

Interim Condensed Consolidated Financial Information and Review Report

**Injazzat Real Estate Development Company K.P.S.C. and
Subsidiaries**

Kuwait

30 September 2018 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Injazzat Real Estate Development Company K.P.S.C.
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Injazzat Real Estate Development Company K.P.S.C. (the “Parent Company”) and its Subsidiaries (collectively the “Group”) as at 30 September 2018 and the related interim condensed consolidated statement of profit or loss for the three-month and nine-month periods then ended, interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim 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 International Accounting Standard 34, “Interim Financial Reporting”.

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 the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2018 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
28 October 2018

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Nine months ended	
		30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
REVENUE					
Rental income		1,020,811	712,232	3,387,959	2,785,776
Gain on sale of investment properties	7	-	-	523,978	1,629,529
Gain on sale of financial assets at FVTPL		194,367	-	793,294	-
Dividend income from financial assets at FVTPL		167,950	-	431,564	-
Dividend income from financial assets available for sale		-	489,733	-	612,496
Management and placement fees		18,356	74,832	254,756	288,293
Share of results of associates	8	186,831	171,240	663,031	1,165,656
Foreign exchange gain/(loss)		22,715	(18,270)	8,474	(129,168)
Other income, net		70,695	94,754	269,455	292,701
		1,681,725	1,524,521	6,332,511	6,645,283
EXPENSES AND OTHER CHARGES					
Real estate operating costs		(285,151)	(255,536)	(805,886)	(672,832)
Staff costs		(154,509)	(190,829)	(506,147)	(582,689)
Depreciation		(7,775)	(3,405)	(12,869)	(10,040)
General and administrative expenses		(57,923)	(62,519)	(223,558)	(203,954)
Consultancy and professional fees		(38,481)	(23,407)	(115,158)	(74,139)
Finance costs		(570,377)	(584,738)	(1,776,607)	(1,711,388)
		1,114,216	(1,120,434)	(3,440,225)	(3,255,042)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
		567,509	404,087	2,892,286	3,390,241
KFAS		(6,698)	(2,903)	(25,485)	(25,294)
NLST		(19,107)	(10,118)	(71,857)	(83,788)
Zakat		(7,643)	(4,047)	(28,743)	(33,515)
Profit for the period		534,061	387,019	2,766,201	3,247,644
Attributable to:					
Owners of the Parent Company		534,680	387,638	2,705,623	3,249,496
Non-controlling interests		(619)	(619)	60,578	(1,852)
Profit for the period		534,061	387,019	2,766,201	3,247,644
Basic and diluted earnings per share attributable to the owners of the Parent Company					
	5	1.59 Fils	1.15 Fils	8.04 Fils	9.63 Fils

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
Profit for the period	534,061	387,019	2,766,201	3,247,644
Other comprehensive income:				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Financial assets available for sale:				
- Net changes in fair value of AFS (IAS 39)	-	21,505	-	72,282
Foreign currency translation:				
- Exchange differences arising on translation of foreign operations	32,550	83,226	(28,014)	214,908
Total other comprehensive income/(loss) for the period	32,550	104,731	(28,014)	287,190
Total comprehensive income for the period	566,611	491,750	2,738,187	3,534,834
Total comprehensive income attributable to:				
Owners of the Parent Company	567,230	492,369	2,677,609	3,536,686
Non-controlling interests	(619)	(619)	60,578	(1,852)
Total comprehensive income for the period	566,611	491,750	2,738,187	3,534,834

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Assets				
Cash and bank balances		10,534,984	6,032,705	8,589,464
Accounts receivable and other assets	6	6,348,724	6,219,413	8,637,076
Financial assets available for sale		-	10,891,376	5,884,018
Financial assets at fair value through profit or loss		9,564,319	-	-
Investment properties	7	61,779,912	65,109,210	53,260,360
Investment in associates	8	21,994,957	25,608,949	28,637,005
Property and equipment		67,667	30,818	34,033
Total assets		110,290,563	113,892,471	105,041,956
Equity and liabilities				
Equity				
Share capital		34,564,860	34,564,860	34,564,860
Share premium		2,869,130	2,869,130	2,869,130
Statutory reserve		8,411,283	8,411,283	8,032,161
Voluntary reserve		4,205,643	4,205,643	4,016,082
Treasury shares	9	(922,378)	(865,740)	(865,740)
Treasury shares reserve		4,396,905	4,396,905	4,396,905
Foreign currency translation reserve		1,400,292	1,428,306	1,816,397
Fair value reserve		-	100,614	88,476
Retained earnings		6,008,072	4,890,904	5,172,197
Equity attributable to owners of the Parent Company		60,933,807	60,001,905	60,090,468
Non-controlling interests		84,067	2,772,053	86,641
Total equity		61,017,874	62,773,958	60,177,109
Liabilities				
Accounts payable and other liabilities	10	9,305,530	5,751,354	5,897,688
Bank loans	11	39,967,159	45,367,159	38,967,159
Total liabilities		49,272,689	51,118,513	44,864,847
Total equity and liabilities		110,290,563	113,892,471	105,041,956



Faisal Fahad Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Chief Executive Officer

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to owners of the Parent Company											
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares Reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2018 (Audited)	34,564,860	2,869,130	8,411,283	4,205,643	(865,740)	4,396,905	1,428,306	100,614	4,890,904	60,001,905	2,772,053	62,773,958
Effect on adoption of IFRS 9 (Note 3)	-	-	-	-	-	-	-	(100,614)	100,614	-	-	-
Balance as at 1 January 2018 (restated)	34,564,860	2,869,130	8,411,283	4,205,643	(865,740)	4,396,905	1,428,306	-	4,991,518	60,001,905	2,772,053	62,773,958
Gain on acquiring additional interest in a subsidiary (note 4)	-	-	-	-	-	-	-	-	330,564	330,564	(2,748,564)	(2,418,000)
Purchase of treasury shares	-	-	-	-	(56,638)	-	-	-	-	(56,638)	-	(56,638)
Cash dividends (note 12)	-	-	-	-	-	-	-	-	(2,019,633)	(2,019,633)	-	(2,019,633)
Total transactions with owners	-	-	-	-	(56,638)	-	-	-	(1,689,069)	(1,745,707)	(2,748,564)	(4,494,271)
Profit for the period	-	-	-	-	-	-	-	-	2,705,623	2,705,623	60,578	2,766,201
Other comprehensive loss for the period	-	-	-	-	-	-	(28,014)	-	-	(28,014)	-	(28,014)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(28,014)	-	2,705,623	2,677,609	60,578	2,738,187
Balance as at 30 September 2018	34,564,860	2,869,130	8,411,283	4,205,643	(922,378)	4,396,905	1,400,292	-	6,008,072	60,933,807	84,067	61,017,874

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited) (continued)

	Equity attributable to owners of the Parent Company										Total KD	
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub- total KD		Non- controlling interests KD
Balance as at 1 January 2017 (Audited)	34,564,860	2,869,130	8,032,161	4,016,082	(865,338)	4,396,905	1,601,489	16,194	3,609,085	58,240,568	88,493	58,329,061
Purchase of treasury shares	-	-	-	-	(402)	-	-	-	-	(402)	-	(402)
Cash dividend	-	-	-	-	-	-	-	-	(1,686,384)	(1,686,384)	-	(1,686,384)
Total transactions with owners	-	-	-	-	(402)	-	-	-	(1,686,384)	(1,686,786)	-	(1,686,786)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	3,249,496	3,249,496	(1,852)	3,247,644
Other comprehensive income for the period	-	-	-	-	-	-	214,908	72,282	-	287,190	-	287,190
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	214,908	72,282	3,249,496	3,536,686	(1,852)	3,534,834
Balance as at 30 September 2017	34,564,860	2,869,130	8,032,161	4,016,082	(865,740)	4,396,905	1,816,397	88,476	5,172,197	60,090,468	86,641	60,177,109

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		2,892,286	3,390,241
Adjustments for:			
Gain on sale of financial assets at FVTPL		(793,294)	-
Dividend income from financial assets at FVTPL		(431,564)	-
Dividend income from financial assets available for sale		-	(612,496)
Gain on sale of investment properties	7	(523,978)	(1,629,529)
Share of results of associates	8	(663,031)	(1,165,656)
Depreciation		12,869	10,040
Interest income		(212,282)	(291,239)
Finance costs		1,776,607	1,711,388
		2,057,613	1,412,749
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(73,870)	(1,123,150)
Accounts payable and other liabilities		2,917,531	(272,077)
Net cash from operating activities		4,901,274	17,522
INVESTING ACTIVITIES			
Additions to property and equipment		(49,718)	(17,472)
Additions to financial assets available for sale		-	(398,286)
Proceeds from redemption of financial assets at FVTPL		77,271	-
Proceeds from sale of financial assets at FVTPL		2,043,167	-
Proceeds from redemption of financial assets available for sale		-	2,345,739
Additions to investment properties	7	(8,607,247)	(3,051,377)
Proceeds on sale of investment properties	7	12,460,523	8,296,764
Dividend received from associate	8	371,031	245,000
Purchase of investment in associates	8	(574,318)	(994,182)
Capital redemption of investment in associates	8	4,321,212	941,052
Dividend income received from financial assets at FVTPL		431,564	-
Dividend income received from financial assets available for sale		-	612,496
Acquisition of subsidiary	4	(2,418,000)	-
Interest income received		156,841	239,429
Net cash from investing activities		8,212,326	8,219,163
FINANCING ACTIVITIES			
Bank loans obtained		-	1,820,000
Bank loans paid		(5,400,000)	(2,820,000)
Finance costs paid		(1,192,995)	(1,141,357)
Cash dividend paid		(1,961,688)	(1,617,829)
Purchase of treasury shares		(56,638)	(402)
Net cash used in financing activities		(8,611,321)	(3,759,588)
Increase in cash and cash equivalents		4,502,279	4,477,097
Cash and cash equivalents at beginning of the period		6,032,705	4,112,367
Cash and cash equivalents at end of the period		10,534,984	8,589,464

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the Parent Company

Injazzat Real Estate Development Company (“the Parent Company”) is a Kuwaiti Public Shareholding Company was established on 9 August 1998 and listed on the Kuwait Stock Exchange on 17 June 2002. The Parent Company is primarily engaged in the following activities:

- Ownership, purchasing, sale and development of all kinds of investment properties with exception to residential properties inside and outside the state of Kuwait for the benefit of the Parent Company and on the behalf of others.
- Ownership and sale of financial assets, bonds relating to real estate companies for the benefit of the Parent Company alone inside and outside the State of Kuwait.
- Preparation and delivery of studies relating to real estate activities.
- Maintenance activities relating to the properties owned by the Parent Company including civil, mechanical, electrical works and all required works to sustain the state of the properties.
- Organisation of real estate conventions relating to the Parent Company’s projects in accordance with the regulations set out by the Ministry of Commerce.
- Hosting auctions.
- Ownership of malls and residential complexes and managing them.
- Ownership of hotels, health clubs, tourism related facilities and leasing and releasing them.
- Management, operating and leasing all types of investment properties.
- Establishment and management of real estate investment funds.
- It is permitted for the Parent Company to invest in managed funds managed by specialized managers.

The Parent Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The Parent Company has the right to establish, participate in or acquire such institutions.

The Group comprises Injazzat Real Estate Development Company K.P.S.C. and its subsidiaries listed in note 4.

The Parent Company’s registered address is PO Box 970, Safat 13010, State of Kuwait.

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2018 were authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 28 October 2018.

2 Basis of presentation

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the Parent Company.

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the changes described in note 3.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. In addition, results for the nine-months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11: Construction Contracts, IAS 18: Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Upon adoption of IFRS 15, the Group will apply the cumulative effect approach by retrospectively adjusting opening retained earnings as of January 1, 2018 and will not restate prior periods.

As the Group's revenue is mainly arising from the rental income and related services generated from the operating leases, the adoption of this standard did not result in any change in accounting policies of the Group and does not have any material effect on the Group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 effective from 1 January 2018. IFRS 9 brings together the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group has not restated comparative information for the financial year 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for the period ended 30 September 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 September 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), Amortised Cost (AC), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

With respect to receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model which is to hold the financial asset to collect the contractual cash flows which meets the SPPI criterion, these instruments shall be classified as at amortised cost under IFRS 9. Therefore, reclassification for these instruments is not required on initial adoption of IFRS 9.

Financial assets at FVTPL comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to these equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings as at 1 January 2018.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, the measurement of receivables under IFRS 9 does not have a material impact on interim condensed consolidated statement of profit or loss for the Group.

The Group considers a financial asset in default when contractual payment are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(c) Hedge accounting

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing in any derivative instruments.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such investment in associates (arising from the financial instruments held by these entities), tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
- b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
 - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

The impact of this change in accounting policy as at 1st January 2018 is as follows

	<i>Retained earnings</i> KD	<i>Fair value reserve</i> KD
Closing balance under IAS 39 (31 December 2017)	4,890,904	100,614
<i>Impact on reclassification and re-measurements:</i>		
Financial assets reclassified from AFS to FVTPL	100,614	(100,614)
Opening balance under IFRS 9 on date of initial application at 1 January 2018	<u>4,991,518</u>	<u>-</u>

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	<i>Original classification</i> <i>under IAS 39</i>	<i>New classification</i> <i>under IFRS 9</i>	<i>Original carrying amount under</i> <i>IAS 39</i> KD	<i>Transition adjustments</i> KD	<i>New carrying amount under</i> <i>IFRS 9</i> KD
Cash and bank balances	Loans and receivables	Amortised cost	6,032,705	-	6,032,705
Accounts receivable and other assets	Loans and receivables	Amortised cost	5,649,813	-	5,649,813
Financial assets available for sale	Financial assets AFS	Financial assets at FVTPL	10,891,376	(10,891,376)	-
Financial assets at fair value through profit or loss	Financial assets at FVTPL	Financial assets at FVTPL	-	10,891,376	10,891,376
Total financial assets			<u>22,573,894</u>	<u>-</u>	<u>22,573,894</u>

The adoption of the ECL requirements of IFRS 9 did not have a material impact on the Group.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing with any derivative instruments.

Notes to the interim condensed consolidated financial information (continued)

4 Subsidiary companies

Details of subsidiaries and the Group's ownership are set out below:

Name of subsidiary	Country of incorporation	Ownership percentage			Principal activities
		30 Sept. 2018 (Unaudited)	31 Dec. 2017 (Audited)	30 Sept. 2017 (Unaudited)	
Injazzat Entertainment Enterprises – K.S.C. (Closed)	Kuwait	99%	99%	99%	Entertainment and Tourism Projects
Injazzat Real Estate – France	France	100%	100%	100%	Real Estate
Dhow Real Estate Company - B.S.C. (Closed)	Bahrain	100%	100%	100%	Real Estate
Al-Dhow International Real Estate Company – K.S.C. (Closed)	Kuwait	99%	99%	99%	Real Estate
Al Mal and Aqar Joint Project Company – W.L.L.	Kuwait	100%	100%	100%	Real Estate
Al Quoz International General Trading and Contracting Company – W.L.L.	Kuwait	60%	60%	60%	General Trading and Contracting
Injazzat Lusail Company – W.L.L.	Kuwait	99%	99%	99%	General Trading and Contracting
Amwaj Real Estate Development Company – K.S.C. (Closed)	Kuwait	99%	99%	99%	Real Estate
Al Bateel Real Estate Company – L.L.C.	UAE	100%	100%	100%	Real Estate
Injazzat S.A.R.L.	Luxemburg	100%	100%	100%	Real Estate
Al Barsha Real Estate Company - K.S.C. (Closed)	Kuwait	100%	70%	-	Real Estate

- a) On 16 April 2018, the Group acquired an additional 30% equity interest in Al Barsha Real Estate Company – KSC for a total consideration of KD2,418,000 ownership interest in the subsidiary. The Group recognised the difference of KD330,564 between the fair value of consideration paid and the share of net assets acquired directly in equity (attributable to the Owners of the Parent Company) as follows:

	Total KD
Cash and bank balances	621,859
Accounts receivable and other assets	303,945
Investment properties	11,936,545
Total assets	12,862,349
Accounts payable and other liabilities	300,468
Term loan	3,400,000
Total liabilities	3,700,468
Net assets	9,161,881
Fair value of purchase consideration	2,418,000
Share of net assets acquired	(2,748,564)
Gain on acquiring additional interest recognised in equity	(330,564)

Notes to the interim condensed consolidated financial information (continued)

4 Subsidiary companies (continued)

- b) The financial year end of all the above subsidiaries is 31 December except for Injazzat Real Estate – (France) which has a financial year end of 30 September.
- c) 34.5% of the total ownership of the Group in Al Barsha Real Estate Company K.S.C (Closed) is secured against the bank loans (note 11).

5 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2018	30 Sept. 2017	30 Sept. 2018	30 Sept. 2017
Profit for the period attributable to the owners of the Parent Company (KD)	534,680	387,638	2,705,623	3,249,496
Weighted average number of the outstanding shares (excluding treasury shares)	336,605,457	337,275,128	336,699,963	337,271,776
Basic and diluted earnings per share attributable to the owners of the Parent Company	1.59 Fils	1.15 Fils	8.04 Fils	9.63 Fils

As there are no outstanding dilutive instrument, basic and diluted earnings per share are identical.

6 Accounts receivable and other assets

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Financial assets			
Due from associate company (note 13)	92,226	25,015	2,488,576
Due from other related parties (note 13)	241,468	242,228	241,507
Due on sale of investment properties (refer below)	3,927,823	3,909,915	3,915,235
Advance payment to purchase investment property	-	825,293	-
Other financial assets	729,250	647,362	726,822
	4,990,767	5,649,813	7,372,140
Non-financial assets			
Advances to contractors	456,716	2,965	2,965
Prepayments and other assets	901,241	566,635	1,261,971
	1,357,957	569,600	1,264,936
	6,348,724	6,219,413	8,637,076

Due on sale of investment properties of KD3,927,823 (31 December 2017: KD3,909,915 and 30 September 2017: KD3,915,235) represents receivable from a related party and carries effective interest rate of 5.5% (31 December 2017: 5.25% and 30 September 2017: 5.25%) per annum.

Notes to the interim condensed consolidated financial information (continued)

7 Investment properties

The movement in investment properties during the period/year is as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
At 1 January	65,109,210	56,876,218	56,876,218
Additions	8,607,247	3,705,069	3,051,377
Arising from acquisition of a subsidiary	-	11,936,545	-
Disposals	(11,936,545)	(6,667,235)	(6,667,235)
Change in fair value	-	(350,964)	-
Foreign currency translation adjustments	-	(390,423)	-
	61,779,912	65,109,210	53,260,360

- a) The fair value of the investment properties was determined as at 31 December 2017 by independent valuers who are specialized in valuing these types of properties. Valuation of the Group's investment properties portfolio is performed on the annual basis as management believes that there are no significant circumstance that have arisen during the period, which may have significant impact on fair value.
- b) Investment properties with a carrying value of KD22,198,018 (31 December 2017: KD34,134,563 and 30 September 2017: KD22,640,446) are secured against the bank loans (note 11)
- c) During the period, the Group has disposed investment property with a carrying value of KD11,936,545 (31 December 2017: KD6,667,235 and 30 September 2017: KD6,667,235) for net consideration of KD12,460,523 (31 December 2017: KD8,296,764 and 30 September 2017: KD8,296,764) which resulted in a gain on sale of investment properties of KD523,978 (31 December 2017: KD1,629,529 and 30 September 2017: KD1,629,529).

8 Investment in associates

The movement in investment in associates is as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
At 1 January	25,608,949	27,677,215	27,677,215
Additions	574,318	1,094,881	994,182
Disposals	-	(3,133,831)	-
Return of capital	(4,321,212)	(1,126,282)	(941,052)
Dividends	(371,031)	(619,806)	(245,000)
Share of results for the period/year	663,031	1,880,036	1,165,656
Foreign currency translation adjustment	(159,098)	(163,264)	(13,996)
	21,994,957	25,608,949	28,637,005

As at 30 September 2018, investment in associates with a carrying value of KD17,436,813 (31 December 2017: KD16,948,452 and 30 September 2017: KD16,696,618) are secured against certain bank loans (note 11).

Notes to the interim condensed consolidated financial information (continued)

9 Treasury shares

The details of treasury shares are as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Cost – KD	922,378	865,740	865,740
Number of treasury shares	9,043,143	8,376,824	8,376,824
Percentage of capital	2.62%	2.42%	2.42%
Market value – KD	723,451	645,015	696,114

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

10 Accounts payable and other liabilities

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Accounts payable	1,816,010	1,064,050	933,838
Accrued expenses	2,202,801	1,836,612	2,021,706
Advance payment (see below)	2,480,730	-	-
Due to associate company (note 13)	923,496	1,060,776	1,035,878
Customer advances	419,328	369,393	628,592
Other liabilities	1,463,165	1,420,523	1,277,674
	9,305,530	5,751,354	5,897,688

During the period, the Group signed an agreement to sell one of its properties under development located in the UAE and received an advance payment of KD2,480,730 representing 25% of the total sale consideration. According to the agreement's conditions, the sale will be finalised on the completion of the property's development by a certain date in 2019. Accordingly, the sale has not been recognised in this interim condensed consolidated financial information.

11 Bank loans

	<i>Effective interest Rate</i>	<i>Security</i>	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Local bank – Kuwaiti Dinar	CBK discount rate + 1.5% to 3%	Secured	39,967,159	45,367,159	38,967,159

The loans are due for repayment as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Within one year	2,500,000	2,000,000	2,000,000
Over one year	37,467,159	43,367,159	36,967,159
	39,967,159	45,367,159	38,967,159

The loans are secured by certain investment properties, investments in associates and subsidiaries (notes 4, 7 and 8). Bank loans are payable on various instalments ending on 15 July 2024.

Notes to the interim condensed consolidated financial information (continued)

12 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 20 March 2018 approved the consolidated financial statements for the year ended 31 December 2017 and directors' proposal to distribute cash dividend of 6 Fils per share amounting of KD 2,019,633 for the year ended 31 December 2017 (31 December 2016: KD 1,686,384) and directors' remuneration of KD 105,000 (2016: KD 101,500) for the year then ended.

13 Related party transactions

Related parties represent the major shareholders, associates, directors, entities under common control and key management personnel of the Group and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from associate company (note 6)	92,226	25,015	2,488,576
Due from other related parties (note 6)	241,468	242,228	241,507
Due on sale of investment property (note 6)	3,927,823	3,909,915	3,915,235
Due to associate company (note 10)	923,496	1,060,776	1,035,878

Due from/to other related parties represents entities under common control.

Transactions included in the interim condensed consolidated statement of profit or loss:

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2018 KD	30 Sept. 2017 KD	30 Sept. 2018 KD	30 Sept. 2017 KD
Interim condensed consolidated statement of profit or loss:				
Interest income on accounts receivable	55,383	94,438	161,096	281,237
Management and placement fees	9,246	23,247	27,615	134,832
Key management compensation:				
Salaries and short-term benefits	101,948	81,108	301,094	255,792
Employees' end of service benefits	12,115	8,871	36,346	30,829

14 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Notes to the interim condensed consolidated financial information (continued)

14 Fair value measurement (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and bank balances	10,534,984	6,032,705	8,589,464
Accounts receivable and other assets	4,990,767	5,649,813	7,372,140
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	9,564,319	-	-
Financial assets available for sale at fair value:			
Financial assets available for sale	-	104,845	92,936
	25,090,070	11,787,363	16,054,540
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	8,886,202	5,381,961	5,897,688
Bank loans	39,967,159	45,367,159	38,967,159
	48,853,361	50,749,120	44,864,847

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 3 KD	Total KD
30 September 2018		
Financial assets at fair value through profit or loss:		
Special purposes real estate entities	907,160	907,160
Unquoted real estate equity investments	3,650,426	3,650,426
Debt financing	5,006,733	5,006,733
	9,564,319	9,564,319
31 December 2017		
Financial assets available for sale:		
Special purposes real estate entities	64,311	64,311
Unquoted real estate equity investments	40,534	40,534
	104,845	104,845
30 September 2017		
Financial assets available for sale:		
Special purposes real estate entities	64,311	64,311
Unquoted real estate equity investments	28,625	28,625
	92,936	92,936

Notes to the interim condensed consolidated financial information (continued)

14 Fair value measurement (continued)

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

As at 31 December 2017 and 30 September 2017, the fair value of financial assets available for sale, with exception for certain investments carried at cost less impairment, are classified under level 3.

There were no transfers in fair value measurement within the fair value hierarchy during the period ended 30 September 2018.

The Group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Opening balance	104,845	572,604	572,604
IFRS 9 adjustments	10,786,531	-	-
Net purchase, transferred sales	(1,327,057)	(530,675)	(530,446)
Gains or losses recognised in:			
- Other comprehensive income	-	62,916	50,778
Closing balance	9,564,319	104,845	92,936

The impact on the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of profit or loss would be immaterial if the relevant risk variables used to fair value the unquoted securities and unquoted funds managed by external fund managers were altered by 5%.

Notes to the interim condensed consolidated financial information (continued)

15 Segmental information

For management purposes, the Group's activities are concentrated in real estate investments. The Group's activities are concentrated in two main segments: Domestic (Kuwait) and International (Kingdom of Bahrain, United Arab Emirates, Saudi Arabia, Qatar, Europe and USA). The Group's segments information are as follows:

	30 September 2018 (Unaudited)			30 September 2017 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Rental income	322,935	3,065,024	3,387,959	432,135	2,353,641	2,785,776
Gain on sale of investment properties	-	523,978	523,978	-	1,629,529	1,629,529
Gain on sale of financial assets at FVTPL	-	793,294	793,294	-	-	-
Distribution income from financial assets at FVTPL	-	431,564	431,564	-	-	-
Distribution income from financial assets available for sale	-	-	-	-	612,496	612,496
Management and placement fees	9,850	244,906	254,756	15,000	273,293	288,293
Share of results of associates	(63,137)	726,168	663,031	679,006	486,650	1,165,656
Foreign exchange gain/(loss)	8,474	-	8,474	(129,168)	-	(129,168)
Other income, net	212,282	57,173	269,455	294,809	(2,108)	292,701
Total income	490,404	5,842,107	6,332,511	1,291,782	5,353,501	6,645,283
Real estate operating costs	(69,521)	(736,365)	(805,886)	(50,479)	(622,353)	(672,832)
Staff costs	(506,147)	-	(506,147)	(582,689)	-	(582,689)
Depreciation	(3,720)	(9,149)	(12,869)	(6,369)	(3,671)	(10,040)
General and administrative expenses	(223,558)	-	(223,558)	(203,954)	-	(203,954)
Consultancy and professional fees	(83,509)	(31,649)	(115,158)	(70,464)	(3,675)	(74,139)
Finance costs	(1,775,891)	(716)	(1,776,607)	(1,710,595)	(793)	(1,711,388)
KFAS, NLSST and Zakat	(126,085)	-	(126,085)	(142,597)	-	(142,597)
Total expenses and other charges	(2,788,431)	(777,879)	(3,566,310)	(2,767,147)	(630,492)	(3,397,639)
(Loss)/profit for the period	(2,298,027)	5,064,228	2,766,201	(1,475,365)	4,723,009	3,247,644
Total assets	26,472,253	83,818,310	110,290,563	26,383,938	78,658,018	105,041,956
Total liabilities	43,754,335	5,518,354	49,272,689	43,440,016	1,424,831	44,864,847