

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

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

31 MARCH 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ajial Real Estate Entertainment Company K.S.C.P. (the “Parent Company”) and its subsidiary (collectively, the “Group”), as at 31 March 2019 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the 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 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

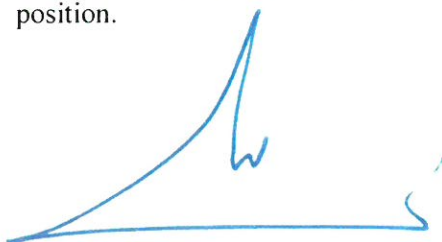
We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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 three months period ended 31 March 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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

1 May 2019
Kuwait

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

For the period ended 31 March 2019

	<i>Notes</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		2019	2018
		KD	KD
Rental and services income		435,440	600,133
Property operating expenses		(73,835)	(268,914)
Net rental income		361,605	331,219
Share of result of associates	6	879,547	1,057,848
Unrealised loss on financial assets at fair value through profit or loss		(88,460)	(101,965)
Realised gain on sale of financial assets at fair value through profit or loss		-	5,278
Dividend income		-	62,337
Net investment income		791,087	1,023,498
Total operating income		1,152,692	1,354,717
Administrative expenses		(197,999)	(192,284)
Net operating income		954,693	1,162,433
Other income		37,821	17,988
Finance costs		(138,855)	(117,123)
PROFIT FOR THE PERIOD BEFORE NATIONAL LABOUR SUPPORT TAX (NLST)		853,659	1,063,298
NLST		(22,027)	(26,887)
PROFIT FOR THE PERIOD		831,632	1,036,411
BASIC AND DILUTED EARNINGS PER SHARE	4	4.51 fils	5.63 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 31 March 2019


	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	831,632	1,036,411
Other comprehensive income (loss):		
<i>Items that are (or) may be reclassified subsequently to interim condensed consolidated statement of income in subsequent periods:</i>		
Foreign currency translation adjustments of an associate	15,334	(49,221)
Other comprehensive income (loss) for the period	15,334	(49,221)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	846,966	987,190

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 31 March 2019

	Notes	31 March 2019 KD	(Audited) 31 December 2018 KD	31 March 2018 KD
ASSETS				
Non-current assets				
Furniture and equipment		430,751	24,530	42,642
Investment properties	5	63,756,792	63,462,636	64,433,638
Investment in associates	6	66,743,900	66,885,395	65,199,075
Receivable from sublease		1,537,158	-	-
		<u>132,468,601</u>	<u>130,372,561</u>	<u>129,675,355</u>
Current assets				
Receivable from sublease		688,278	-	-
Accounts receivable and prepayments		261,067	174,661	235,428
Financial assets at fair value through profit or loss		2,328,521	2,417,921	3,378,494
Term deposits	7	330,000	-	1,000,000
Bank balances and cash		1,587,404	1,389,149	1,740,727
		<u>5,195,270</u>	<u>3,981,731</u>	<u>6,354,649</u>
TOTAL ASSETS		<u><u>137,663,871</u></u>	<u><u>134,354,292</u></u>	<u><u>136,030,004</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	8	18,522,000	18,522,000	18,522,000
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		1,082,849	1,082,849	826,310
General reserve		899,218	899,218	642,679
Share options reserve		-	-	37,213
Capital surplus		759,234	759,234	759,234
Treasury shares	9	(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		(34,392)	(49,726)	(124,641)
Retained earnings		51,135,451	50,094,927	49,185,090
Total equity		<u>123,363,027</u>	<u>122,307,169</u>	<u>120,846,552</u>
Non-current liabilities				
Employees' end of service benefits		192,109	164,685	149,957
Murabaha payable	10	10,000,000	10,000,000	10,000,000
Accounts payable and accruals		2,013,636	259,963	246,873
		<u>12,205,745</u>	<u>10,424,648</u>	<u>10,396,830</u>
Current liability				
Accounts payable and accruals		2,095,099	1,622,475	4,786,622
		<u>2,095,099</u>	<u>1,622,475</u>	<u>4,786,622</u>
Total liabilities		<u>14,300,844</u>	<u>12,047,123</u>	<u>15,183,452</u>
TOTAL EQUITY AND LIABILITIES		<u><u>137,663,871</u></u>	<u><u>134,354,292</u></u>	<u><u>136,030,004</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 13 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 2019

	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 properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	-	759,234	(319,250)	-	46,118,487	(49,726)	50,094,927	122,307,169
Impact on adoption of IFRS 16 at 1 January 2019 (Note 3)	-	-	-	-	-	-	-	-	-	-	208,892	208,892
Restated balance at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	-	759,234	(319,250)	-	46,118,487	(49,726)	50,303,819	122,516,061
Profit for the period	-	-	-	-	-	-	-	-	-	-	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
As at 1 January 2018	18,522,000	5,199,430	826,310	642,679	37,213	1,680,298	(319,250)	28,412	46,118,487	(75,420)	48,120,267	120,780,426
Impact on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	(28,412)	-	-	28,412	-
Restated balance at 1 January 2018	18,522,000	5,199,430	826,310	642,679	37,213	1,680,298	(319,250)	-	46,118,487	(75,420)	48,148,679	120,780,426
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,036,411	1,036,411
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(49,221)	-	(49,221)
Total comprehensive (loss) income for the period	-	-	-	-	-	(921,064)	-	-	-	(49,221)	1,036,411	987,190
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(921,064)
As at 31 March 2018	18,522,000	5,199,430	826,310	642,679	37,213	759,234	(319,250)	-	46,118,487	(124,641)	49,185,090	120,846,552

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

Ajjal 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 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period		831,632	1,036,411
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	6	(879,547)	(1,057,848)
Unrealised loss on financial assets at fair value through profit or loss		88,460	101,965
Realised gain on sale of financial assets at fair value through profit or loss		-	(5,278)
Dividend income		-	(62,337)
Interest income		(26,726)	(6,280)
Depreciation		20,430	9,201
Provision for employees' end of service benefits		27,424	12,195
Finance costs		138,855	117,123
		<u>200,528</u>	<u>145,152</u>
Working capital adjustments:			
Accounts receivable and prepayments		(86,406)	(50,860)
Accounts payable and accruals		(206,959)	99,648
Net cash flows (used in) from operating activities		<u>(92,837)</u>	<u>193,940</u>
INVESTING ACTIVITIES			
Additions to furniture and equipment		(120)	(7,146)
Additions to investment properties	5	(294,156)	(57,638)
Proceeds from sale of financial assets available for sale		-	165,492
Additions to investment in associates	6	(29,648)	(116,238)
Dividend received from associates	6	1,066,024	710,682
Proceeds from sale of financial assets at fair value through profit or loss		940	-
Net movement in term deposits		(330,000)	-
Interest income received		26,726	6,280
Lease collection received		167,294	-
Net cash flows from investing activities		<u>607,060</u>	<u>701,432</u>
FINANCING ACTIVITIES			
Dividend paid		(2,929)	(297)
Finance costs paid		(138,855)	(117,123)
Lease payments		(174,184)	-
Net cash flows used in financing activities		<u>(315,968)</u>	<u>(117,420)</u>
NET INCREASE IN BANK BALANCES AND CASH		<u>198,255</u>	<u>777,952</u>
Bank balances and cash at the beginning of the period		1,389,149	962,775
BANK BALANCES AND CASH AT THE END OF THE PERIOD		<u>1,587,404</u>	<u>1,740,727</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 31 March 2019

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the three months period ended 31 March 2019 was authorised for issue in accordance with a resolution of the Board of Directors on 1 May 2019.

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

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting held on 26 March 2019.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

IFRS 16: Leases ("IFRS 16")

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

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

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 2019

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

IFRS 16: Leases (continued)

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

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

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

Summary of new accounting policies

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

a. Right of use assets

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

Lease costs for the period ended 31 March 2019 relating to the right-of-use assets amounting to KD 18,171 are included under depreciation expenses.

b. Lease liabilities

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

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

As at and for the period ended 31 March 2019

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

IFRS 16: Leases (continued)

Summary of new accounting policies (continued)

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

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

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

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

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 March, the Parent Company has no outstanding dilutive potential ordinary shares.

The basic and diluted earnings per share for the three months period ended 31 March is as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2019</u>	<u>2018</u>
Profit for the period (KD)	<u>831,632</u>	<u>1,036,411</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>184,212,867</u>	<u>184,212,867</u>
Basic and diluted earnings per share	<u>4.51 fils</u>	<u>5.63 fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

5 INVESTMENT PROPERTIES

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
As at the beginning of the period/year	63,462,636	64,376,000	64,376,000
Additions	294,156	352,787	57,638
Change in fair value of investment properties	-	(1,266,151)	-
As at the end of the period/year	<u>63,756,792</u>	<u>63,462,636</u>	<u>64,433,638</u>

Investment properties are categorised as follows:

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
Properties under development	36,838,792	36,544,636	37,440,888
Developed properties	26,918,000	26,918,000	26,992,750
As at the end of the period/year	<u>63,756,792</u>	<u>63,462,636</u>	<u>64,433,638</u>

As at 31 March 2019, investment properties with a carrying value of KD 58,738,792 (31 December 2018: KD 58,444,636 and 31 March 2018: KD 37,440,888) is pledged as a security against Murabaha payable of KD 10,000,000 (Note 10) (31 December 2018: pledged as a security against Murabaha payable of KD 10,000,000 and 31 March 2018: pledged as a security against Murabaha payable of KD 10,000,000).

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

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

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

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 31 March 2019

6 INVESTMENT IN ASSOCIATES

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

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
At the beginning of the period/year	66,885,395	64,784,892	64,784,892
Share of results	879,547	2,467,629	1,057,848
Additions	29,648	317,863	116,238
Dividends	(1,066,024)	(710,683)	(710,682)
Foreign currency translation adjustments	15,334	25,694	(49,221)
At the end of the period/year	<u>66,743,900</u>	<u>66,885,395</u>	<u>65,199,075</u>

The share of results of an associate for the period ended 31 March 2019 have been recorded based on the management accounts.

7 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with local financial institution and carries a fixed interest rate of 3.125% (31 December 2018: Nil and 31 March 2018: 2.25%) per annum.

8 SHARE CAPITAL

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>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>

9 TREASURY SHARES

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>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>140,999</u>	<u>135,963</u>	<u>148,049</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 31 March 2019 was 140 fils per share (31 December 2018: 135 fils per share and 31 March 2018: 147 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.

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As at and for the period ended 31 March 2019

10 MURABAHA PAYABLE

Murabaha payable is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries average profit rate of 4.5% per annum (31 December 2018: profit rate of 4.69% per annum and 31 March 2018: 4.75%) and secured by a pledge over investment properties with a carrying value of KD 58,738,792 as at 31 March 2019 (31 December 2018: KD 58,444,636 and 31 March 2018: KD 37,440,888) (Note 5).

11 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 31 March</i>		
	<i>2019</i>	<i>2018</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)	-	195,951	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial Position</i>			
Amount due to related parties	491	562	464

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

	<i>Three months ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
<i>Compensation of key management personnel:</i>		
Salaries and short-term benefits	38,206	36,759
Employees' end of service benefits	13,065	4,412
	<u>51,271</u>	<u>41,171</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

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</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 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
<i>As at 31 December 2018 (Audited)</i>				
Investment properties	-	36,544,636	26,918,000	63,462,636
Financial assets at fair value through profit or loss	-	-	2,417,921	2,417,921
<i>As at 31 March 2018</i>				
Investment properties	-	37,440,888	26,992,750	64,433,638
Financial assets at fair value through profit or loss	999,295	-	2,379,199	3,378,494

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</i> <i>KD</i>	<i>Net losses</i> <i>KD</i>	<i>Net purchases, transfers, sales and settlements</i> <i>KD</i>	<i>At the end of the period/year</i> <i>KD</i>
<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
<i>As at 31 December 2018 (Audited)</i>				
Financial assets at fair value though profit or loss	1,450,234	(47,844)	1,015,531	2,417,921
<i>As at 31 March 2018</i>				
Financial assets at fair value though profit or loss	213,025	(20,941)	2,187,115	2,379,199

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 2019

12 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (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.

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

	<i>At the beginning of the period / year KD</i>	<i>Net losses KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the period / year KD</i>
<i>As at 31 March 2019</i>				
Investment properties	26,918,000	-	-	26,918,000
<i>As at 31 December 2018 (Audited)</i>				
Investment properties	26,943,000	(81,150)	56,150	26,918,000
<i>As at 31 March 2018</i>				
Investment properties	26,943,000	-	49,750	26,992,750

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>
<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

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 2019

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>31 December 2018 (Audited)</i>				
Segment revenue	2,334,540	2,488,899	1,373,503	6,196,942
Change in fair value of investment properties	(1,266,151)	-	-	(1,266,151)
Unrealised loss on financial assets at fair value through profit or loss	-	(47,844)	-	(47,844)
Finance costs	-	(472,466)	-	(472,466)
Other expenses, net	(1,083,584)	-	(867,571)	(1,951,155)
Segment results	<u>(15,195)</u>	<u>1,968,589</u>	<u>505,932</u>	<u>2,459,326</u>
Segment assets	<u>63,462,636</u>	<u>69,303,316</u>	<u>1,588,340</u>	<u>134,354,292</u>
Segment liabilities	<u>424,648</u>	<u>10,000,000</u>	<u>1,622,475</u>	<u>12,047,123</u>
	<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 2018</i>				
Segment revenue	<u>600,133</u>	<u>1,125,463</u>	<u>17,988</u>	<u>1,743,584</u>
Unrealised loss on financial assets at fair value through profit or loss	-	(101,965)	-	(101,965)
Finance costs	-	(117,123)	-	(117,123)
Other expenses	(268,914)	-	(219,171)	(488,085)
Segment results	<u>331,219</u>	<u>906,375</u>	<u>(201,183)</u>	<u>1,036,411</u>
<i>As at 31 March 2018</i>				
Segment assets	<u>64,433,638</u>	<u>68,577,569</u>	<u>3,018,797</u>	<u>136,030,004</u>
Segment liabilities	<u>396,830</u>	<u>10,000,000</u>	<u>4,786,622</u>	<u>15,183,452</u>

14 CONTINGENT LIABILITIES

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

15 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 579,617.