

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

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

31 MARCH 2021





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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 31 March 2021, and the related interim condensed consolidated statement of profit or loss, 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 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 three months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM ALSAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

26 April 2021
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 31 March 2021

	<i>Notes</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		2021	2020
		KD	KD
Rental and services income		298,610	318,768
Property operating expenses		(72,430)	(76,000)
Net rental income		226,180	242,768
Share of result from associates	6	948,369	837,567
Unrealised gain (loss) on financial assets at fair value through profit or loss		98,547	(33,892)
Net investment income		1,046,916	803,675
Total operating income		1,273,096	1,046,443
Administrative expenses		(192,081)	(208,429)
Net operating income		1,081,015	838,014
Other income		16,242	34,421
Finance costs		(104,368)	(129,971)
Reversal of legal claim	17	822,191	-
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		1,815,080	742,464
Contribution to KFAS		(7,400)	-
NLST		(45,650)	(19,188)
Zakat		(9,215)	-
PROFIT FOR THE PERIOD		1,752,815	723,276
BASIC AND DILUTED EARNINGS PER SHARE	4	9.06 fils	3.74 fils

The attached notes 1 to 18 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 2021

	<i>Three months ended</i> <i>31 March</i>	
	2021	2020
	KD	KD
Profit for the period	1,752,815	723,276
Other comprehensive (loss) income:		
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation adjustments of an associate	(58,850)	272,025
Other comprehensive (loss) income for the period	(58,850)	272,025
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,693,965	995,301

The attached notes 1 to 18 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 2021

		<i>(Audited)</i>	
	<i>Notes</i>	<i>31 March 2021</i>	<i>31 December 2020</i>
		<i>KD</i>	<i>KD</i>
			<i>31 March 2020</i>
			<i>KD</i>
ASSETS			
Non-current assets			
Property and equipment		345,310	402,872
Investment properties	5	74,804,390	67,935,194
Investment in associates	6	72,742,874	70,037,535
Receivable from sublease		64,288	835,738
		<u>147,956,862</u>	<u>139,211,339</u>
Current assets			
Receivable from sublease		752,971	701,419
Account receivables and prepayments		1,156,682	1,648,380
Financial assets at fair value through profit or loss		1,609,268	1,553,136
Wakala investment deposits	7	140,000	530,000
Bank balances and cash	8	2,040,101	1,683,679
		<u>5,699,022</u>	<u>6,116,614</u>
TOTAL ASSETS		<u><u>153,655,884</u></u>	<u><u>145,327,953</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	19,448,100	18,522,000
Share premium		5,199,430	5,199,430
Statutory reserve		1,437,410	1,293,969
Voluntary reserve		1,253,779	1,110,338
Capital surplus		-	759,234
Treasury shares	10	(319,250)	(319,250)
Effect of change in accounting policy of investment properties		46,118,487	46,118,487
Foreign currency translation reserve		(85,229)	207,120
Retained earnings		54,558,147	52,606,437
Total equity		<u>127,610,874</u>	<u>125,497,765</u>
Non-current liabilities			
Employees' end of service benefits		305,560	251,539
Account payables and accruals		577,417	1,323,020
Murabaha payables	11	22,300,000	14,700,000
		<u>23,182,977</u>	<u>16,274,559</u>
Current liabilities			
Account payables and accruals		2,772,521	2,886,921
Bank overdraft	8	89,512	668,708
		<u>2,862,033</u>	<u>3,555,629</u>
Total liabilities		<u>26,045,010</u>	<u>19,830,188</u>
TOTAL EQUITY AND LIABILITIES		<u><u>153,655,884</u></u>	<u><u>145,327,953</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 18 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 2021

	<i>Share Capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Capital surplus KD</i>	<i>Treasury shares KD</i>	<i>Effect of change in accounting policy of investment properties KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total equity KD</i>
As at 1 January 2021	19,448,100	5,199,430	1,437,410	1,253,779	-	(319,250)	46,118,487	(26,379)	52,805,332	125,916,909
Profit for the period	-	-	-	-	-	-	-	-	1,752,815	1,752,815
Other comprehensive loss for the period	-	-	-	-	-	-	-	(58,850)	-	(58,850)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(58,850)	1,752,815	1,693,965
As at 31 March 2021	19,448,100	5,199,430	1,437,410	1,253,779	-	(319,250)	46,118,487	(85,229)	54,558,147	127,610,874

The attached notes 1 to 18 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 31 March 2021

	<i>Share capital KD</i>	<i>Share Premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Capital surplus KD</i>	<i>Treasury shares KD</i>	<i>Effect of change in accounting policy of investment properties KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total equity KD</i>
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	-	-	-	-	-	-	-	-	723,276	723,276
Other comprehensive income for the period	-	-	-	-	-	-	-	272,025	-	272,025
Total comprehensive income for the period	-	-	-	-	-	-	-	272,025	723,276	995,301
As at 31 March 2020	18,522,000	5,199,430	1,293,969	1,110,338	759,234	(319,250)	46,118,487	207,120	52,606,437	125,497,765

The attached notes 1 to 18 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 31 March 2021

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Notes</i>	2021	2020
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		1,752,815	723,276
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	6	(948,369)	(837,567)
Unrealised gain on financial assets at fair value through profit or loss		(98,547)	33,892
Interest income		(12,794)	(20,405)
Depreciation		23,631	22,413
Provision for employees' end of service benefits		13,302	25,041
Finance costs		104,368	129,971
Reversal of legal claims		(822,191)	-
		12,215	76,621
Working capital adjustments:			
Account receivables and prepayments		124,047	159,475
Account payables and accruals		197,224	20,077
Net cash flows from operating activities		333,486	256,173
INVESTING ACTIVITIES			
Additions to furniture and equipment		(14,662)	-
Additions to investment properties	5	(2,351,099)	(1,706,808)
Return of capital to investment in associates	6	57,641	121,087
Dividends received from associates	6	-	1,776,707
Net movement in term deposits		440,000	(200,000)
Interest income received		12,794	20,405
Lease collection received		-	174,979
Net cash flows (used in) from investing activities		(1,855,326)	186,370
FINANCING ACTIVITIES			
Dividends paid		(448)	(209)
Finance costs paid		(104,368)	(129,971)
Lease payments		(25,725)	(177,689)
Murabaha finance facilities available		1,900,000	500,000
Net cash flows from financing activities		1,769,459	192,131
NET INCREASE IN CASH AND CASH EQUIVALENTS		247,619	634,674
Cash and cash equivalents at the beginning of the period		1,702,970	380,297
CASH AND CASH EQUIVALENTS AT 31 March	8	1,950,589	1,014,971
Non-cash transactions:			
Retention payable		208,665	172,833
Additions to investment properties		(208,665)	(172,833)

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

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 2021

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Ajjal 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 2021 was authorised for issue in accordance with a resolution of the Board of Directors on 26 April 2021.

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 2020 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting (AGM) held on 16 March 2021.

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 2020.

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 2020. In addition, results for the three months ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. 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

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial information of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 2021

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. 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 months period ended 31 March is as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	2021	2020
Profit for the period	1,752,815	723,276
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	193,423,511	193,423,511
Basic and diluted earnings per share	9.06 fils	3.74 fils

Basic and diluted earnings per share calculations for the period ended 31 March 2020 have been adjusted to take into account the issuance of bonus shares issued in 2020 (Note 9).

5 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	2021	2020	2020
	KD	KD	KD
As at the beginning of the period / year	72,244,626	66,055,553	66,055,553
Additions	2,559,764	7,278,473	1,879,641
Change in fair value of investment properties	-	(1,089,400)	-
As at the end of the period / year	74,804,390	72,244,626	67,935,194

Investment properties are categorised as follows:

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	2021	2020	2020
	KD	KD	KD
Properties under development	48,782,110	46,224,626	41,366,194
Developed properties	26,022,280	26,020,000	26,569,000
As at the end of the period / year	74,804,390	72,244,626	67,935,194

As at 31 March 2021, investment properties with a carrying value of KD 70,482,110 (31 December 2020: KD 67,924,626 and 31 March 2020: KD 63,266,194) is pledged as a security against Murabaha payables of KD 22,300,000 (31 December 2020: pledged as a security against Murabaha payables of KD 20,400,000 and 31 March 2020: pledged as a security against Murabaha payables of KD 14,700,000) (Note 11) and bank overdraft of KD 89,512 (31 December 2020: KD 198,426 and 31 March 2020: KD 668,708) (Note 8).

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 2021

5 INVESTMENT PROPERTIES (continued)

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 18, Management believes that there is no significant change in the fair value of investment properties since the latest valuation performed as at 31 December 2020.

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

6 INVESTMENT IN ASSOCIATES

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

	31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
At the beginning of the period / year	71,910,996	70,825,737	70,825,737
Share of results	948,369	3,051,473	837,567
Return of capital	(57,641)	(228,033)	(121,087)
Dividends received	-	(1,776,707)	(1,776,707)
Foreign currency translation adjustments	(58,850)	38,526	272,025
At the end of the period / year	<u>72,742,874</u>	<u>71,910,996</u>	<u>70,037,535</u>

The share of results of an associate for the period ended 31 March 2021 have been recorded based on the management accounts.

7 WAKALA INVESTMENT DEPOSITS

Wakala investment deposits are denominated in Kuwaiti Dinars, placed with a local bank, carry an average profit rate of 1.375% (31 December 2020: 1.319% and 31 March 2020: 2.969%) per annum and pledged against letter of credit issued in favour of one of the Group's contractor.

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:

	31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
Bank balances and cash	2,040,101	1,901,396	1,683,679
Bank overdraft	(89,512)	(198,426)	(668,708)
Total cash and cash equivalents	<u>1,950,589</u>	<u>1,702,970</u>	<u>1,014,971</u>

Bank overdraft represent facilities granted by local bank in Kuwaiti Dinars and carries an effective interest rates of 1.5% (31 December 2020: 1.5% and 31 March 2020: 1.5%) per annum over the Central Bank of Kuwait discount rate which is secured against certain investment properties (Note 5).

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 2021

9 SHARE CAPITAL

	31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
Authorized, issued and paid up share capital (194,481,000 shares of 100 fils each (31 December 2020: 194,481,000 shares of 100 fils each and 31 March 2020 185,220,000 shares of 100 fils each) fully paid in cash	19,448,100	19,448,100	18,522,000

During the prior year, 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.

The Annual General Assembly meeting (“AGM”) of the Parent Company’s shareholders held on 16 March 2021 approved the Board of Directors’ recommendation not to distribute dividends for the year ended 31 December 2020 (2019: 5% bonus issue).

10 TREASURY SHARES

	31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
Number of treasury shares	1,057,489	1,057,489	1,007,133
Percentage of ownership	0.54%	0.54%	0.54%
Market value (KD)	196,693	187,176	131,934
Cost (KD)	319,250	319,250	319,250

The weighted average market price of the Parent Company’s shares for the period ended 31 March 2021 was 186 fils per share (31 December 2020: 177 fils per share and 31 March 2020: 131 fils per share).

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

11 MURABAHA PAYABLE

Murabaha payable is obtained from a local bank, denominated in Kuwaiti Dinar and carry a profit rate of 1.5% (31 December 2020: 1.5% and 31 March 2020: 1.5%) per annum over the Central Bank of Kuwait’s discount rate and secured against certain investment properties with carrying value of KD 70,482,110 as at 31 March 2021 (31 December 2020: KD 67,924,626 and 31 March 2020: KD 63,266,194) (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:

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 2021

12 RELATED PARTY DISCLOSURES (continued)

	<i>Associate</i>	<i>31 March</i>	<i>31 March</i>
	<i>KD</i>	<i>2021</i>	<i>2020</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)	1,114	1,114	1,264
		<i>(Audited)</i>	
	<i>Associate</i>	<i>31 March</i>	<i>31 December</i>
	<i>KD</i>	<i>2021</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>			
Amounts due to a related party	45,166	45,166	31,139
Lease liabilities	1,076,363	1,076,363	1,251,505
			6
			1,796,749

Amounts due to a related party is interest free and is payable within one year from the reporting date.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
<i>Compensation of key management personnel:</i>		
Salaries and short-term benefits	42,217	41,481
Employees' end of service benefits	6,185	12,870
	48,402	54,351

On 10 February 2021, the Board of Directors of the Parent Company proposed directors' remuneration of KD 20,000 for the year ended 31 December 2020 (2019: KD 50,000). 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 16 March 2021 approved the board of directors' recommendation to distribute a directors' remuneration of KD 20,000 (2019: 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 that year).

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 interim condensed consolidated financial information 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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13 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 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>As at 31 March 2021</i>			
Investment properties	48,782,110	26,022,280	74,804,390
Financial assets at fair value through profit or loss	-	1,609,268	1,609,268
<i>As at 31 December 2020 (Audited)</i>			
Investment properties	46,224,626	26,020,000	72,244,626
Financial assets at fair value through profit or loss	-	1,510,721	1,510,721
<i>As at 31 March 2020</i>			
Investment properties	41,366,194	26,569,000	67,935,194
Financial assets at fair value through profit or loss	-	1,553,136	1,553,136

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 31 March 2021</i>				
Financial assets at fair value though profit or loss	1,510,721	98,547	-	1,609,268
<i>As at 31 December 2020 (Audited)</i>				
Financial assets at fair value though profit or loss	1,587,028	(76,307)	-	1,510,721
<i>As at 31 March 2020</i>				
Financial assets at fair value though profit or loss	1,587,028	(33,892)	-	1,553,136
	<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 2021</i>				
Investment properties	26,020,000	-	2,280	26,022,280
<i>As at 31 December 2020 (Audited)</i>				
Investment properties	26,569,000	(602,400)	53,400	26,020,000
<i>As at 31 March 2020</i>				
Investment properties	26,569,000	-	-	26,569,000

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13 FAIR VALUE MEASUREMENT (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, 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 *	15%-60%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 103,571.

* 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 31 March 2021</i>				
Segment revenue	298,610	948,369	838,433	2,085,412
Unrealised gain on financial assets at fair value through profit or loss	-	98,547	-	98,547
Finance costs	-	(74,855)	(29,513)	(104,368)
Other expenses	(72,430)	-	(254,346)	(326,776)
Segment results	226,180	972,061	554,574	1,752,815
<i>As at 31 March 2021</i>				
Segment assets	74,804,390	74,352,142	4,499,352	153,655,884
Segment liabilities	12,967,458	10,000,000	3,077,552	26,045,010
	<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 2020 (Audited)</i>				
Segment revenue	874,088	3,113,973	170,992	4,159,053
Change in fair value of investment properties	(1,089,400)	-	-	(1,089,400)
Unrealised loss on financial assets at fair value through profit or loss	-	(76,307)	-	(76,307)
Finance costs	-	(339,820)	(126,822)	(466,642)
Other expenses, net	(272,803)	-	(877,982)	(1,150,785)
Segment results	(488,115)	2,697,846	(833,812)	1,375,919
<i>As at 31 December 2020 (Audited)</i>				
Segment assets	72,244,626	73,421,717	5,099,059	150,765,402
Segment liabilities	11,144,665	10,000,000	3,703,828	24,848,493

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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 31 March 2020</i>				
Segment revenue	318,768	837,567	34,421	1,190,756
Unrealised loss on financial assets at fair value through profit or loss	-	(33,892)	-	(33,892)
Finance costs	-	(109,252)	(20,719)	(129,971)
Other expenses	(76,000)	-	(227,617)	(303,617)
Segment results	242,768	694,423	(213,915)	723,276
<i>At 31 March 2020</i>				
Segment assets	67,935,194	71,590,671	5,802,088	145,327,953
Segment liabilities	5,882,251	10,000,000	3,947,937	19,830,188

15 CONTINGENT LIABILITIES

As at 31 March 2021, the Group has contingent liabilities representing a letter of guarantee of KD 21,399 (31 December 2020: KD 21,399 and 31 March 2020: 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 of KD 8,812,445 (31 December 2020: KD 10,481,762 and 31 March 2020: KD 14,096,109).

17 REVERSAL OF LEGAL CLAIM

During the previous years, the Parent Company recorded a provision for legal claim relating to National Labour Support Tax (NLST) claimed by the Ministry of Finance for the fiscal year 2012. In 2015, the Group raised a legal case against the Ministry of Finance requesting a cancellation of this claim and since that time, the case was under the assessment of the court of litigation. The final verdict was issued by the Court of Cassation on 10 March 2021 in favor of the Group stipulating the cancellation of this claim. Accordingly, based on the final verdict issued, the Group has reversed the excess provision recorded previously of KD 822,191 in the interim condensed consolidated statement of profit or loss for the period then ended.

18 IMPACT OF COVID-19

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

Investment properties

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 2020 still represents the most reliable valuations for the purpose of preparing the interim condensed consolidated financial information as of 31 March 2021 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 31 March 2021, 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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18 IMPACT OF COVID-19 (continued)

Investment properties (continued)

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.

Tenants' receivables

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.

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.

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