,151
Financial assets available for sale		-	2,190,439	2,397,096
		<u>131,402,799</u>	<u>131,396,028</u>	<u>131,516,311</u>
Current assets				
Accounts receivable and prepayments		181,298	122,231	105,593
Financial assets at fair value through profit or loss		2,277,104	1,450,234	2,029,674
Term deposits	6	-	1,000,000	1,400,000
Bank balances and cash		1,378,445	962,775	327,157
		<u>3,836,847</u>	<u>3,535,240</u>	<u>3,862,424</u>
TOTAL ASSETS		<u><u>135,239,646</u></u>	<u><u>134,931,268</u></u>	<u><u>135,378,735</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	7	18,522,000	18,522,000	18,522,000
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		826,310	826,310	513,503
General reserve		642,679	642,679	329,872
Share options reserve		37,213	37,213	37,213
Capital surplus		759,234	1,680,298	1,680,298
Treasury shares	8	(319,250)	(319,250)	(319,250)
Cumulative changes in fair value reserve		-	28,412	61,586
Effect of change in accounting policy of investment properties		46,118,487	46,118,487	46,118,487
Foreign currency translation reserve		(50,487)	(75,420)	(74,426)
Retained earnings		51,181,218	48,120,267	49,169,663
Total equity		<u>122,916,834</u>	<u>120,780,426</u>	<u>121,238,376</u>
Non-current liabilities				
Employees' end of service benefits		169,905	137,762	133,014
Murabaha payable	9	10,000,000	10,000,000	10,000,000
Accounts payable and accruals		252,063	245,864	252,609
		<u>10,421,968</u>	<u>10,383,626</u>	<u>10,385,623</u>
Current liability				
Accounts payable and accruals		1,900,844	3,767,216	3,754,736
		<u>1,900,844</u>	<u>3,767,216</u>	<u>3,754,736</u>
Total liabilities		<u>12,322,812</u>	<u>14,150,842</u>	<u>14,140,359</u>
TOTAL EQUITY AND LIABILITIES		<u><u>135,239,646</u></u>	<u><u>134,931,268</u></u>	<u><u>135,378,735</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 15 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 2018

	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 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 (Note 14)	-	-	-	-	-	-	-	(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 (loss) for the period	-	-	-	-	-	-	-	-	-	24,933	-	24,933
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	24,933	3,032,539	3,057,472
Dividends paid (Note 7)	-	-	-	-	-	(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
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

The attached notes 1 to 15 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 2018

	Notes	Nine months ended	
		30 September 2018	
		2018	2017
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		3,032,539	3,426,039
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	5	(2,294,471)	(2,159,123)
Gain on sale/redemption of financial assets available for sale	11	-	(2,164,782)
Impairment loss on financial assets available for sale		-	265,803
Unrealised loss on financial assets at fair value through profit or loss		188,661	207,983
Realised loss on sale of financial assets at fair value through profit or loss		128,916	942
Dividend income		(150,186)	(74,700)
Interest income		(10,186)	(18,599)
Gain on disposal of furniture and equipment		-	(1,100)
Depreciation		28,888	27,264
Provision for employees' end of service benefits		34,143	38,354
Finance costs		356,575	349,110
		<u>1,314,879</u>	<u>(102,809)</u>
Working capital adjustments:			
Accounts receivable and prepayments		(59,067)	(29,553)
Accounts payable and accruals		(1,855,285)	746,548
Cash flows (used in) from operating activities		<u>(599,473)</u>	<u>614,186</u>
Employees' end of service benefits paid		(2,000)	(10,000)
Net cash flows (used in) from operating activities		<u>(601,473)</u>	<u>604,186</u>
INVESTING ACTIVITIES			
Additions to furniture and equipment		(10,733)	(6,445)
Proceeds from disposal of furniture and equipment		-	1,100
Additions to investment properties	4	(319,075)	(265,335)
Proceeds from sale/redemption of financial assets available for sale		-	2,869
Additions to investment in associates	5	(287,569)	(289,709)
Dividend received from associates	5	710,683	-
Proceeds from sale of financial assets at fair value through profit or loss		1,120,992	183,726
Purchase of financial assets at fair value through profit or loss		(75,000)	-
Dividend income		150,186	74,700
Net movement in term deposits		1,000,000	(400,000)
Interest income received		10,186	18,599
Net cash flows from (used in) investing activities		<u>2,299,670</u>	<u>(680,495)</u>
FINANCING ACTIVITIES			
Dividend paid		(925,952)	(2,171)
Finance costs paid		(356,575)	(349,110)
Net cash flows used in financing activities		<u>(1,282,527)</u>	<u>(351,281)</u>
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		<u>415,670</u>	<u>(427,590)</u>
Bank balances and cash at the beginning of the period		962,775	754,747
BANK BALANCES AND CASH AT THE END OF THE PERIOD		<u><u>1,378,445</u></u>	<u><u>327,157</u></u>

The attached notes 1 to 15 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 2018

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 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 29 October 2018.

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 2017 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting held on 12 March 2018.

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 2017 except for the changes described below arising from the adoption of IFRS 9 'Financial Instruments' ("IFRS 9") effective from 1 January 2018. The Group also adopted IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") effective 1 January 2018. However, there is no significant impact of IFRS 15 on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued and not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 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 2017. In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Changes in accounting policies

The Group has adopted IFRS 9 effective from 1 January 2018. IFRS 9 brings together the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group has not restated comparative information for the financial year 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for the year/period ended 31 December 2017/ 30 September 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 September 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 and are disclosed in Note 14.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), Amortised Cost (AC), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

With respect to receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model which is to hold the financial asset to collect the contractual cash flows which meets the SPPI criterion, these instruments shall be classified as at amortised cost under IFRS 9. Therefore, reclassification for these instruments is not required on initial adoption of IFRS 9.

Financial assets at FVTPL comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to these equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings as at 1 January 2018.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of income.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, the measurement of receivables under IFRS 9 doesn't have material impact on interim condensed consolidated statement of income for the Group.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements 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 and for the period ended 30 September 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

(c) Hedge accounting

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing in any derivative instruments.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such investment in associates (arising from the financial instruments held by these entities), tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary.

Adoption of IFRS 15 'Revenue from Contracts with customers'

The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Group has adopted IFRS 15 using cumulative effect method (modified retrospective approach) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018).

As the Group's revenue is mainly arising from the rental income and related services generated from the operating leases, the adoption of this standard did not result in any change in accounting policies of the Group and does not have any material effect on the Group's interim condensed consolidated financial information.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have 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.

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Profit for the period	554,664	1,728,101	3,032,539	3,426,039
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	3.01 fils	9.38 fils	16.46 fils	18.60 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 2018

4 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>30 September</i> <i>2017</i> <i>KD</i>
As at the beginning of the period/year	64,376,000	64,514,500	64,514,500
Additions	319,075	325,076	265,335
Change in fair value of investment properties	-	(463,576)	-
As at the end of the period/year	<u>64,695,075</u>	<u>64,376,000</u>	<u>64,779,835</u>

Investment properties are categorised as follows:

	<i>30 September</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>30 September</i> <i>2017</i> <i>KD</i>
Properties under development	37,695,925	37,433,000	37,642,235
Developed properties	26,999,150	26,943,000	27,137,600
As at the end of the period/year	<u>64,695,075</u>	<u>64,376,000</u>	<u>64,779,835</u>

As at 30 September 2018, investment properties with a carrying value of KD 59,552,075 (31 December 2017: KD 37,433,000 and 30 September 2017: KD 37,642,235) is pledged as a security against Murabaha payable of KD 10,000,000 (Note 9) (31 December 2017: pledged as a security against Murabaha payable of KD 10,000,000 and 30 September 2017: pledged as a security against Murabaha payable of KD 10,000,000).

The fair value of investment properties has been determined on 31 December 2017 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 2017.

Fair value hierarchy disclosures for investment properties are provided in Note 12.

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 2018

5 INVESTMENT IN ASSOCIATES

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

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
At the beginning of the period/year	64,784,892	61,918,745	61,918,745
Share of results	2,294,471	2,525,292	2,159,123
Additions	287,569	416,275	289,709
Dividends	(710,683)	-	-
Foreign currency translation adjustments	24,933	(75,420)	(74,426)
At the end of the period/year	<u>66,681,182</u>	<u>64,784,892</u>	<u>64,293,151</u>

The share of results of an associate for the period ended 30 September 2018 have been recorded based on the management accounts.

6 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with local financial institution and carries a fixed interest rate of Nil (31 December 2017: 2.25% and 30 September 2017: ranging from 1.875% to 2.25%) per annum.

7 SHARE CAPITAL

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
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>18,522,000</u>	<u>18,522,000</u>

On 12 March 2018, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the proposed cash dividend of 5 fils per share (2016: Nil) and bonus shares of Nil (2016: 5%) for the year ended 31 December 2017.

8 TREASURY SHARES

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Number of treasury shares	<u>1,007,133</u>	<u>1,007,133</u>	<u>1,007,133</u>
Percentage of ownership	<u>0.54%</u>	<u>0.54%</u>	<u>0.54%</u>
Market value (KD)	<u>145,027</u>	<u>167,184</u>	<u>152,077</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 2018 was 144 fils per share (31 December 2017: 166 fils per share and 30 September 2017: 151 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 and for the period ended 30 September 2018

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 2017: profit rate of 4.75% per annum and 30 September 2017: 4.75%) and secured by a pledge over investment properties with a carrying value of KD 59,552,075 as at 30 September 2018 (31 December 2017: KD 37,433,000 and 30 September 2017: KD 37,642,235) (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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of income</i>				
Rent expense (included in property operating expenses and administrative expenses) (an associate)	195,953	196,470	587,855	589,410
		<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
		<i>2018</i>	<i>31 December</i>	<i>2017</i>
		<i>KD</i>	<i>2017</i>	<i>2017</i>
			<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position</i>				
Amount due from related party		60,211	726	-
Amount due to related parties		-	-	33,130
			<i>Nine months ended</i>	
			<i>30 September</i>	
			<i>2018</i>	<i>2017</i>
			<i>KD</i>	<i>KD</i>
<i>Compensation of key management personnel:</i>				
Salaries and short-term benefits			111,318	107,804
Employees' end of service benefits			13,235	13,040
			<u>124,553</u>	<u>120,844</u>

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

11 GAIN ON SALE OF FINANCIAL ASSETS AVAILABLE FOR SALE

During the prior period ended 30 September 2017, 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 prior period and classified as financial assets at fair value through profit or loss.

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 2018

12 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

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

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.

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 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
<i>As at 31 December 2017 (Audited)</i>				
Investment properties	-	37,433,000	26,943,000	64,376,000
Financial assets at fair value through profit or loss	1,237,209	-	213,025	1,450,234
<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

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 losses (gain) 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 2018</i>				
Financial assets at fair value through profit or loss	213,025	(188,661)	2,252,740	2,277,104
<i>As at 31 December 2017 (Audited)</i>				
Financial assets at fair value through profit or loss	260,412	(47,387)	-	213,025
<i>As at 30 September 2017</i>				
Financial assets at fair value through profit or loss	260,412	1,952,988	(183,726)	2,029,674

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 2018

12 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:

Managed funds

Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund.

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 2018					
Investment properties	26,943,000	-	-	56,150	26,999,150
As at 31 December 2017					
Investment properties	27,081,000	-	(226,600)	88,600	26,943,000
As at 30 September 2017					
Investment properties	27,081,000	-	-	56,600	27,137,600

13 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.

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 2018				
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
As at 30 September 2018				
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

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 2018

13 SEGMENTAL 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>As at 31 December 2017 (Audited)</i>				
Segment assets	64,376,000	68,425,565	2,129,703	134,931,268
Segment liabilities	383,626	10,000,000	3,767,216	14,150,842
	<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 2017</i>				
Segment revenue	1,864,616	4,397,663	51,295	6,313,574
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	1,099,511	3,574,767	(1,248,239)	3,426,039
	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>As at 30 September 2017</i>				
Segment assets	64,779,835	68,719,921	1,878,979	135,378,735
Segment liabilities	385,623	10,000,000	3,754,736	14,140,359

Certain prior year/period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity as at 31 December 2017 and profit for the year then ended. Such reclassification have been made to improve the quality of information presented.

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 2018

14 IFRS 9 TRANSITION DISCLOSURES

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

2018	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS KD	Remeasurement ECL KD	New carrying amount under IFRS 9 KD
Financial assets					
Unquoted equity investments	AFS	FVTPL	2,190,439	-	2,190,439
Managed funds and portfolios	FVTPL	FVTPL	1,450,234	-	1,450,234
Accounts receivable	Loans and receivables	Amortised cost	122,231	-	122,231
Bank balances and cash	Loans and receivables	Amortised cost	962,775	-	962,775
Term deposits	Loans and receivables	Amortised cost	1,000,000	-	1,000,000
Financial liabilities					
Murabaha payable	Amortised cost	Amortised cost	10,000,000	-	10,000,000
Accounts payable and accruals	Amortised cost	Amortised cost	4,013,080	-	4,013,080

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	Cumulative change in fair values KD	Retained earnings KD
Closing balance under IAS 39 as at 31 December 2017 (as originally stated)	28,412	48,120,267
Impact on reclassification and remeasurement: Equity securities from AFS to FVTPL	(28,412)	28,412
Opening balance under IFRS 9 (1 January 2018) – restated	-	48,148,679

15 REVERSAL OF CLAIM FOR LEGAL EXPENSES

During previous years, the Parent Company recorded expenses for legal claims relating to National Labour Service Tax (NLST) and Zakat claimed by Ministry of Finance for the 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 final settlement of the claimed amount and reversed excess amount of 886,723 to the interim condensed consolidated statement of income for the period ended 30 September 2018.