

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 2020 (UNAUDITED)**

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Injazzat Real Estate Development Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively the “Group”) as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for three-month and six-month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-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*

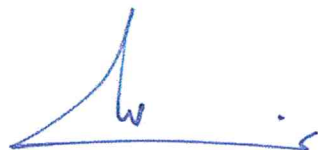
We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 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 accounts 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, as amended, have occurred during the six-month period ended 30 June 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



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

5 August 2020  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(UNAUDITED)

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 KD	2019 KD	2020 KD	2019 KD
<b>INCOME</b>					
Rental income		695,097	798,320	1,480,546	1,662,797
Valuation loss from investment properties		(60,000)	-	(60,000)	-
(Loss) gain on sale of financial assets at fair value through profit or loss		(53,935)	(24,897)	89,309	1,176,590
Distribution income from financial assets at fair value through profit or loss		88,103	174,543	174,103	230,174
Management fees		187,041	624,039	203,801	639,657
Share of results of associates	5	163,911	167,900	288,380	429,338
Other income, net		(4,433)	50,881	42,515	148,040
Net foreign exchange differences		310,330	(113,001)	339,434	(70,346)
		<u>1,326,114</u>	<u>1,677,785</u>	<u>2,558,088</u>	<u>4,216,250</u>
<b>EXPENSES</b>					
Real estate operating costs		(188,864)	(291,872)	(387,926)	(658,482)
Staff costs		(154,398)	(178,380)	(336,977)	(358,331)
Depreciation expense		(42,912)	(33,390)	(82,973)	(66,489)
Administrative expenses		(26,126)	(75,639)	(74,033)	(163,006)
Consultancy and professional fees		(32,172)	(26,530)	(61,521)	(55,027)
Finance costs		(413,619)	(538,944)	(926,683)	(1,092,402)
		<u>(858,091)</u>	<u>(1,144,755)</u>	<u>(1,870,113)</u>	<u>(2,393,737)</u>
<b>Profit before tax</b>		<b>468,023</b>	<b>533,030</b>	<b>687,975</b>	<b>1,822,513</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(4,212)	(4,767)	(6,192)	(16,409)
National Labour Support Tax (NLST)		(12,200)	(13,742)	(18,199)	(46,580)
Zakat		(4,880)	(5,497)	(7,280)	(18,632)
<b>PROFIT FOR THE PERIOD</b>		<b>446,731</b>	<b>509,024</b>	<b>656,304</b>	<b>1,740,892</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		446,731	509,438	656,304	1,741,570
Non-controlling interests		-	(414)	-	(678)
<b>PROFIT FOR THE PERIOD</b>		<b>446,731</b>	<b>509,024</b>	<b>656,304</b>	<b>1,740,892</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	3	<u>1.3 Fils</u>	<u>1.51 Fils</u>	<u>2.0 Fils</u>	<u>5.17 Fils</u>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT COMPREHENSIVE INCOME  
 (UNAUDITED)

For the six months ended 30 June 2020


	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>PROFIT FOR THE PERIOD</b>	<b>446,731</b>	<b>509,024</b>	<b>656,304</b>	<b>1,740,892</b>
<b>Other comprehensive income (loss)</b>				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Share of other comprehensive loss of associates	250,627	(30,868)	278,075	(49,923)
Net exchange differences on translation of foreign operations	(265,753)	78,615	(296,666)	103,796
<b>Other comprehensive (loss) income for the period</b>	<b>(15,126)</b>	<b>47,747</b>	<b>(18,591)</b>	<b>53,873</b>
<b>Total comprehensive income for the period</b>	<b>431,605</b>	<b>556,771</b>	<b>637,713</b>	<b>1,794,765</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	431,605	557,185	637,713	1,795,443
Non-controlling interests	-	(414)	-	(678)
	<b>431,605</b>	<b>556,771</b>	<b>637,713</b>	<b>1,794,765</b>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.



Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 (UNAUDITED)  
 As at 30 June 2020

		30 June 2020 KD	(Audited) 31 December 2019 KD	30 June 2019 KD
<b>ASSETS</b>				
Cash and cash equivalents		2,379,546	2,369,410	1,724,543
Accounts receivable and other assets		5,621,393	5,806,429	7,213,881
Financial assets at fair value through profit or loss		8,907,588	8,429,204	8,690,132
Investment properties	4	60,992,839	60,323,903	67,470,273
Investment in associates	5	21,829,231	22,362,471	23,358,679
Property and equipment		537,208	618,189	533,659
<b>TOTAL ASSETS</b>		<b>100,267,805</b>	<b>99,909,606</b>	<b>108,991,167</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	6.1	34,564,860	34,564,860	34,564,860
Share premium		2,869,130	2,869,130	2,869,130
Statutory reserve		8,842,498	8,842,498	8,842,498
Voluntary reserve		-	4,421,250	4,421,250
Treasury shares	6.2	(1,050,976)	(1,017,932)	(1,007,601)
Treasury shares reserve		4,396,905	4,396,905	4,396,905
Foreign currency translation reserve		1,460,356	1,478,947	1,509,774
Fair value reserve		(712,709)	(712,709)	(712,709)
Retained earnings (Accumulated losses)		2,498,169	(2,579,385)	6,055,555
<b>Equity attributable to equity holders of the Parent Company</b>		<b>52,868,233</b>	<b>52,263,564</b>	<b>60,939,662</b>
Non-controlling interests		-	-	84,570
<b>TOTAL EQUITY</b>		<b>52,868,233</b>	<b>52,263,564</b>	<b>61,024,232</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities		7,382,416	7,878,883	8,399,776
Loans and borrowings	8	40,017,156	39,767,159	39,567,159
<b>TOTAL LIABILITIES</b>		<b>47,399,572</b>	<b>47,646,042</b>	<b>47,966,935</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>100,267,805</b>	<b>99,909,606</b>	<b>108,991,167</b>

  
 Dr. Abdulmohsen Medejj Mohammad AlMedejj  
 Chairman

  
 Mohammad Ibrahim Al-Farhan  
 Chief Executive Officer

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

**Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the six months ended 30 June 2020

*Attributable to equity holders 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	(Accumulated losses) / Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
As 1 January 2020 (Audited)	34,564,860	2,869,130	8,842,498	4,421,250	(1,017,932)	4,396,905	1,478,947	(712,709)	(2,579,385)	52,263,564	-	52,263,564
Profit for the period	-	-	-	-	-	-	-	-	656,304	656,304	-	656,304
Other comprehensive loss for the period	-	-	-	-	-	-	(18,591)	-	-	(18,591)	-	(18,591)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(18,591)	-	656,304	637,713	-	637,713
Extinguishment of accumulated losses (Note 7)	-	-	-	(4,421,250)	-	-	-	-	4,421,250	-	-	-
Purchase of treasury shares	-	-	-	-	(33,044)	-	-	-	-	(33,044)	-	(33,044)
<b>At 30 June 2020</b>	<b>34,564,860</b>	<b>2,869,130</b>	<b>8,842,498</b>	<b>-</b>	<b>(1,050,976)</b>	<b>4,396,905</b>	<b>1,460,356</b>	<b>(712,709)</b>	<b>2,498,169</b>	<b>52,868,233</b>	<b>-</b>	<b>52,868,233</b>
As 1 January 2019 (Audited)	34,564,860	2,869,130	8,842,498	4,421,250	(922,378)	4,396,905	1,455,901	(712,709)	6,670,223	61,585,680	85,248	61,670,928
Profit for the period	-	-	-	-	-	-	-	-	1,741,570	1,741,570	(678)	1,740,892
Other comprehensive income for the period	-	-	-	-	-	-	53,873	-	-	53,873	-	53,873
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	53,873	-	1,741,570	1,795,443	(678)	1,794,765
Purchase of treasury shares	-	-	-	-	(85,223)	-	-	-	-	(85,223)	-	(85,223)
Cash dividends	-	-	-	-	-	-	-	-	(2,356,238)	(2,356,238)	-	(2,356,238)
<b>At 30 June 2019</b>	<b>34,564,860</b>	<b>2,869,130</b>	<b>8,842,498</b>	<b>4,421,250</b>	<b>(1,007,601)</b>	<b>4,396,905</b>	<b>1,509,774</b>	<b>(712,709)</b>	<b>6,055,555</b>	<b>60,939,662</b>	<b>84,570</b>	<b>61,024,232</b>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
Profit before tax		687,975	1,822,513
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Valuation loss from investment properties		60,000	-
Gain on sale of financial assets at fair value through profit or loss		(89,309)	(1,176,590)
Distribution income from financial assets at fair value through profit or loss		(174,103)	(230,174)
Share of results of associates	5	(288,380)	(429,338)
Depreciation of property and equipment		22,217	11,373
Depreciation of right-of-use assets		60,757	55,116
Interest income		(86,855)	(134,909)
Interest on lease liabilities		12,246	13,657
Interest on debts and borrowings		914,437	1,078,745
		<u>1,118,985</u>	<u>1,010,393</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		(111,630)	(897,122)
Accounts payable and other liabilities		(1,394,067)	(950,810)
		<u>(386,712)</u>	<u>(837,539)</u>
Taxes paid		-	(25,567)
<b>Net cash used in operating activities</b>		<u>(386,712)</u>	<u>(863,106)</u>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment		(1,993)	(8,935)
Proceeds from redemption of financial assets at fair value through profit or loss		157,138	68,101
Proceeds from sale of financial assets at fair value through profit or loss		379,437	2,188,517
Purchase of financial assets at fair value through profit or loss		(925,650)	(48,392)
Capital expenditure incurred on investment properties	4	(728,936)	(2,982,292)
Dividends received from associates	5	-	374,614
Purchase of investment in associates	5	(169,240)	(182,740)
Proceeds from capital redemption of investment in associates	5	1,268,935	159,312
Distribution income received from financial assets at fair value through profit or loss		174,103	230,174
Interest income received		86,855	80,065
		<u>240,649</u>	<u>(121,576)</u>
<b>Net cash from (used in) investing activities</b>		<u>240,649</u>	<u>(121,576)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		250,000	2,100,000
Repayment of loans and borrowings		-	(2,500,000)
Finance costs paid		-	(1,088,212)
Dividends paid to equity holders of the Parent Company		-	(2,226,363)
Purchase of treasury shares		(33,044)	(85,223)
Payment of lease liabilities		(60,757)	(62,244)
		<u>156,199</u>	<u>(3,862,042)</u>
<b>Net cash from (used in) financing activities</b>		<u>156,199</u>	<u>(3,862,042)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		2,369,410	6,571,267
		<u>10,136</u>	<u>(4,846,724)</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<u>2,379,546</u>	<u>1,724,543</u>
<b>NON-CASH ITEMS</b>			
Transitional adjustment to trade and other payables on adoption of IFRS 16 (adjusted with accounts payable and other liabilities)		-	499,805
Transitional adjustment to property and equipment on adoption of IFRS 16 (adjusted with additions to property and equipment)		-	(499,805)
Extinguishment of accumulated losses (adjusted with retained earnings)		(4,421,250)	-
Extinguishment of accumulated losses (adjusted with voluntary reserve)		4,421,250	-

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.



As at and for the period ended 30 June 2020

## 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Injazaat Real Estate Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 5 August 2020.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company's head office is located at Ahmad Tower 19-20 Floor, Arabian Gulf Street, Sharq and its registered postal address is PO Box 970, Safat 13010, State of Kuwait.

The Parent Company's principal objectives comprise the following:

- ▶ 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 specialised managers.

The Parent Company is authorised to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the Parent 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 annual consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 8 June 2020. No dividends have been declared.

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation 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 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

**2.2 New standards, interpretations and amendments adopted by the Group (continued)**

**Amendments to IFRS 3: Definition of a Business**

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

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

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

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

These amendments had no impact on the consolidated financial statements of the Group.

**3 EARNINGS PER SHARE (EPS)**

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on 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.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>446,731</u>	<u>509,438</u>	<u>656,304</u>	<u>1,741,570</u>
Weighted average number of shares outstanding during the period (excluding treasury shares)	<u>335,191,619</u>	<u>336,581,026</u>	<u>335,191,619</u>	<u>336,581,026</u>
<b>Basic and diluted earnings per share (EPS)</b>	<u><u>1.3 Fils</u></u>	<u><u>1.51 Fils</u></u>	<u><u>2.0 Fils</u></u>	<u><u>5.17 Fils</u></u>

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

**4 INVESTMENT PROPERTIES**

The movement in carrying value of investment properties is as follows:

	<b>30 June</b>	<i>(Audited)</i>	<b>30 June</b>
	<b>2020</b>	<b>31 December</b>	<b>2019</b>
	<b>KD</b>	<b>2019</b>	<b>2019</b>
		<i>(Audited)</i>	
		<b>31 December</b>	<b>2019</b>
		<b>2019</b>	<b>2019</b>
		<b>KD</b>	<b>KD</b>
At the beginning of the period/year	<b>60,323,903</b>	64,487,981	64,487,981
Capital expenditure on owned property	<b>728,936</b>	4,519,940	2,982,292
Change in fair value	<b>(60,000)</b>	(8,655,684)	-
Exchange differences	<b>-</b>	(28,334)	-
	<b>60,992,839</b>	60,323,903	67,470,273

- a) The fair value of investment properties was independently determined at 31 December 2019 by accredited independent valuers who are specialised in valuing such type of properties using a mix of income capitalisation method and the market comparison approach considering the nature usage of each property.

For the current period, as a result of the recent outbreak of COVID-19, management acknowledges that there is increased uncertainty to input factors on fair value of investment properties, including capitalisation rates and discount rates, due to a lack of market transactions since early March 2020. Management has made general assumptions to sensitize cash flows based on expected scenarios which are anticipated to occur over the near- and mid-term period. The Group has assessed each of its property classes to determine the level of impact on cash flows after taking into account upcoming quarter rent collection rates, renewal percentages, and the credit quality of its tenant base. It is likely that there will be further cash flow and valuation metric changes in future periods as new information related to the pandemic are understood, including the continued impact on tenants as well as the evolution of government restrictions and travel limitations.

Management believes that the current period was not materially impacted by COVID-19 as rent collections for subsequent months are tracking near-normal and the credit quality of tenants indicate the current assumptions in the Group's cash flows are accurate based on best available information. The Group will continue to assess further the impact on cash flows as well as valuation inputs in the upcoming quarters as there is new information to consider.

- b) Investment properties with a carrying value of KD 16,806,829 (31 December 2019: KD 16,806,879 and 30 June 2019: KD 29,545,124) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 8)

**5 INVESTMENT IN ASSOCIATES**

The movement in investment in associates is as follows:

	<b>30 June</b>	<i>(Audited)</i>	<b>30 June</b>
	<b>2020</b>	<b>31 December</b>	<b>2019</b>
	<b>KD</b>	<b>2019</b>	<b>2019</b>
		<i>(Audited)</i>	
		<b>31 December</b>	<b>2019</b>
		<b>2019</b>	<b>2019</b>
		<b>KD</b>	<b>KD</b>
At the beginning of the period / year	<b>22,362,471</b>	24,230,450	24,230,450
Additions	<b>169,240</b>	243,666	182,740
Return of capital	<b>(1,268,935)</b>	(1,218,070)	(159,312)
Disposals	<b>-</b>	-	(900,000)
Share of results for the period / year	<b>288,380</b>	(393,467)	429,338
Exchange differences	<b>278,075</b>	(125,494)	(49,923)
Dividends received	<b>-</b>	(374,614)	(374,614)
	<b>21,829,231</b>	22,362,471	23,358,679



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

**5 INVESTMENT IN ASSOCIATES (continued)**

As at 30 June 2020, investment in associates with a carrying value of KD 18,677,360 (31 December 2019: KD 19,280,485 and 30 June 2019: KD 19,821,513) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 8).

**6 SHARE CAPITAL AND TREASURY SHARES**

**6.1 Share capital**

At 30 June 2020, the authorised, issued and fully paid-up capital of the Parent Company comprised 345,648,600 (31 December 2019: 345,648,600 and 30 June 2019: 345,648,600) shares of 100 fils each. All shares are paid in cash.

**6.2 Treasury shares**

	<i>30 June</i> <i>2020</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i>	<i>30 June</i> <i>2019</i>
Number of treasury shares	<b>10,785,708</b>	10,286,398	10,151,143
Percentage of issued shares	<b>3.12%</b>	2.98%	2.94%
Cost of treasury shares (KD)	<b>1,050,976</b>	1,017,932	1,007,601
Market value of treasury shares (KD)	<b>830,500</b>	807,482	799,910

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares.

**7 ANNUAL GENERAL ASSEMBLY RESOLUTIONS**

The annual general meeting (AGM) of the shareholders held on 8 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and resolved not to distribute cash dividends or directors' remuneration for the year then ended.

The AGM of the shareholders of the Parent Company held on 6 March 2019 approved the consolidated financial statements for the year ended 31 December 2018, directors' proposal to distribute cash dividends of 7 fils per share amounting of KD 2,356,238 (2017: KD 2,019,633) and directors' remuneration of KD 105,000 (2017: KD 105,000) for the year then ended.

Further, the shareholders of the Parent Company in the AGM resolved to extinguish accumulated losses as at 31 December 2019 amounting to KD 4,421,250.



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

**8 LOANS AND BORROWINGS**

	<i>Currency</i>	<i>Effective interest rate (EIR)</i>	<i>30 June 2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December 2019</i> <i>KD</i>	<i>30 June 2019</i> <i>KD</i>
Secured bank loans	KD	CBK discount rate +1.5% to 2.5%	<b>40,017,156</b>	39,767,159	39,567,159

The loans are due for repayment as follows:

	<i>30 June 2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December 2019</i> <i>KD</i>	<i>30 June 2019</i> <i>KD</i>
Within one year	3,500,000	4,600,000	2,100,000
Over one year	36,517,156	35,167,159	37,467,159
	<b>40,017,156</b>	39,767,159	39,567,159

The loans are secured by certain investment properties and investments in associates (Notes 4 and 5). Bank loans are payable on various instalments ending on 15 July 2024.

**9 RELATED PARTY DISCLOSURES**

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 Parent Company's management.

The following table provides the aggregate amount of transactions and outstanding balances with related parties.

	<i>30 June 2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December 2019</i> <i>KD</i>	<i>30 June 2019</i> <i>KD</i>
<b>Statement of financial position:</b>			
Receivables from associates	18,205	64,102	54,561
Receivables from other related parties	121,716	121,716	121,716
Receivables from sale of investment property	3,826,260	3,926,873	3,928,155
Payables to associates	114,954	205,808	157,326
	<i>Three months ended 30 June 2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>Six months ended 30 June 2020</i> <i>KD</i>
			<i>2019</i> <i>KD</i>
<b>Interim condensed consolidated statement of profit or loss:</b>			
Interest income on accounts receivable	39,907	55,033	86,855
Management fees	1,489	6,953	5,821
	<b>41,396</b>	61,986	<b>92,676</b>
			122,618

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

**9 RELATED PARTY DISCLOSURES (continued)**

**Key management personnel**

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Key management remunerations:</b>				
Salaries and short-term benefits	<b>88,619</b>	102,273	<b>177,239</b>	201,392
Employees' end of service benefits	<b>11,791</b>	13,089	<b>23,582</b>	25,313
	<b>100,410</b>	115,362	<b>200,821</b>	226,705

The Board of Directors of the Parent Company proposed not to distribute any no directors' remuneration for the year ended 31 December 2019 (2018: KD 105,000)

**10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Set out below, is an overview of financial assets, other than cash and bank balances and financial liabilities held by the Group as at 30 June 2020, 31 December 2019 and 30 June 2019:

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Financial assets at amortised cost:</b>			
Accounts receivable and other assets	<b>5,621,393</b>	5,806,429	7,213,881
<b>Financial assets at fair value through profit or loss:</b>			
Unquoted equity securities	<b>8,907,588</b>	8,429,204	8,690,132
<b>Total</b>	<b>14,528,981</b>	14,235,633	15,904,013
<b>Financial liabilities at amortised cost:</b>			
Accounts payable and other liabilities	<b>7,382,416</b>	7,878,883	8,399,776
Loans and borrowings	<b>40,017,156</b>	39,767,159	39,567,159
<b>Total</b>	<b>47,399,572</b>	47,646,042	47,966,935

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

**Fair values**

The following table provides the fair value measurement hierarchy of the Group's financial instruments.

	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices</i>	<i>Significant</i>	<i>Significant</i>
	<i>KD</i>	<i>in active</i>	<i>observable</i>	<i>unobservable</i>
		<i>markets</i>	<i>inputs</i>	<i>inputs</i>
		<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>As at 30 June 2020</i>				
<b>Financial assets at fair value through profit or loss:</b>				
Unquoted equity securities	8,907,588	-	-	8,907,588
<i>As at 31 December 2019 (Audited)</i>				
<b>Financial assets at fair value through profit or loss:</b>				
Unquoted equity securities	8,429,204	-	-	8,429,204
<i>As at 30 June 2019</i>				
<b>Financial assets at fair value through profit or loss:</b>				
Unquoted equity securities	8,690,132	-	-	8,690,132

There were no transfers between Level 1 and Level 2 fair value measurements during the period/ year, and no transfers into or out of Level 3 fair value measurements during the period / year.

The management assessed that the fair values of cash and bank balances, accounts receivable and other assets, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Fair value hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- ▶ 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
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:**

<i>Financial assets at FVTPL</i>	<i>Non-listed equity investments</i>
	<i>KD</i>
<i>30 June 2020</i>	
As at 1 January 2020	8,429,204
Additions	925,650
Sales and capital redemptions	(447,266)
As at 30 June 2020	8,907,588



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

*Fair value hierarchy (continued)*

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

<i>Financial assets at FVTPL</i>	<i>Non-listed equity investments</i>
	<i>KD</i>
<i>31 December 2019</i>	
As at 1 January 2019	9,721,768
Remeasurement recognised in profit or loss	2,261,056
Sales and capital redemptions	(3,553,620)
	<hr/>
As at 31 December 2019	8,429,204
	<hr/> <hr/>
 <i>Financial assets at FVTPL</i>	 <i>Non-listed equity investments</i>
	<i>KD</i>
<i>30 June 2019</i>	
As at 1 January 2019	9,721,768
Remeasurement recognised in profit or loss	1,176,590
Sales and capital redemptions	(2,208,226)
	<hr/>
As at 30 June 2019	8,690,132
	<hr/> <hr/>

Management assessed that the carrying value of financial instruments at amortised cost is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

For assets classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of similar assets; or other valuation techniques. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, there is no material impact on the interim condensed consolidated financial information.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

#### 11 SEGMENT 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 segmental information is as follows:

	<i>Six months ended</i> 30 June 2020 (Unaudited)			<i>Six months ended</i> 30 June 2019 (Unaudited)		
	<i>Domestic</i> KD	<i>International</i> KD	<i>Total</i> KD	<i>Domestic</i> KD	<i>International</i> KD	<i>Total</i> KD
Rental income	215,290	1,265,256	1,480,546	215,290	1,447,507	1,662,797
Valuation loss from investment properties	-	(60,000)	(60,000)	-	-	-
Gain on sale of financial assets at fair value through profit or loss	-	89,309	89,309	-	1,176,590	1,176,590
Distribution income from financial assets at fair value through profit or loss	-	174,103	174,103	-	230,174	230,174
Management fees	-	203,801	203,801	8,376	631,281	639,657
Share of results of associates	339,434	288,380	288,380	-	429,338	429,338
Net foreign exchange differences	87,119	(44,604)	339,434	(70,346)	-	(70,346)
Other income, net	-	-	42,515	134,905	13,135	148,040
<b>Total income</b>	<b>641,843</b>	<b>1,916,245</b>	<b>2,558,088</b>	<b>288,225</b>	<b>3,928,025</b>	<b>4,216,250</b>
Real estate operating costs	(33,874)	(354,052)	(387,926)	(74,954)	(583,528)	(658,482)
Staff costs	(336,977)	-	(336,977)	(358,331)	-	(358,331)
Depreciation	(71,080)	(11,893)	(82,973)	(60,243)	(6,246)	(66,489)
Administrative expenses	(74,033)	-	(74,033)	(163,006)	-	(163,006)
Consultancy and professional fees	(59,313)	(2,208)	(61,521)	(46,966)	(8,061)	(55,027)
Finance costs	(13,894)	(912,789)	(926,683)	(4,456)	(1,087,946)	(1,092,402)
KFAS, NLSST and Zakat	(31,671)	-	(31,671)	(81,621)	-	(81,621)
<b>Total expenses and other charges</b>	<b>(620,842)</b>	<b>(1,280,942)</b>	<b>(1,901,784)</b>	<b>(789,577)</b>	<b>(1,685,781)</b>	<b>(2,475,358)</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>21,001</b>	<b>635,303</b>	<b>656,304</b>	<b>(501,352)</b>	<b>2,242,244</b>	<b>1,740,892</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

11 SEGMENT INFORMATION (continued)

	30 June 2020 (Unaudited)		31 December 2019 (Audited)		30 June 2019 (Unaudited)				
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Total assets	17,632,355	82,635,450	100,267,805	17,980,444	81,929,162	99,909,606	17,107,960	91,883,207	108,991,167
Total liabilities	3,535,651	43,863,921	47,399,572	4,233,990	43,412,052	47,646,042	2,572,297	45,394,638	47,966,935
Commitments	1,524,602	776,781	2,301,383	1,668,063	971,711	2,639,774	-	2,565,227	2,565,227

Disaggregated revenue information

The following presents the disaggregation of the Group's revenue from contracts with customers:

Timing of revenue recognition	Six months ended 30 June 2020		Six months ended 30 June 2019			
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Services performed at a point in time	-	187,878	187,878	-	608,308	608,308
Services performed over time	-	15,923	15,923	-	31,349	31,349
Total revenue from contracts with customers	-	203,801	203,801	-	639,657	639,657



## 12 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

The currently known impact of COVID-19 on the Group are:

- ▶ Rental income of KD 1,480,546 for the six months, down by 12% sequentially and 11% year-over-year due to lower vacancy.
- ▶ Operating profit of KD 1,788,213 for the six months, down 49% year-over-year.

The economic impact of COVID-19 did not materially impact residential property revenue earned in the quarter. While residential property revenues were not immediately impacted by the pandemic, near term cash flows may be impacted and future revenues and cash flows produced by these operating properties are more uncertain than normal as a result of the rapid impact to the global economy in response to measures put in place to control the pandemic.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 June 2020.

### 12.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 30 June 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

#### 12.1.1 Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as its financial assets constitute cash and cash equivalents and tenant receivables. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss on cash and short-term deposits was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies. 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 therefore, substantially eliminating the Group's credit risk in this respect.

#### 12.1.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ Monitoring liquidity ratios and net current assets against internal standards.
- ▶ Maintaining debt financing plans.

The Group expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities.

**12 IMPACT OF COVID-19 (continued)**

**12.2 Use of estimates and assumptions**

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

***Investment properties, property and equipment and investment in associates (non-financial assets)***

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continue to assess further the impact on cash flows as well as valuation inputs in the upcoming quarters as there is new information to consider.

***Tenant and other receivables***

The Group uses the simplified model in calculation the ECL for trade receivables that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**12.3 Subsequent events**

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.