

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

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

**30 JUNE 2019**

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group"), as at 30 June 2019 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six 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 six months period ended 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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

15 July 2019  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 30 June 2019

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rental and services income		<b>415,572</b>	546,677	<b>851,012</b>	1,146,810
Property operating expenses		<b>(90,125)</b>	(267,490)	<b>(163,960)</b>	(536,404)
<b>Net rental income</b>		<b>325,447</b>	279,187	<b>687,052</b>	610,406
Share of result of associates	6	<b>895,538</b>	634,292	<b>1,775,085</b>	1,692,140
Unrealised gain (loss) on financial assets at fair value through profit or loss		<b>136,003</b>	57,144	<b>47,543</b>	(44,821)
Realised gain (loss) on sale of financial assets at fair value through profit or loss		<b>36</b>	(105,457)	<b>36</b>	(100,179)
Dividend income		-	25,000	-	87,337
<b>Net investment income</b>		<b>1,031,577</b>	610,979	<b>1,822,664</b>	1,634,477
<b>Total operating income</b>		<b>1,357,024</b>	890,166	<b>2,509,716</b>	2,244,883
Administrative expenses		<b>(180,114)</b>	(172,241)	<b>(378,113)</b>	(364,525)
<b>Net operating income</b>		<b>1,176,910</b>	717,925	<b>2,131,603</b>	1,880,358
Other income		<b>42,605</b>	13,759	<b>80,426</b>	31,747
Finance costs		<b>(138,640)</b>	(126,028)	<b>(277,495)</b>	(243,151)
Reversal of excess provision for legal claims	16	-	886,723	-	886,723
<b>PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>1,080,875</b>	1,492,379	<b>1,934,534</b>	2,555,677
Contribution to KFAS		-	(5,415)	-	(5,415)
NLST		<b>(27,325)</b>	(37,529)	<b>(49,352)</b>	(64,416)
Zakat		<b>(1,456)</b>	(7,971)	<b>(1,456)</b>	(7,971)
<b>PROFIT FOR THE PERIOD</b>		<b>1,052,094</b>	1,441,464	<b>1,883,726</b>	2,477,875
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	4	<b>5.71 fils</b>	7.82 fils	<b>10.23 fils</b>	13.45 fils

The attached notes 1 to 16 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 June 2019

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<b>2019</b> <b>KD</b>	<b>2018</b> <b>KD</b>	<b>2019</b> <b>KD</b>	<b>2018</b> <b>KD</b>
<b>Profit for the period</b>	<b>1,052,094</b>	1,441,464	<b>1,883,726</b>	2,477,875
<b>Other comprehensive (loss) income</b>				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments of an associate	<b>(18,761)</b>	66,107	<b>(3,427)</b>	16,996
<b>Other comprehensive (loss) income for the period</b>	<b>(18,761)</b>	66,107	<b>(3,427)</b>	16,996
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,033,333</b>	1,507,571	<b>1,880,299</b>	2,494,871

The attached notes 1 to 16 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 FINANCIAL  
POSITION (UNAUDITED)**

As at 30 June 2019

	Notes	30 June 2019 KD	(Audited) 31 December 2018 KD	30 June 2018 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Furniture and equipment		410,294	24,530	32,788
Investment properties	5	64,022,373	63,462,636	64,561,337
Investment in associates	6	69,621,606	66,885,395	66,040,734
Receivable from sublease		1,360,203	-	-
		<u>135,414,476</u>	<u>130,372,561</u>	<u>130,634,859</u>
<b>Current assets</b>				
Receivable from sublease		696,050	-	-
Account receivables and prepayments		2,073,364	174,661	141,329
Financial assets at fair value through profit or loss		2,433,483	2,417,921	2,682,677
Term deposit	7	330,000	-	-
Bank balances and cash		958,563	1,389,149	1,141,224
		<u>6,491,460</u>	<u>3,981,731</u>	<u>3,965,230</u>
<b>TOTAL ASSETS</b>		<u><u>141,905,936</u></u>	<u><u>134,354,292</u></u>	<u><u>134,600,089</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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		(53,153)	(49,726)	(58,424)
Retained earnings		52,187,545	50,094,927	50,626,554
<b>Total equity</b>		<u>124,396,360</u>	<u>122,307,169</u>	<u>122,354,233</u>
<b>Non-current liabilities</b>				
Employees' end of service benefits		204,235	164,685	158,699
Murabaha payables	10	12,400,000	10,000,000	10,000,000
Account payables and accruals		1,838,711	259,963	254,781
		<u>14,442,946</u>	<u>10,424,648</u>	<u>10,413,480</u>
<b>Current liability</b>				
Account payables and accruals		2,166,630	1,622,475	1,832,376
Bank overdraft		900,000	-	-
		<u>3,066,630</u>	<u>1,622,475</u>	<u>1,832,376</u>
<b>Total liabilities</b>		<u>17,509,576</u>	<u>12,047,123</u>	<u>12,245,856</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>141,905,936</u></u>	<u><u>134,354,292</u></u>	<u><u>134,600,089</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 16 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 June 2019

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Capital surplus KD	Treasury shares KD	Effect of change in accounting policy of investment properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(49,726)	50,094,927	122,307,169
Impact on adoption of IFRS 16 at 1 January 2019 (Note 3)	-	-	-	-	-	-	-	-	208,892	208,892
Restated balance at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(49,726)	50,303,819	122,516,061
Profit for the period	-	-	-	-	-	-	-	-	1,883,726	1,883,726
Other comprehensive loss for the period	-	-	-	-	-	-	-	(3,427)	-	(3,427)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(3,427)	1,883,726	1,880,299
<b>As at 30 June 2019</b>	<b>18,522,000</b>	<b>5,199,430</b>	<b>1,082,849</b>	<b>899,218</b>	<b>759,234</b>	<b>(319,250)</b>	<b>46,118,487</b>	<b>(53,153)</b>	<b>52,187,545</b>	<b>124,396,360</b>

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 June 2019

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Capital surplus KD	Treasury shares KD	Fair value reserve KD	Effect of change in accounting policy of investment 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	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	2,477,875	2,477,875
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	16,996	-	16,996
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	16,996	2,477,875	2,494,871
Dividends paid	-	-	-	-	-	(921,064)	-	-	-	-	-	(921,064)
As at 30 June 2018	18,522,000	5,199,430	826,310	642,679	37,213	759,234	(319,250)	-	46,118,487	(58,424)	50,626,554	122,354,233

The attached notes 1 to 16 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 June 2019

	Notes	<i>Six months ended</i>	
		<i>30 June</i>	
		<b>2019</b>	<b>2018</b>
		<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>1,883,726</b>	2,477,875
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	6	<b>(1,775,085)</b>	(1,692,140)
Unrealised (gain) loss on financial assets at fair value through profit or loss		<b>(47,543)</b>	44,821
Realised (gain) loss on sale of financial assets at fair value through profit or loss		<b>(36)</b>	100,179
Dividend income		-	(87,337)
Interest income		<b>(54,227)</b>	(9,144)
Depreciation		<b>40,887</b>	19,097
Provision for employees' end of service benefits		<b>39,550</b>	22,937
Finance costs		<b>277,495</b>	243,151
Reversal of excess provision for legal claims	16	-	(886,723)
		<b>364,767</b>	232,716
Working capital adjustments:			
Accounts receivable and prepayments		<b>(33,703)</b>	(19,098)
Accounts payable and accruals		<b>(140,277)</b>	(1,057,007)
Cash flows used in operating activities		<b>190,787</b>	(843,389)
Employees' end of service benefits paid		-	(2,000)
<b>Net cash flows used in operating activities</b>		<b>190,787</b>	(845,389)
<b>INVESTING ACTIVITIES</b>			
Advance payment to contractor		<b>(1,865,000)</b>	-
Additions to furniture and equipment		<b>(121)</b>	(7,188)
Additions to investment properties	5	<b>(559,737)</b>	(185,337)
Additions to investment in associates	6	<b>(2,030,577)</b>	(257,388)
Dividends received from associates	6	<b>1,066,024</b>	710,682
Proceeds from sale of financial assets at fair value through profit or loss		<b>32,017</b>	887,996
Purchase of financial assets at fair value through profit or loss		-	(75,000)
Dividend income		-	87,337
Net movement in term deposits		<b>(330,000)</b>	1,000,000
Interest income received		<b>54,227</b>	9,144
Lease collection received		<b>336,476</b>	-
<b>Net cash flows (used in) from investing activities</b>		<b>(3,296,691)</b>	2,170,246
<b>FINANCING ACTIVITIES</b>			
Dividends paid		<b>(3,576)</b>	(903,257)
Finance costs paid		<b>(277,495)</b>	(243,151)
Lease payments		<b>(343,611)</b>	-
Proceeds from murabaha payable		<b>2,400,000</b>	-
<b>Net cash flows from (used) in financing activities</b>		<b>1,775,318</b>	(1,146,408)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,330,586)</b>	178,449
Cash and cash equivalents at the beginning of the period		<b>1,389,149</b>	962,775
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>58,563</b>	1,141,224

The attached notes 1 to 16 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 June 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 six months ended 30 June 2019 was authorised for issue in accordance with a resolution of the Board of Directors on 15 July 2019.

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

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

The registered head office of the Parent Company is located at Al Hamra Tower, 26<sup>th</sup> 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 six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

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

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

**IFRS 16: Leases (“IFRS 16”)**

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

**IFRS 16: Leases (continued)**

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

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

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

*Summary of new accounting policies*

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

a. Right of use assets

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

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

b. Lease liabilities

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

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 June 2019

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

**IFRS 16: Leases (continued)**

*Summary of new accounting policies (continued)*

b. Lease liabilities (continued)

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

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

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

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

**4 BASIC AND DILUTED EARNINGS PER SHARE**

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

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<b>2019</b>	2018	<b>2019</b>	2018
Profit for the period	<b>1,052,094</b>	1,441,464	<b>1,883,726</b>	2,477,875
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>184,212,867</b>	184,212,867	<b>184,212,867</b>	184,212,867
Basic and diluted earnings per share	<b>5.71 fils</b>	7.82 fils	<b>10.23 fils</b>	13.45 fils

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**5 INVESTMENT PROPERTIES**

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
As at the beginning of the period / year	<b>63,462,636</b>	64,376,000	64,376,000
Additions	<b>559,737</b>	352,787	185,337
Change in fair value of investment properties	-	(1,266,151)	-
As at the end of the period / year	<b><u>64,022,373</u></b>	<u>63,462,636</u>	<u>64,561,337</u>

Investment properties are categorised as follows:

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Properties under development	<b>37,104,373</b>	36,544,636	37,562,187
Developed properties	<b>26,918,000</b>	26,918,000	26,999,150
As at the end of the period / year	<b><u>64,022,373</u></b>	<u>63,462,636</u>	<u>64,561,337</u>

As at 30 June 2019, investment properties with a carrying value of KD 59,004,373 (31 December 2018: KD 58,444,636 and 30 June 2018: KD 37,562,187) is pledged as a security against Murabaha payables of KD 12,400,000 (Note 10) (31 December 2018: pledged as a security against Murabaha payables of KD 10,000,000 and 30 June 2018: pledged as a security against Murabaha payables of KD 10,000,000) and bank overdraft of KD 900,000 (31 December 2018: KD Nil and 30 June 2018: KD Nil).

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

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

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

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

**6 INVESTMENT IN ASSOCIATES**

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

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
At the beginning of the period / year	<b>66,885,395</b>	64,784,892	64,784,892
Share of results	<b>1,775,085</b>	2,467,629	1,692,140
Additions	<b>2,030,577</b>	317,863	257,388
Dividends received	<b>(1,066,024)</b>	(710,683)	(710,682)
Foreign currency translation adjustments	<b>(3,427)</b>	25,694	16,996
At the end of the period/year	<b><u>69,621,606</u></b>	<u>66,885,395</u>	<u>66,040,734</u>

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

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**7 TERM DEPOSIT**

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

**8 SHARE CAPITAL**

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

**9 TREASURY SHARES**

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

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

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

**10 MURABAHA PAYABLE**

Murabaha payable is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries an average profit rate of 4.5% per annum (31 December 2018: profit rate of 4.69% per annum and 30 June 2018: 4.88%) and secured over investment properties with a carrying value of KD 59,004,373 as at 30 June 2019 (31 December 2018: KD 58,444,636 and 30 June 2018: KD 37,562,187) (Note 5).

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**11 RELATED PARTY DISCLOSURES**

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

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b><i>Interim condensed consolidated statement of profit or loss</i></b>				
Rent and other expense (included in property operating expenses and administrative expenses) (an associate)	<b>2,540</b>	195,951	<b>2,540</b>	391,902
			<i>(Audited)</i>	
		<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
		<i>2019</i>	<i>2018</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<b><i>Interim condensed consolidated statement of financial Position</i></b>				
Amounts due to related parties		<b>45,001</b>	562	1,252

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b><i>Compensation of key management personnel:</i></b>				
Salaries and short-term benefits	<b>42,341</b>	37,280	<b>80,547</b>	74,039
Employees' end of service benefits	<b>5,747</b>	4,411	<b>18,812</b>	8,823
	<b>48,088</b>	41,691	<b>99,359</b>	82,862

**12 FAIR VALUE MEASUREMENT**

Investment securities classified as 'Financial assets at fair value through profit or loss' have been stated at fair values. For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or repriced immediately based on market movement in interest rates.

**Fair value hierarchy**

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

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

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**12 FAIR VALUE MEASUREMENT (continued)**

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

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>As at 30 June 2019</i>				
Investment properties	-	37,104,373	26,918,000	64,022,373
Financial assets at fair value through profit or loss	185,500	-	2,247,983	2,433,483
<i>As at 31 December 2018 (Audited)</i>				
Investment properties	-	36,544,636	26,918,000	63,462,636
Financial assets at fair value through profit or loss	-	-	2,417,921	2,417,921
<i>As at 30 June 2018</i>				
Investment properties	-	37,562,187	26,999,150	64,561,337
Financial assets at fair value through profit or loss	225,019	-	2,457,658	2,682,677

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

	<i>At the beginning of the period / year KD</i>	<i>Net gains (losses) KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the period / year KD</i>
<i>As at 30 June 2019</i>				
Financial assets at fair value though profit or loss	2,417,921	209,592	(379,530)	2,247,983
<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 30 June 2018</i>				
Financial assets at fair value though profit or loss	213,025	(17,487)	2,262,120	2,457,658

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

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

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**12 FAIR VALUE MEASUREMENT (continued)**

*Description of significant unobservable inputs to valuation of financial assets:*

Managed funds and portfolios 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.

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Market multiples approach	DLOM *	20%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 2,377.

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

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

*Investment properties*

*Property under development*

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

*Developed properties*

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

**13 SEGMENT INFORMATION**

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

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

Segment reporting information is as follows:

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<b>Period ended 30 June 2019</b>				
Segment revenue	<b>851,012</b>	<b>1,775,121</b>	<b>80,426</b>	<b>2,706,559</b>
Unrealised gain on financial assets at fair value through profit or loss	-	47,543	-	47,543
Finance costs	-	(223,595)	(53,900)	(277,495)
Other expenses	(163,960)	-	(428,921)	(592,881)
Segment results	<b>687,052</b>	<b>1,599,069</b>	<b>(402,395)</b>	<b>1,883,726</b>
<b>As at 30 June 2019</b>				
Segment assets	<b>64,022,373</b>	<b>72,055,089</b>	<b>5,828,474</b>	<b>141,905,936</b>
Segment liabilities	<b>2,877,935</b>	<b>10,900,000</b>	<b>3,731,641</b>	<b>17,509,576</b>



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**13 SEGMENT INFORMATION (continued)**

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>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 30 June 2018</i>				
Segment revenue	<u>1,146,810</u>	<u>1,779,477</u>	<u>918,470</u>	<u>3,844,757</u>
Unrealised loss on financial assets at fair value through profit or loss	-	(44,821)	-	(44,821)
Realised loss on sale of financial assets at fair value through profit or loss	-	(100,179)	-	(100,179)
Finance costs	-	(243,151)	-	(243,151)
Other expenses	(536,404)	-	(442,327)	(978,731)
Segment results	<u>610,406</u>	<u>1,391,326</u>	<u>476,143</u>	<u>2,477,875</u>
<i>As at 30 June 2018</i>				
Segment assets	<u>64,561,337</u>	<u>68,723,411</u>	<u>1,315,341</u>	<u>134,600,089</u>
Segment liabilities	<u>413,480</u>	<u>10,000,000</u>	<u>1,832,376</u>	<u>12,245,856</u>

**14 CONTINGENT LIABILITIES**

As at 30 June 2019, the Group has contingent liabilities representing a letter of guarantee amounting to KD 21,399 (31 December 2018: KD 21,399 and 30 June 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 17,181,914 (31 December 2018: KD 783,747 and 30 June 2018: KD Nil).

**16 REVERSAL OF EXCESS PROVISION FOR LEGAL CLAIM**

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