

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**30 SEPTEMBER 2020 (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.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 September 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for 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 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 nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER

LICENCE NO. 207-A

EY

AL AIBAN, AL OSAIMI & PARTNERS

2 November 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 nine months ended 30 September 2020

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
		KD	KD	KD	KD
<b>INCOME</b>					
Rental income		697,265	761,674	2,177,811	2,424,471
Valuation loss from investment properties	4	-	-	(60,000)	-
Gain on sale of financial assets at fair value through profit or loss		67,188	155,303	156,497	1,331,893
Distribution income from financial assets at fair value through profit or loss		199,907	217,319	374,010	447,494
Management fees		93,110	16,126	296,911	655,783
Share of results of associates	5	(44,818)	222,617	243,562	651,955
Other income, net		127,731	74,694	170,246	222,736
Net foreign exchange differences		(89,033)	63,529	250,401	(6,818)
		<u>1,051,350</u>	<u>1,511,262</u>	<u>3,609,438</u>	<u>5,727,514</u>
<b>EXPENSES</b>					
Real estate operating costs		(266,798)	(250,837)	(654,724)	(909,319)
Staff costs	6	(150,289)	(189,271)	(487,266)	(547,603)
Depreciation expense		(43,144)	(48,922)	(126,117)	(115,411)
Administrative expenses		(49,240)	(63,622)	(123,273)	(226,631)
Consultancy and professional fees		(18,459)	(60,670)	(79,980)	(115,696)
Finance costs		(338,536)	(544,613)	(1,265,219)	(1,637,014)
		<u>(866,466)</u>	<u>(1,157,935)</u>	<u>(2,736,579)</u>	<u>(3,551,674)</u>
<b>Profit before tax</b>		<b>184,884</b>	<b>353,327</b>	<b>872,859</b>	<b>2,175,840</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(1,664)	(3,183)	(7,856)	(19,592)
National Labour Support Tax (NLST)		(5,123)	(9,342)	(23,322)	(55,922)
Zakat		(2,049)	(3,737)	(9,329)	(22,369)
<b>PROFIT FOR THE PERIOD</b>		<b>176,048</b>	<b>337,065</b>	<b>832,352</b>	<b>2,077,957</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		176,048	337,417	832,352	2,078,987
Non-controlling interests		-	(352)	-	(1,030)
<b>PROFIT FOR THE PERIOD</b>		<b>176,048</b>	<b>337,065</b>	<b>832,352</b>	<b>2,077,957</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	3	<u>0.54 Fils</u>	<u>1.01 Fils</u>	<u>2.48 Fils</u>	<u>6.18 Fils</u>

The attached notes 1 to 13 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 nine months ended 30 September 2020

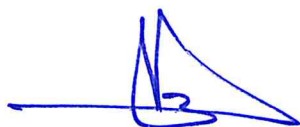
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>PROFIT FOR THE PERIOD</b>	<b>176,048</b>	<b>337,065</b>	<b>832,352</b>	<b>2,077,957</b>
<b>Other comprehensive income (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	(71,321)	(54,046)	206,754	(103,969)
Net exchange differences on translation of foreign operations	383,754	14,414	87,088	118,210
<b>Other comprehensive (loss) income for the period</b>	<b>312,433</b>	<b>(39,632)</b>	<b>293,842</b>	<b>14,241</b>
<b>Total comprehensive income for the period</b>	<b>488,481</b>	<b>297,433</b>	<b>1,126,194</b>	<b>2,092,198</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	488,481	297,785	1,126,194	2,093,228
Non-controlling interests	-	(352)	-	(1,030)
	<b>488,481</b>	<b>297,433</b>	<b>1,126,194</b>	<b>2,092,198</b>

The attached notes 1 to 13 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 September 2020

		<b>30 September</b>	<i>(Audited)</i> <b>31 December</b>	<b>30 September</b>
		<b>2020</b>	<b>2019</b>	<b>2019</b>
	<i>Notes</i>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>ASSETS</b>				
Cash and cash equivalents		2,593,867	2,369,410	1,930,545
Accounts receivable and other assets		5,705,662	5,806,429	5,652,497
Financial assets at fair value through profit or loss		8,842,616	8,429,204	8,092,841
Investment properties	4	61,654,106	60,323,903	68,863,510
Investment in associates	5	21,727,343	22,362,471	23,428,482
Property and equipment		498,095	618,189	587,845
<b>TOTAL ASSETS</b>		<b>101,021,689</b>	<b>99,909,606</b>	<b>108,555,720</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	7.1	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	8	-	4,421,250	4,421,250
Treasury shares	7.2	(1,104,916)	(1,017,932)	(1,010,776)
Treasury shares reserve		4,396,905	4,396,905	4,396,905
Foreign currency translation reserve		1,772,789	1,478,947	1,470,142
Fair value reserve		(712,709)	(712,709)	(712,709)
Retained earnings (accumulated losses)		2,674,217	(2,579,385)	6,392,972
<b>Equity attributable to equity holders of the Parent Company</b>		<b>53,302,774</b>	<b>52,263,564</b>	<b>61,234,272</b>
Non-controlling interests		-	-	84,218
<b>TOTAL EQUITY</b>		<b>53,302,774</b>	<b>52,263,564</b>	<b>61,318,490</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities		7,701,756	7,878,883	8,670,071
Loans and borrowings	9	40,017,159	39,767,159	38,567,159
<b>TOTAL LIABILITIES</b>		<b>47,718,915</b>	<b>47,646,042</b>	<b>47,237,230</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>101,021,689</b>	<b>99,909,606</b>	<b>108,555,720</b>



Mohamed Abdul Hamid Al Marzouk  
Vice Chairman



Mohammad Ibrahim Al-Farhan  
Chief Executive Officer

The attached notes 1 to 13 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 nine months ended 30 September 2020

	<i>Attributable to equity holders of the Parent Company</i>											
	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	-	-	-	-	-	-	-	-	832,352	832,352	-	832,352
Other comprehensive loss for the period	-	-	-	-	-	-	293,842	-	-	293,842	-	293,842
Total comprehensive income for the period	-	-	-	-	-	-	293,842	-	832,352	1,126,194	-	1,126,194
Extinguishment of accumulated losses (Note 8)	-	-	-	(4,421,250)	-	-	-	-	4,421,250	-	-	-
Purchase of treasury shares	-	-	-	-	(86,984)	-	-	-	-	(86,984)	-	(86,984)
<b>At 30 September 2020</b>	<b>34,564,860</b>	<b>2,869,130</b>	<b>8,842,498</b>	<b>-</b>	<b>(1,104,916)</b>	<b>4,396,905</b>	<b>1,772,789</b>	<b>(712,709)</b>	<b>2,674,217</b>	<b>53,302,774</b>	<b>-</b>	<b>53,302,774</b>
As at 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 (loss) for the period	-	-	-	-	-	-	-	-	2,078,987	2,078,987	(1,030)	2,077,957
Other comprehensive profit for the period	-	-	-	-	-	-	14,241	-	-	14,241	-	14,241
Total comprehensive income (loss) for the period	-	-	-	-	-	-	14,241	-	2,078,987	2,093,228	(1,030)	2,092,198
Purchase of treasury shares	-	-	-	-	(88,398)	-	-	-	-	(88,398)	-	(88,398)
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(2,356,238)	(2,356,238)	-	(2,356,238)
As at 30 September 2019	34,564,860	2,869,130	8,842,498	4,421,250	(1,010,776)	4,396,905	1,470,142	(712,709)	6,392,972	61,234,272	84,218	61,318,490

The attached notes 1 to 13 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 nine months ended 30 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
Profit before tax		872,859	2,175,840
<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		(156,497)	(1,331,893)
Distribution income from financial assets at fair value through profit or loss		(374,010)	(447,494)
Share of results of associates	5	(243,562)	(651,955)
Depreciation of property and equipment		33,575	32,737
Depreciation of right-of-use assets		92,542	82,674
Gain on disposal of property and equipment		(181)	-
Interest income		(126,033)	(198,307)
Interest on lease liabilities		17,744	22,590
Interest on debts and borrowings		1,238,475	1,614,424
		<u>1,414,912</u>	<u>1,298,616</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		(10,203)	609,418
Accounts payable and other liabilities		(1,365,749)	(1,210,246)
		<u>38,960</u>	<u>697,788</u>
Taxes paid		-	(25,567)
Receipt of government grants	6	22,950	-
		<u>61,910</u>	<u>672,221</u>
<b>Net cash from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment		(7,042)	(112,043)
Sales proceeds from disposal of property and equipment		1,200	-
Proceeds from redemption of financial assets at fair value through profit or loss		157,138	493,211
Proceeds from sale of financial assets at fair value through profit or loss		517,761	2,516,001
Purchase of financial assets at fair value through profit or loss		(931,814)	(48,392)
Capital expenditure incurred on investment properties	4	(1,215,095)	(4,313,096)
Dividends received from associates	5	-	374,614
Purchase of investment in associates	5	(183,226)	(226,799)
Proceeds from capital redemption of investment in associates	5	1,268,670	302,139
Distribution income received from financial assets at fair value through profit or loss		374,010	447,494
Interest income received		126,033	198,307
		<u>107,635</u>	<u>(368,564)</u>
<b>Net cash from (used in) investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		250,000	2,600,000
Repayment of loans and borrowings		-	(4,000,000)
Finance costs paid		-	(1,054,943)
Dividends paid to equity holders of the Parent Company		-	(2,292,934)
Purchase of treasury shares		(86,984)	(88,398)
Payment of lease liabilities		(108,104)	(108,104)
		<u>54,912</u>	<u>(4,944,379)</u>
<b>Net cash from (used in) financing activities</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>224,457</u>	<u>(4,640,722)</u>
Cash and cash equivalents at 1 January		2,369,410	6,571,267
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>		<u>2,593,867</u>	<u>1,930,545</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	-
Amounts due to an associate set off against return of capital from associate	5	-	900,000

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.



# 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 September 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 nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 2 November 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 nine months ended 30 September 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 Summary of accounting policies for new transactions and events

##### *Government grants*

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

**2.2 Summary of accounting policies for new transactions and events (continued)**

*Government grants (continued)*

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

**2.3 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 a material impact on the interim condensed consolidated financial information of the Group.

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

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

**Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.



# 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 September 2020

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

#### 2.3 New standards, interpretations and amendments adopted by the Group (continued)

##### Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>176,048</b>	337,417	<b>832,352</b>	2,078,987
Weighted average number of shares outstanding during the period (excluding treasury shares)	<b>334,981,396</b>	336,207,076	<b>334,981,396</b>	336,207,076
<b>Basic and diluted earnings per share (EPS)</b>	<b>0.54 Fils</b>	1.01 Fils	<b>2.48 Fils</b>	6.18 Fils

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.

### 4 INVESTMENT PROPERTIES

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

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period/year	<b>60,323,903</b>	64,487,981	64,487,981
Capital expenditure on owned property	<b>1,215,095</b>	4,519,940	4,313,096
Change in fair value	<b>(60,000)</b>	(8,655,684)	-
Exchange differences	<b>175,108</b>	(28,334)	62,433
	<b>61,654,106</b>	60,323,903	68,863,510



# 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 September 2020

### 4 INVESTMENT PROPERTIES (continued)

- 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 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 17,042,831 (31 December 2019: KD 16,806,879 and 30 September 2019: KD 29,545,124) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 9).

### 5 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
At the beginning of the period / year	<b>22,362,471</b>	24,230,450	24,230,450
Additions	<b>183,226</b>	243,666	226,799
Return of capital*	<b>(1,268,670)</b>	(1,218,070)	(1,202,139)
Share of results for the period / year	<b>243,562</b>	(393,467)	651,955
Exchange differences	<b>206,754</b>	(125,494)	(103,969)
Dividends received	-	(374,614)	(374,614)
At the end of the period / year	<b>21,727,343</b>	22,362,471	23,428,482

\* During the prior period, Ikarous Real Estate Company (an associate) was liquidated and deregistered from the commercial register. The carrying value of the associate amounting to KD 900,000 was offset against the amount due to the investee company. There were no cash inflows/outflows from this transaction and no gain/loss was recognized during the period then ended.

As at 30 September 2020, investment in associates with a carrying value of KD 18,719,836 (31 December 2019: KD 19,280,485 and 30 September 2019: KD 20,004,354) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 9).

As at and for the period ended 30 September 2020

## 6 GOVERNMENT GRANT

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the period, the Parent Company has received financial support amounting to KD 22,950, which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised in profit or loss as a deduction to 'staff costs' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs.

## 7 SHARE CAPITAL AND TREASURY SHARES

### 7.1 Share capital

At 30 September 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 September 2019: 345,648,600) shares of 100 fils each. All shares are paid in cash.

### 7.2 Treasury shares

	<b>30 September 2020</b>	<i>(Audited)</i> 31 December 2019	30 September 2019
Number of treasury shares	<b>11,497,569</b>	10,286,398	10,191,143
Percentage of issued shares	<b>3.33%</b>	2.98%	2.95%
Cost of treasury shares (KD)	<b>1,104,916</b>	1,017,932	1,010,776
Market value of treasury shares (KD)	<b>908,308</b>	807,482	815,291

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

## 8 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.

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.

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.

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 September 2020

9 LOANS AND BORROWINGS

	<i>Currency</i>	<i>Effective interest rate (EIR)</i>	<i>30 September 2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December 2019</i> <i>KD</i>	<i>30 September 2019</i> <i>KD</i>
Secured bank loans	KD	CBK discount rate +1.5% to 2.5%	<b>40,017,159</b>	39,767,159	38,567,159

The loans are due for repayment as follows:

	<i>30 September 2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December 2019</i> <i>KD</i>	<i>30 September 2019</i> <i>KD</i>
Within one year	<b>4,600,000</b>	4,600,000	4,600,000
Over one year	<b>35,417,159</b>	35,167,159	33,967,159
	<b>40,017,159</b>	39,767,159	38,567,159

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.

10 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 September 2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December 2019</i> <i>KD</i>	<i>30 September 2019</i> <i>KD</i>
<b>Statement of financial position:</b>			
Receivables from associates	<b>30,321</b>	64,102	51,415
Receivables from other related parties	<b>121,716</b>	121,716	121,716
Receivables from sale of investment property	<b>3,787,302</b>	3,926,873	3,939,793
Payables to associates	<b>251,179</b>	205,808	110,844

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>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	<b>38,824</b>	63,313	<b>125,679</b>	172,614
Management fees	<b>46,934</b>	5,389	<b>52,755</b>	18,706
	<b>85,758</b>	68,702	<b>178,434</b>	191,320



# 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 September 2020

### 10 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</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Key management remunerations:</b>				
Salaries and short-term benefits	<b>88,620</b>	103,772	<b>265,859</b>	305,164
Employees' end of service benefits	<b>11,791</b>	10,060	<b>35,373</b>	35,373
	<b>100,411</b>	113,832	<b>301,232</b>	340,537

The Board of Directors of the Parent Company proposed not to distribute any directors' remuneration for the year ended 31 December 2019 (2018: KD 105,000).

### 11 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 September 2020, 31 December 2019 and 30 September 2019:

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Financial assets at amortised cost:</b>			
Accounts receivable and other assets	<b>5,705,662</b>	5,806,429	5,652,497
<b>Financial assets at fair value through profit or loss:</b>			
Unquoted equity securities	<b>8,842,616</b>	8,429,204	8,092,841
<b>Total</b>	<b>14,548,278</b>	14,235,633	13,745,338
<b>Financial liabilities at amortised cost:</b>			
Accounts payable and other liabilities	<b>7,701,756</b>	7,878,883	8,670,071
Loans and borrowings	<b>40,017,159</b>	39,767,159	38,567,159
<b>Total</b>	<b>47,718,915</b>	47,646,042	47,237,230

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 September 2020

11 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 in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>As at 30 September 2020</i>				
<b>Financial assets at fair value through profit or loss:</b>				
Unquoted equity securities	<b>8,842,616</b>	-	-	<b>8,842,616</b>
<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 September 2019</i>				
<b>Financial assets at fair value through profit or loss:</b>				
Unquoted equity securities	8,092,841	-	-	8,092,841

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 September 2020</i>	
As at 1 January 2020	8,429,204
Additions	931,814
Sales and capital redemptions	(518,402)
As at 30 September 2020	<b>8,842,616</b>

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 September 2020

11 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)
As at 31 December 2019	<u>8,429,204</u>
<i>Financial assets at FVTPL</i>	<i>Non-listed equity investments</i>
	<i>KD</i>
<i>30 September 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)
As at 30 September 2019	<u>8,690,132</u>

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 September 2020

#### 12 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:

	Nine months ended			Nine months ended		
	30 September 2020 (Unaudited)			30 September 2019 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Rental income	322,935	1,854,876	2,177,811	322,935	2,101,536	2,424,471
Valuation loss from investment properties	66,278	(126,278)	(60,000)	-	-	-
Gain on sale of financial assets at fair value through profit or loss	-	156,497	156,497	-	1,331,893	1,331,893
Distribution income from financial assets at fair value through profit or loss	-	374,010	374,010	-	447,494	447,494
Management fees	-	296,911	296,911	12,651	643,132	655,783
Share of results of associates	-	243,562	243,562	62,820	589,135	651,955
Net foreign exchange differences	250,401	-	250,401	(6,818)	-	(6,818)
Other income, net	126,215	44,031	170,246	198,305	24,431	222,736
<b>Total income</b>	<b>765,829</b>	<b>2,843,609</b>	<b>3,609,438</b>	<b>589,893</b>	<b>5,137,621</b>	<b>5,727,514</b>
Real estate operating costs	(58,456)	(596,268)	(654,724)	(89,143)	(820,176)	(909,319)
Staff costs	(487,266)	-	(487,266)	(547,603)	-	(547,603)
Depreciation	(106,884)	(19,233)	(126,117)	(105,988)	(9,423)	(115,411)
Administrative expenses	(123,273)	-	(123,273)	(226,631)	-	(226,631)
Consultancy and professional fees	(76,916)	(3,064)	(79,980)	(96,672)	(19,024)	(115,696)
Finance costs	(36,606)	(1,228,613)	(1,265,219)	(29,468)	(1,607,546)	(1,637,014)
KFAS, NLST and Zakat	(40,507)	-	(40,507)	(97,883)	-	(97,883)
<b>Total expenses and other charges</b>	<b>(929,908)</b>	<b>(1,847,178)</b>	<b>(2,777,086)</b>	<b>(1,193,388)</b>	<b>(2,456,169)</b>	<b>(3,649,557)</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(164,079)</b>	<b>996,431</b>	<b>832,352</b>	<b>(603,495)</b>	<b>2,681,452</b>	<b>2,077,957</b>



### **13 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 2,177,811 for the nine months, down by 11% sequentially and 10% year-over-year due to lower occupancy.
- ▶ Operating profit of KD 2,534,067 for the nine months, down 45% year-over-year.

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 September 2020.

#### **13.1 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 September 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.

##### **13.1.1 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.

##### **13.1.2 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.



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

**13.2 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.

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