

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

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

30 SEPTEMBER 2020



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group") as at 30 September 2020, and the related interim condensed consolidated statement of profit or loss, 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 the interim condensed consolidated financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing; and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the nine months period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

21 October 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		KD	KD	KD	KD
Rental and services income		239,364	426,498	631,768	1,277,510
Property operating expenses		(61,871)	(80,936)	(198,861)	(244,896)
Net rental income		177,493	345,562	432,907	1,032,614
Share of result of associates	6	670,580	818,446	2,185,848	2,593,531
Unrealised gain on financial assets at fair value through profit or loss		30,779	151,478	58,599	199,021
Realised gain on sale of financial assets at fair value through profit or loss		-	-	-	36
Dividends income		-	62,500	-	62,500
Net investment income		701,359	1,032,424	2,244,447	2,855,088
Total operating income		878,852	1,377,986	2,677,354	3,887,702
Administrative expenses		(200,406)	(171,692)	(601,049)	(549,805)
Net operating income		678,446	1,206,294	2,076,305	3,337,897
Other income		37,632	34,958	142,704	115,384
Finance costs		(133,560)	(145,882)	(358,934)	(423,377)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		582,518	1,095,370	1,860,075	3,029,904
Contribution to KFAS		-	(2,113)	-	(2,113)
NLST		(14,885)	(27,629)	(47,768)	(76,981)
Zakat		-	(3,687)	-	(5,143)
PROFIT FOR THE PERIOD		567,633	1,061,941	1,812,307	2,945,667
BASIC AND DILUTED EARNINGS PER SHARE	4	2.93 fils	5.49 fils	9.37 fils	15.23 fils

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2020	2019	2020	2019
	KD	KD	KD	KD
Profit for the period	567,633	1,061,941	1,812,307	2,945,667
Other comprehensive income:				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments of an associate	145,028	20,600	272,020	17,173
Other comprehensive income for the period	145,028	20,600	272,020	17,173
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	712,661	1,082,541	2,084,327	2,962,840

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)
As at 30 September 2020

		<i>30 September</i> 2020	<i>(Audited)</i> 31 December <i>2019</i>	<i>30 September</i> 2019
	<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Non-current assets				
Property and equipment		359,073	371,651	391,450
Investment properties	5	70,887,299	66,055,553	65,059,123
Investment in associates	6	71,385,517	70,825,737	70,460,652
Receivable from sublease		445,003	1,000,277	1,181,251
		<u>143,076,892</u>	<u>138,253,218</u>	<u>137,092,476</u>
Current assets				
Receivable from sublease		736,247	711,858	703,909
Account receivables and prepayments		1,410,731	1,807,856	1,919,034
Financial assets at fair value through profit or loss		1,645,627	1,587,028	2,584,960
Term deposits	7	910,000	330,000	330,000
Bank balances and cash	8	1,582,503	382,713	375,645
		<u>6,285,108</u>	<u>4,819,455</u>	<u>5,913,548</u>
TOTAL ASSETS		<u>149,362,000</u>	<u>143,072,673</u>	<u>143,006,024</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	9	19,448,100	18,522,000	18,522,000
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		1,293,969	1,293,969	1,082,849
Voluntary reserve		1,110,338	1,110,338	899,218
Capital surplus		-	759,234	759,234
Treasury shares	10	(319,250)	(319,250)	(319,250)
Effect of change in accounting policy of investment properties		46,118,487	46,118,487	46,118,487
Foreign currency translation reserve		207,115	(64,905)	(32,553)
Retained earnings		53,528,602	51,883,161	53,249,486
Total equity		<u>126,586,791</u>	<u>124,502,464</u>	<u>125,478,901</u>
Non-current liabilities				
Employees' end of service benefits		277,159	226,498	214,029
Account payables and accruals		937,601	1,469,771	1,659,447
Murabaha payables	11	18,600,000	14,200,000	13,100,000
		<u>19,814,760</u>	<u>15,896,269</u>	<u>14,973,476</u>
Current liabilities				
Account payables and accruals		2,958,476	2,671,524	2,250,146
Bank overdraft	8	1,973	2,416	303,501
		<u>2,960,449</u>	<u>2,673,940</u>	<u>2,553,647</u>
Total liabilities		<u>22,775,209</u>	<u>18,570,209</u>	<u>17,527,123</u>
TOTAL EQUITY AND LIABILITIES		<u>149,362,000</u>	<u>143,072,673</u>	<u>143,006,024</u>

Sheikh\ Ali Al\ Abdullah Al\ Khalifah Al\ Sabah
Chairman

Sheikh\ Hamad Mubarak Jaber Al\ Ahmad Al\ Sabah
Vice Chairman

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2020

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Capital surplus KD	Treasury shares KD	Effect of change in accounting policy of investment properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2020	18,522,000	5,199,430	1,293,969	1,110,338	759,234	(319,250)	46,118,487	(64,905)	51,883,161	124,502,464
Profit for the period	-	-	-	-	-	-	-	-	1,812,307	1,812,307
Other comprehensive income for the period	-	-	-	-	-	-	-	272,020	-	272,020
Total comprehensive income for the period	-	-	-	-	-	-	-	272,020	1,812,307	2,084,327
Issue of bonus shares (Note 9)	926,100	-	-	-	(759,234)	-	-	-	(166,866)	-
As at 30 September 2020	19,448,100	5,199,430	1,293,969	1,110,338	-	(319,250)	46,118,487	207,115	53,528,602	126,586,791

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)
For the period ended 30 September 2020

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Capital surplus KD	Treasury shares KD	Effect of change in accounting policy of investment properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
As at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(49,726)	50,094,927	122,307,169
Impact on adoption of IFRS 16 at 1 January 2019	-	-	-	-	-	-	-	-	208,892	208,892
Restated balance at 1 January 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(49,726)	50,303,819	122,516,061
Profit for the period	-	-	-	-	-	-	-	-	2,945,667	2,945,667
Other comprehensive income for the period	-	-	-	-	-	-	-	17,173	-	17,173
Total comprehensive income for the period	-	-	-	-	-	-	-	17,173	2,945,667	2,962,840
As at 30 September 2019	18,522,000	5,199,430	1,082,849	899,218	759,234	(319,250)	46,118,487	(32,553)	53,249,486	125,478,901

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the period		1,812,307	2,945,667
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	6	(2,185,848)	(2,593,531)
Unrealised gain on financial assets at fair value through profit or loss		(58,599)	(199,021)
Realised gain on sale of financial assets at fair value through profit or loss		-	(36)
Dividends income		-	(62,500)
Interest income		(55,864)	(79,091)
Depreciation		67,282	61,197
Provision for employees' end of service benefits		50,661	51,127
Finance costs		358,934	423,377
		(11,127)	547,189
Working capital adjustments:			
Account receivables and prepayments		397,125	120,627
Account payables and accruals		(124,079)	(207,166)
Cash flows from operating activities		261,919	460,650
Employees' end of service benefits paid		-	(1,783)
Net cash flows from operating activities		261,919	458,867
INVESTING ACTIVITIES			
Advance payment to contractor		-	(1,865,000)
Additions to furniture and equipment		(1,070)	(1,585)
Additions to investment properties	5	(4,506,373)	(1,453,305)
Return of capital (additions) to investment in associates	6	121,381	(2,030,577)
Dividends received from associates	6	1,776,707	1,066,024
Proceeds from sale of financial assets at fair value through profit or loss		-	32,017
Dividend income		-	62,500
Placement of term deposit		(580,000)	(330,000)
Interest income received		55,864	79,091
Lease collection received		530,886	507,570
Net cash flows used in investing activities		(2,602,605)	(3,933,265)
FINANCING ACTIVITIES			
Dividends paid		(329)	(4,280)
Finance costs paid		(358,934)	(423,377)
Lease payments		(499,818)	(514,950)
Murabaha finance facilities available		4,400,000	3,100,000
Net cash flows from financing activities		3,540,919	2,157,393
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,200,233	(1,317,005)
Cash and cash equivalents at the beginning of the period		380,297	1,389,149
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	1,580,530	72,144
Non-cash transactions:			
Utilization of advance payment		325,373	143,182
Additions to investment properties		(325,373)	(143,182)
		-	-

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the nine months period ended 30 September 2020 was authorised for issue in accordance with a resolution of the Board of Directors on 21 October 2020.

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting (AGM) held on 25 June 2020.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), '*Interim Financial Reporting*'. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial information does not contain all information and disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. In addition, results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

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

Amendments to IFRS 3: *Definition of a Business*

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 September, 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 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>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit for the period ("KD")	567,633	1,061,941	1,812,307	2,945,667
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	193,423,511	193,423,511	193,423,511	193,423,511
Basic and diluted earnings per share	2.93 fils	5.49 fils	9.37 fils	15.23 fils

Basic and diluted earnings per share calculations for the period ended 30 September 2019 have been adjusted to take into account the issuance of bonus shares (Note 9).

5 INVESTMENT PROPERTIES

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at the beginning of the period / year	66,055,553	63,462,636	63,462,636
Additions	4,831,746	2,942,917	1,596,487
Change in fair value of investment properties	-	(350,000)	-
As at the end of the period / year	70,887,299	66,055,553	65,059,123

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 2020

5 INVESTMENT PROPERTIES (continued)

Investment properties are categorised as follows:

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Properties under development	44,266,899	39,486,553	38,141,123
Developed properties	26,620,400	26,569,000	26,918,000
As at the end of the period / year	<u>70,887,299</u>	<u>66,055,553</u>	<u>65,059,123</u>

As at 30 September 2020, investment properties with a carrying value of KD 66,218,298 (31 December 2019: KD 61,386,553 and 30 September 2019: KD 60,041,122) is pledged as a security against Murabaha payables of KD 18,600,000 (31 December 2019: pledged as a security against Murabaha payables of KD 14,200,000 and 30 September 2019: pledged as a security against Murabaha payables of KD 13,100,000) (Note 11) and bank overdraft of KD 1,973 (31 December 2019: KD 2,416 and 30 September 2019: KD 303,501) (Note 8).

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

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

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

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

6 INVESTMENT IN ASSOCIATES

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

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
At the beginning of the period / year	70,825,737	66,885,395	66,885,395
Share of results	2,185,848	2,990,969	2,593,531
(Return of capital) additions	(121,381)	2,030,577	2,030,577
Dividends received	(1,776,707)	(1,066,025)	(1,066,024)
Foreign currency translation adjustments	272,020	(15,179)	17,173
At the end of the period / year	<u>71,385,517</u>	<u>70,825,737</u>	<u>70,460,652</u>

The share of results of an associate for the period ended 30 September 2020 have been recorded based on the management accounts.

7 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with a local financial institution and carry an average fixed interest rate of 1.275% (31 December 2019: 3.125% and 30 September 2019: 3.125%) per annum.

Terms deposits includes term deposit of KD 580,000 (31 December 2019: Nil, 30 September 2019: Nil) pledged against letter of credit issued to favour of one of the Group's contractor.

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 2020

8 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>30 September 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Bank balances and cash	1,582,503	382,713	375,645
Bank overdraft	(1,973)	(2,416)	(303,501)
Total cash and cash equivalents	1,580,530	380,297	72,144

Bank overdraft represent facilities granted by local bank in Kuwaiti Dinars and carries an effective interest rates of 1.5% (31 December 2019: 1.5% and 30 September 2019: 1.5%) per annum over the Central Bank of Kuwait discount rate which is secured against certain investment properties (Note 5).

9 SHARE CAPITAL

	<i>30 September 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Authorized, issued and paid up share capital (194,481,000 shares of 100 fils each (31 December 2019: 185,220,000 shares of 100 fils each, 30 September 2019 185,220,000 shares of 100 fils each, fully paid in cash)	19,448,100	18,522,000	18,522,000

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

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

10 TREASURY SHARES

	<i>30 September 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Number of treasury shares	1,057,489	1,007,133	1,007,133
Percentage of ownership	0.54%	0.54%	0.54%
Market value (KD)	144,876	182,291	136,970
Cost (KD)	319,250	319,250	319,250

The weighted average market price of the Parent Company’s shares for the period ended 30 September 2020 was 137 fils per share (31 December 2019: 181 fils per share and 30 September 2019: 136 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.

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 2020

11 MURABAHA PAYABLE

Murabaha payable is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries an average profit rate of 3.42% per annum (31 December 2019: profit rate of 4.5% per annum and 30 September 2019: 4.5% per annum) and are secured against certain investment properties with a carrying value of KD 66,218,298 as at 30 September 2020 (31 December 2019: KD 61,386,553 and 30 September 2019: KD 60,041,122) (Note 5).

12 RELATED PARTY DISCLOSURES

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

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of profit or loss</i>				
Rent and other expense (included in property operating expenses and administrative expenses) (an associate)	1,260	1,272	3,784	3,812
<i>Interim condensed consolidated statement of financial Position</i>				
Amounts due to related parties		21,440	1,037	489
Lease liabilities		1,435,332	1,920,804	-

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Compensation of key management personnel:</i>				
Salaries and short-term benefits	43,357	39,194	128,221	119,741
Employees' end of service benefits	6,322	5,809	25,445	24,621
	<u>49,679</u>	<u>45,003</u>	<u>153,666</u>	<u>144,362</u>

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

The Annual General Assembly of the Parent Company's shareholders held on 25 June 2020, approved not to distribute a directors' remuneration for the year ended 31 December 2019. Accordingly, the unutilized amount of KD 50,000 has been reversed to other income during the period.

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13 FAIR VALUE MEASUREMENT

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

Fair value hierarchy

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

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

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

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>As at 30 September 2020</i>				
Investment properties	-	44,266,899	26,620,400	70,887,299
Financial assets at fair value through profit or loss	-	-	1,645,627	1,645,627
<i>As at 31 December 2019 (Audited)</i>				
Investment properties	-	39,486,553	26,569,000	66,055,553
Financial assets at fair value through profit or loss	-	-	1,587,028	1,587,028
<i>As at 30 September 2019</i>				
Investment properties	-	38,141,123	26,918,000	65,059,123
Financial assets at fair value through profit or loss	182,500	-	2,402,460	2,584,960

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

	<i>At the</i> <i>beginning</i> <i>of the period /</i> <i>year</i> <i>KD</i>	<i>Net gains</i> <i>(losses)</i> <i>KD</i>	<i>Net purchases,</i> <i>transfers, sales</i> <i>and settlements</i> <i>KD</i>	<i>At the</i> <i>end of the</i> <i>period / year</i> <i>KD</i>
<i>As at 30 September 2020</i>				
Financial assets at fair value through profit or loss	1,587,028	58,599	-	1,645,627
<i>As at 31 December 2019 (Audited)</i>				
Financial assets at fair value through profit or loss	2,417,921	(444,629)	(386,264)	1,587,028
<i>As at 30 September 2019</i>				
Financial assets at fair value through profit or loss	2,417,921	364,073	(379,534)	2,402,460

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13 FAIR VALUE MEASUREMENT (continued)

	<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 September 2020</i>				
Investment properties	26,569,000	-	51,400	26,620,400
<i>As at 31 December 2019 (Audited)</i>				
Investment properties	26,918,000	(350,000)	1,000	26,569,000
<i>As at 30 September 2019</i>				
Investment properties	26,918,000	-	-	26,918,000

Description of significant unobservable inputs to valuation of financial assets:

Managed funds:

Managed funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund, the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

Unquoted equity securities:

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Average market multiples approach	DLOM *	10%-50%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 82,281.

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

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

Investment properties

Property under development

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

Developed properties

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

14 SEGMENT INFORMATION

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

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

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14 SEGMENT INFORMATION (continued)

Segment reporting information is as follows:

	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 30 September 2020</i>				
Segment revenue	<u>631,768</u>	<u>2,185,848</u>	<u>142,704</u>	<u>2,960,320</u>
Unrealised gain on financial assets at fair value through profit or loss	-	58,599	-	58,599
Finance costs	-	(263,529)	(95,405)	(358,934)
Other expenses	(198,861)	-	(648,817)	(847,678)
Segment results	<u>432,907</u>	<u>1,980,918</u>	<u>(601,518)</u>	<u>1,812,307</u>
<i>As at 30 September 2020</i>				
Segment assets	<u>70,887,299</u>	<u>73,031,143</u>	<u>5,443,558</u>	<u>149,362,000</u>
Segment liabilities	<u>9,133,795</u>	<u>10,000,000</u>	<u>3,641,414</u>	<u>22,775,209</u>
	<i>Real estate activities KD</i>	<i>Equities and other investing activities KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Year ended 31 December 2019 (Audited)</i>				
Segment revenue	<u>1,714,801</u>	<u>2,931,286</u>	<u>147,505</u>	<u>4,793,592</u>
Change in fair value of investment properties	(350,000)	-	-	(350,000)
Unrealised loss on financial assets at fair value through profit or loss	-	(444,629)	-	(444,629)
Finance costs	-	(461,227)	(100,096)	(561,323)
Other expenses, net	(517,509)	-	(918,549)	(1,436,058)
Segment results	<u>847,292</u>	<u>2,025,430</u>	<u>(871,140)</u>	<u>2,001,582</u>
<i>As at 31 December 2019 (Audited)</i>				
Segment assets	<u>66,055,553</u>	<u>72,412,765</u>	<u>4,604,355</u>	<u>143,072,673</u>
Segment liabilities	<u>4,698,814</u>	<u>10,000,000</u>	<u>3,871,395</u>	<u>18,570,209</u>

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14 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>Period ended 30 September 2019</i>				
Segment revenue	1,277,510	2,656,067	115,384	4,048,961
Unrealised gain on financial assets at fair value through profit or loss	-	199,021	-	199,021
Finance costs	-	(345,386)	(77,991)	(423,377)
Other expenses	(244,896)	-	(634,042)	(878,938)
Segment results	1,032,614	2,509,702	(596,649)	2,945,667
<i>At 30 September 2019</i>				
Segment assets	65,059,123	73,045,612	4,901,289	143,006,024
Segment liabilities	3,891,230	10,000,000	3,635,893	17,527,123

15 CONTINGENT LIABILITIES

As at 30 September 2020, the Group has contingent liabilities representing a letter of guarantee amounting to KD 21,399 (31 December 2019: KD 21,399 and 30 September 2019: KD 21,399) issued to the Ministry of Finance in respect of its investment properties, from which it is anticipated that no material liability will arise.

16 CAPITAL COMMITMENTS

The Group has entered into construction contracts with third parties and is consequently committed to future capital expenditure in respect of properties under construction amounting to KD 12,021,211 (31 December 2019: KD 15,471,226 and 30 September 2019: KD 16,425,191).

17 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by the State of Kuwait and the Kingdom of Saudi Arabia to contain the virus have affected economic activity and the Group's business in various significant ways. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2020.

Investment properties

The economic impact of COVID-19 has materially impacted the rental and services revenue earned during the period. The relevant authorities ordered the closure of Shopping Malls and other properties, including the Group's properties for a certain period of time. As at the date of the issuance of this interim condensed consolidated financial information, restrictive measures to contain the spread of the COVID-19 have been progressively eased leading to the gradual reopening of the Group's properties. While the near term cash flows and rental and services revenues were immediately impacted by the pandemic due to the short term rent concessions granted on case by case basis, Management is of the believe based on an internal assessment that the fair values determined by the external independent valuers at 31 December 2019 still represents the most reliable valuations for the purpose of preparing the interim condensed financial information for 30 September 2020 in the context of uncertainties associated with the lack of market transactions since the outbreak of the COVID-19, the limitation of availability of reliable market data relating to conditions as at 30 September 2020, the difficulties to estimate future market prospects after the gradual reopening, and the current stability in the rent and occupancy rates. Due to limited available market data, a high degree of judgment has been applied in the internal assessment of the fair value of investment properties. Consequently, a higher level of uncertainty exists in the valuations than would normally be the case.

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17 IMPACT OF COVID-19 (continued)

Investment properties (continued)

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

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

Financial assets at fair value through profit or loss

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

Investment in associates

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