

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

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

30 SEPTEMBER 2022

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 2022, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for the three-month and nine-month 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.

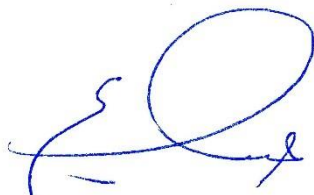
Conclusion

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 2022 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 nine-months period ended 30 September 2022 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

30 October 2022
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 2022

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rental and services income		548,074	345,308	1,315,360	950,296
Property operating expenses		(138,046)	(89,619)	(297,767)	(262,213)
Net rental income		410,028	255,689	1,017,593	688,083
Share of result from associates	7	936,032	855,993	2,903,588	2,619,059
Unrealised (loss) gain on financial assets at fair value through profit or loss		(42,612)	138,282	(134,385)	492,502
Realised loss on sale of financial assets at fair value through profit or loss		-	-	(54,541)	-
Dividend income		-	63,250	-	74,348
Net investment income		893,420	1,057,525	2,714,662	3,185,909
Total operating income		1,303,448	1,313,214	3,732,255	3,873,992
Administrative expenses		(213,798)	(210,863)	(739,631)	(602,973)
Net operating income		1,089,650	1,102,351	2,992,624	3,271,019
Other income		8,279	6,177	11,802	37,175
Finance costs		(278,389)	(84,848)	(437,306)	(283,626)
Reversal of legal claim	4	-	-	-	822,191
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		819,540	1,023,680	2,567,120	3,846,759
Contribution to KFAS		-	(375)	-	(9,091)
NLST		(21,486)	(25,944)	(69,390)	(97,025)
Zakat		252	(1,399)	(10)	(12,938)
PROFIT FOR THE PERIOD		798,306	995,962	2,497,720	3,727,705
BASIC AND DILUTED EARNINGS PER SHARE	5	4.13 fils	5.15 fils	12.91 fils	19.27 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 September 2022

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2022	2021	2022	2021
	KD	KD	KD	KD
Profit for the period	798,306	995,962	2,497,720	3,727,705
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
<i>Foreign currency translation adjustments of an associate</i>	88,306	(40,379)	201,322	(88,566)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	886,612	955,583	2,699,042	3,639,139


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 FINANCIAL
POSITION (UNAUDITED)
As at 30 September 2022

		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
		<i>2022</i>	<i>2021</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Non-current assets				
Property and equipment		204,069	276,712	300,327
Investment properties	6	87,088,110	83,175,515	80,069,980
Investment in associates	7	76,213,493	74,309,550	73,596,901
		<u>163,505,672</u>	<u>157,761,777</u>	<u>153,967,208</u>
Current assets				
Receivable from sublease		-	179,842	445,002
Account receivables and prepayments		543,790	582,914	1,128,625
Financial assets at fair value through profit or loss	16	455,927	1,841,961	2,003,223
Wakala investment deposits		1,500,000	560,000	450,000
Bank balances and cash	8	1,285,927	1,880,407	1,846,865
		<u>3,785,644</u>	<u>5,045,124</u>	<u>5,873,715</u>
TOTAL ASSETS		<u><u>167,291,316</u></u>	<u><u>162,806,901</u></u>	<u><u>159,840,923</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	9	19,448,100	19,448,100	19,448,100
Share premium		5,199,430	5,199,430	5,199,430
Statutory reserve		1,872,577	1,872,577	1,437,410
Voluntary reserve		1,688,946	1,688,946	1,253,779
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		115,956	(85,366)	(114,945)
Retained earnings		57,632,907	56,102,298	56,533,037
Total equity		<u>131,757,153</u>	<u>130,025,222</u>	<u>129,556,048</u>
Non-current liabilities				
Employees' end of service benefits		417,091	342,979	328,867
Account payables and accruals		754,424	599,433	532,858
Murabaha payables	11	30,525,000	27,800,000	24,200,000
		<u>31,696,515</u>	<u>28,742,412</u>	<u>25,061,725</u>
Current liabilities				
Account payables and accruals		3,179,730	3,523,027	3,353,647
Bank overdraft	8	282,918	516,240	369,503
Murabaha payables	11	375,000	-	1,500,000
		<u>3,837,648</u>	<u>4,039,267</u>	<u>5,223,150</u>
Total liabilities		<u>35,534,163</u>	<u>32,781,679</u>	<u>30,284,875</u>
TOTAL EQUITY AND LIABILITIES		<u><u>167,291,316</u></u>	<u><u>162,806,901</u></u>	<u><u>159,840,923</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 September 2022

	<i>Share Capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve 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 2022	19,448,100	5,199,430	1,872,577	1,688,946	(319,250)	46,118,487	(85,366)	56,102,298	130,025,222
Profit for the period	-	-	-	-	-	-	-	2,497,720	2,497,720
Other comprehensive income for the period	-	-	-	-	-	-	201,322	-	201,322
Total comprehensive income for the period	-	-	-	-	-	-	201,322	2,497,720	2,699,042
Dividends (note 9)	-	-	-	-	-	-	-	(967,111)	(967,111)
As at 30 September 2022	19,448,100	5,199,430	1,872,577	1,688,946	(319,250)	46,118,487	115,956	57,632,907	131,757,153
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	-	-	-	-	-	-	-	3,727,705	3,727,705
Other comprehensive loss for the period	-	-	-	-	-	-	(88,566)	-	(88,566)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(88,566)	3,727,705	3,639,139
As at 30 September 2021	19,448,100	5,199,430	1,437,410	1,253,779	(319,250)	46,118,487	(114,945)	56,533,037	129,556,048

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 September 2022

	Notes	<i>Nine months ended</i> <i>30 September</i>	
		2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit for the period before KFAS, NLST and Zakat		2,567,120	3,846,759
Adjustments to reconcile Profit for the period before KFAS, NLST and Zakat to net cash flows:			
Depreciation		69,529	71,013
Share of result of associates	7	(2,903,588)	(2,619,059)
Unrealised loss (gain) on financial assets at fair value through profit or loss		134,385	(492,502)
Realised loss on sale of financial assets at fair value through profit or loss		54,541	-
Dividend income		-	(74,348)
Provision for employees' end of service benefits		80,037	39,465
Interest income		(9,527)	(28,226)
Finance costs		437,306	283,626
Reversal of legal claims	4	-	(822,191)
		429,803	204,537
Working capital adjustments:			
Account receivables and prepayments		39,124	152,104
Account payables and accruals		(214,405)	602,169
		254,522	958,810
Cash flows from operations		254,522	958,810
Employees' end of service benefits paid		(5,925)	(2,856)
Net cash flows from operating activities		248,597	955,954
INVESTING ACTIVITIES			
Additions to furniture and equipment		(12,718)	(17,061)
Additions to investment properties	6	(3,754,733)	(7,186,829)
Return of capital to investment in associates	7	134,943	133,905
Dividends received from associates	7	1,066,024	710,683
Proceeds from sale of financial assets at fair value through profit or loss		1,197,108	-
Net movement in wakala investment deposits		(940,000)	130,000
Interest income received		9,527	28,226
Dividend Received		-	74,348
Lease collection received		179,842	-
Net cash flows used in investing activities		(2,120,007)	(6,126,728)
FINANCING ACTIVITIES			
Dividends paid		(913,038)	(7,460)
Finance costs paid		(429,721)	(283,626)
Lease payments		(246,989)	(63,748)
Murabaha finance facilities available		3,100,000	5,300,000
Net cash flows from financing activities		1,510,252	4,945,166
NET DECREASE IN CASH AND CASH EQUIVALENTS		(361,158)	(225,608)
Cash and cash equivalents at the beginning of the period		1,364,167	1,702,970
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	1,003,009	1,477,362
Non-cash transactions:			
Retention payable		157,862	638,525
Additions to investment properties		(157,862)	(638,525)
Derecognition of right of use assets		15,832	-
Derecognition of lease liability		(15,832)	-

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 September 2022

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 2022 were authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 30 October 2022.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting (AGM) held on 28 March 2022.

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 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 for the nine months ended 30 September 2022 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern. The directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have any effect on the financial performance or financial position of the Group.

4 REVERSAL OF LEGAL CLAIM

In 2015, the Group raised a legal case against the Ministry of Finance requesting the cancellation of National Labour Support Tax (NLST) amounts claimed by the Ministry of Finance for the fiscal year 2012 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.

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted EPS 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 there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

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 2022

5 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>	<i>2021</i>	<i>30 September</i>	<i>2021</i>
	2022	<i>2021</i>	2022	<i>2021</i>
Profit for the period (KD)	798,306	995,962	2,497,720	3,727,705
Weighted average number of shares outstanding (Shares)*	193,423,511	193,423,511	193,423,511	193,423,511
Basic and diluted earnings per share (fils)	4.13 fils	5.15 fils	12.91 fils	19.27 fils

* The weighted average of shares takes into account the weighted average effect of changes in treasury shares during the period.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the issuance of this interim condensed consolidated financial information.

6 INVESTMENT PROPERTIES

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</i>
	KD	<i>KD</i>	<i>KD</i>
As at the beginning of the period / year	83,175,515	72,244,626	72,244,626
Additions	3,912,595	10,605,069	7,825,354
Change in fair value of investment properties	-	325,820	-
As at the end of the period / year	87,088,110	83,175,515	80,069,980

Investment properties are categorized as follows:

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</i>
	KD	<i>KD</i>	<i>KD</i>
Properties under development	61,566,432	57,675,515	54,047,701
Developed properties	25,521,678	25,500,000	26,022,279
As at the end of the period / year	87,088,110	83,175,515	80,069,980

As at 30 September 2022, investment properties with a carrying value of KD 83,266,431 (31 December 2021: KD 79,375,515 and 30 September 2021: KD 75,747,700) is pledged as a security against Murabaha payables of KD 30,900,000 (31 December 2021: KD 27,800,000 and 30 September 2021: KD 25,700,000 (Note 11) and bank overdraft of KD 282,918 (31 December 2021: KD 516,240 and 30 September 2021: KD 369,503) (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 specialized 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 capitalization approach.

The Management believes that there is no significant change in the fair value of investment properties since the latest valuation performed as at 31 December 2021.

Fair value hierarchy disclosures for investment properties are provided in Note 16.

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 30 September 2022

7 INVESTMENT IN ASSOCIATES

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

	30 September 2022	<i>(Audited)</i> 31 December 2021	30 September 2021
	KD	KD	KD
At the beginning of the period / year	74,309,550	71,910,996	71,910,996
Share of results	2,903,588	3,340,472	2,619,059
Return of capital	(134,943)	(172,248)	(133,905)
Dividends received	(1,066,024)	(710,683)	(710,683)
Foreign currency translation adjustments	201,322	(58,987)	(88,566)
	<hr/> 76,213,493 <hr/>	<hr/> 74,309,550 <hr/>	<hr/> 73,596,901 <hr/>

The share of results of an associate for the period ended 30 September 2022 have been recorded based on the management accounts.

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:

	30 September 2022	<i>(Audited)</i> 31 December 2021	30 September 2021
	KD	KD	KD
Bank balances and cash	1,285,927	1,880,407	1,846,865
Less: Bank overdraft	(282,918)	(516,240)	(369,503)
Total cash and cash equivalents	<hr/> 1,003,009 <hr/>	<hr/> 1,364,167 <hr/>	<hr/> 1,477,362 <hr/>

Bank overdraft represent facilities granted by local bank in Kuwaiti Dinars and carries an effective interest rates of 1.25 (31 December 2021: 1.5% and 30 September 2021: 1.5%) per annum over the Central Bank of Kuwait discount rate which is secured against certain investment properties (Note 6).

9 SHARE CAPITAL

	30 September 2022	<i>(Audited)</i> 31 December 2021	30 September 2021
	KD	KD	KD
Authorized, issued and paid up share capital			
194,481,000 shares of 100 fils each (31 December 2021:			
194,481,000 shares of 100 fils each and 30 September 2021			
194,481,000 shares of 100 fils each) fully paid in cash	<hr/> 19,448,100 <hr/>	<hr/> 19,448,100 <hr/>	<hr/> 19,448,100 <hr/>

The Annual General Assembly meeting (“AGM”) of the Parent Company’s shareholders held on 28 March 2022 approved the Board of Directors’ recommendation to distribute cash dividends of 5 fils per share for the year ended 31 December 2021 amounting to KD 967,111 (2020: Nil).

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 30 September 2022

10 TREASURY SHARES

	30 September 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 September 2021 KD
Number of treasury shares	1,057,489	1,057,489	1,057,489
Percentage of ownership	0.54%	0.54%	0.54%
Market value (KD)	289,752	321,477	280,235
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 2022 was 274 fils per share (31 December 2021: 304 fils per share and 30 September 2021: 265 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, mature on various dates, carry an average profit rate of 1.417% (31 December 2021: 1.5% and 30 September 2021: 1.5%) per annum over the Central Bank of Kuwait's discount rate and secured against certain investment properties with carrying value of KD 83,266,431 as at 30 September 2022 (31 December 2021: 79,375,515 and 30 September 2021: KD 75,747,700) (Note 6).

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 30 September</i>		<i>Nine months ended 30 September</i>	
	2022 KD	2021 KD	2022 KD	2021 KD
<i>Interim condensed consolidated statement of profit or loss</i>				
Rent and other expense (included in property operating expenses and administrative expenses) (an associate)	1,125	1,110	3,369	3,334
<i>(Audited)</i>				
	<i>Associate KD</i>	<i>30 September 2022 KD</i>	<i>31 December 2021 KD</i>	<i>30 September 2021 KD</i>
<i>Interim condensed consolidated statement of financial position:</i>				
Amounts due to related party	101,532	101,532	155,617	315,235
Lease liabilities	192,673	192,673	445,829	698,582

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

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 30 September 2022

12 RELATED PARTY DISCLOSURES (continued)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2022	2021	2022	2021
	KD	KD	KD	KD
<i>Compensation of key management personnel:</i>				
Salaries and short-term benefits	39,278	43,011	139,519	126,190
Employees' end of service benefits	7,343	6,322	43,411	18,738
	46,621	49,333	182,930	144,928

On 7 February 2022, the Board of Directors of the Parent Company proposed directors' remuneration of KD 75,000 for the year ended 31 December 2021 (2020: KD 20,000). 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 28 March 2022 approved the board of directors' recommendation to distribute a directors' remuneration of KD 75,000 (2020: KD 20,000).

13 CONTINGENT LIABILITIES

As at 30 September 2022, the Group has contingent liabilities representing letter of guarantee amounting to KD 21,399 (31 December 2021: KD 21,399 and 30 September 2021: 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.

14 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 2,727,751 (31 December 2021: KD 3,687,276 and 30 September 2021: KD 5,375,673).

15 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</i>	<i>Equities and other investing activities</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Period ended 30 September 2022</i>				
Segment revenue	1,315,360	2,714,662	11,802	4,041,824
Segment expenses	(478,691)	(237,808)	(827,605)	(1,544,104)
Segment results	836,669	2,476,854	(815,803)	2,497,720
<i>As at 30 September 2022</i>				
Segment assets	87,088,110	76,669,420	3,533,786	167,291,316
Segment liabilities	22,244,996	10,000,000	3,289,167	35,534,163

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15 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>As at 31 December 2021 (Audited)</i>				
Segment assets	83,175,515	76,151,511	3,479,875	162,806,901
Segment liabilities	19,079,644	10,000,000	3,702,035	32,781,679
<i>Period ended 30 September 2021</i>				
Segment revenue	950,296	3,185,909	859,366	4,995,571
Segment expenses	(262,213)	(227,294)	(778,359)	(1,267,866)
Segment results	688,083	2,958,615	81,007	3,727,705
<i>As at 30 September 2021</i>				
Segment assets	80,069,980	75,600,124	4,170,819	159,840,923
Segment liabilities	16,724,803	10,000,000	3,560,072	30,284,875

16 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 categorized 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 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>As at 30 September 2022</i>			
Investment properties	61,566,432	25,521,678	87,088,110
Financial assets at fair value through profit or loss	-	455,927	455,927
<i>As at 31 December 2021 (Audited)</i>			
Investment properties	57,675,515	25,500,000	83,175,515
Financial assets at fair value through profit or loss	-	1,841,961	1,841,961
<i>As at 30 September 2021</i>			
Investment properties	54,047,701	26,022,279	80,069,980
Financial assets at fair value through profit or loss	-	2,003,223	2,003,223

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16 FAIR VALUE MEASUREMENT (continued)

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>Financial assets at fair value through profit or loss</i>				
30 September 2022	1,841,961	(134,385)	(1,251,649)	455,927
31 December 2021 (Audited)	1,510,721	331,240	-	1,841,961
30 September 2021	1,510,721	492,502	-	2,003,223
<i>Investment properties</i>				
30 September 2022	25,500,000	-	21,678	25,521,678
31 December 2021 (Audited)	26,020,000	(523,180)	3,180	25,500,000
30 September 2021	26,020,000	-	2,279	26,022,279

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 *	20%-50%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 20,014.

* 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:

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.