

Interim Condensed Consolidated Financial Information and Review Report

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

Kuwait

30 June 2018 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Injazzat Real Estate Development Company K.P.S.C. (the “Parent Company”) and its Subsidiaries (collectively the “Group”) as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss for the three-month and six-month period then ended, interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month period then ended, interim condensed consolidated statements 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 International Accounting Standard 34, “Interim Financial Reporting”.

Report on other legal and regulatory requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2018 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
1 August 2018

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Six months ended	
		30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD
REVENUE					
Rental income		1,225,865	1,028,359	2,367,148	2,073,544
Gain on sale of investment properties	7	523,978	(339,043)	523,978	1,629,529
Gain on sale of financial assets at FVTPL		-	-	598,927	-
Distribution income from financial assets at FVTPL		84,801	-	263,614	-
Distribution income from financial assets available for sale		-	122,763	-	122,763
Management and placement fees		19,598	52,469	236,400	213,461
Share of results of associates	8	226,600	722,151	476,200	994,416
Foreign exchange gain/(loss)		97,241	(66,208)	(14,241)	(110,898)
Other income, net		168,639	110,650	198,760	197,947
		2,346,722	1,631,141	4,650,786	5,120,762
EXPENSES AND OTHER CHARGES					
Real estate operating costs		(294,005)	(214,032)	(520,735)	(417,296)
Staff costs		(179,689)	(182,843)	(351,638)	(391,860)
Depreciation		(2,089)	(3,348)	(5,094)	(6,635)
General and administrative expenses		(76,345)	(93,148)	(165,635)	(141,435)
Consultancy and professional fees		(50,386)	(27,392)	(76,677)	(50,732)
Finance costs		(606,439)	(581,122)	(1,206,230)	(1,126,650)
		(1,208,953)	(1,101,885)	(2,326,009)	(2,134,608)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
Support Tax (NLST) and Zakat		1,137,769	529,256	2,324,777	2,986,154
KFAS		(8,489)	(273)	(18,787)	(22,391)
NLST		(24,322)	(13,011)	(52,750)	(73,670)
Zakat		(9,729)	(5,205)	(21,100)	(29,468)
Profit for the period		1,095,229	510,767	2,232,140	2,860,625
Attributable to:					
Owners of the Parent Company		1,076,804	511,384	2,170,943	2,861,858
Non-controlling interests		18,425	(617)	61,197	(1,233)
Profit for the period		1,095,229	510,767	2,232,140	2,860,625
Basic and diluted earnings per share attributable to the owners of the Parent Company					
	5	3.20 Fils	1.52 Fils	6.45 Fils	8.49 Fils

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

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


	Three months ended		Six months ended	
	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD
Profit for the period	1,095,229	510,767	2,232,140	2,860,625
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss:				
Financial assets available for sale:				
- Net changes in fair value of AFS (IAS 39)	-	50,777	-	50,777
Foreign currency translation:				
- Exchange differences arising on translation of foreign operations	(78,400)	95,657	(60,564)	131,682
Total other comprehensive (loss)/income for the period	(78,400)	146,434	(60,564)	182,459
Total comprehensive income for the period	1,016,829	657,201	2,171,576	3,043,084
Total comprehensive income attributable to:				
Owners of the Parent Company	998,404	657,818	2,110,379	3,044,317
Non-controlling interests	18,425	(617)	61,197	(1,233)
Total comprehensive income for the period	1,016,829	657,201	2,171,576	3,043,084

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

Interim condensed consolidated statement of financial position

	Notes	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Assets				
Cash and bank balances		15,038,735	6,032,705	10,119,813
Accounts receivable and other assets	6	6,692,110	6,219,413	7,645,029
Financial assets available for sale		-	10,891,376	7,410,203
Financial assets at fair value through profit or loss		9,628,650	-	-
Investment properties	7	55,072,153	65,109,210	52,677,360
Investment in associates	8	21,945,240	25,608,949	28,656,471
Property and equipment		34,597	30,818	33,472
Total assets		108,411,485	113,892,471	106,542,348
Equity and liabilities				
Equity				
Share capital		34,564,860	34,564,860	34,564,860
Share premium		2,869,130	2,869,130	2,869,130
Statutory reserve		8,411,283	8,411,283	8,032,161
Voluntary reserve		4,205,643	4,205,643	4,016,082
Treasury shares	9	(922,378)	(865,740)	(865,338)
Treasury shares reserve		4,396,905	4,396,905	4,396,905
Foreign currency translation reserve		1,367,742	1,428,306	1,733,171
Fair value reserve		-	100,614	66,971
Retained earnings		5,473,392	4,890,904	4,784,559
Equity attributable to owners of the Parent Company		60,366,577	60,001,905	59,598,501
Non-controlling interests		84,686	2,772,053	87,260
Total equity		60,451,263	62,773,958	59,685,761
Liabilities				
Accounts payable and other liabilities	10	5,993,063	5,751,354	5,069,428
Bank loans	11	41,967,159	45,367,159	41,787,159
Total liabilities		47,960,222	51,118,513	46,856,587
Total equity and liabilities		108,411,485	113,892,471	106,542,348


Faisal Fahad Al-Shaya
Chairman


Mohammad Ibrahim Al-Farhan
Chief Executive Officer

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

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to owners of the Parent Company										Total KD	
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub- total KD		Non- controlling interests KD
Balance as at 1 January 2018 (Audited)	34,564,860	2,869,130	8,411,283	4,205,643	(865,740)	4,396,905	1,428,306	100,614	4,890,904	60,001,905	2,772,053	62,773,958
Effect on adoption of IFRS 9 (Note 3)	-	-	-	-	-	-	-	(100,614)	100,614	-	-	-
Balance as at 1 January 2018 (restated)	34,564,860	2,869,130	8,411,283	4,205,643	(865,740)	4,396,905	1,428,306	-	4,991,518	60,001,905	2,772,053	62,773,958
Gain on acquiring additional interest in a subsidiary (note 4)	-	-	-	-	-	-	-	-	330,564	330,564	(2,748,564)	(2,418,000)
Purchase of treasury shares	-	-	-	-	(56,638)	-	-	-	-	(56,638)	-	(56,638)
Cash dividends (note 12)	-	-	-	-	-	-	-	-	(2,019,633)	(2,019,633)	-	(2,019,633)
Total transactions with owners	-	-	-	-	(56,638)	-	-	-	(1,689,069)	(1,745,707)	(2,748,564)	(4,494,271)
Profit for the period	-	-	-	-	-	-	-	-	2,170,943	2,170,943	61,197	2,232,140
Other comprehensive loss for the period	-	-	-	-	-	-	(60,564)	-	-	(60,564)	-	(60,564)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(60,564)	-	2,170,943	2,110,379	61,197	2,171,576
Balance as at 30 June 2018	34,564,860	2,869,130	8,411,283	4,205,643	(922,378)	4,396,905	1,367,742	-	5,473,392	60,366,577	84,686	60,451,263

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

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

Equity attributable to owners of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2017 (Audited)	34,564,860	2,869,130	8,032,161	4,016,082	(865,338)	4,396,905	1,601,489	16,194	3,609,085	58,240,568	88,493	58,329,061
Cash dividend	-	-	-	-	-	-	-	-	(1,686,384)	(1,686,384)	-	(1,686,384)
Total transactions with owners	-	-	-	-	-	-	-	-	(1,686,384)	(1,686,384)	-	(1,686,384)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	2,861,858	2,861,858	(1,233)	2,860,625
Other comprehensive income for the period	-	-	-	-	-	-	131,682	50,777	-	182,459	-	182,459
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	131,682	50,777	2,861,858	3,044,317	(1,233)	3,043,084
Balance as at 30 June 2017	34,564,860	2,869,130	8,032,161	4,016,082	(865,338)	4,396,905	1,733,171	66,971	4,784,559	59,598,501	87,260	59,685,761

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

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2018 (Unaudited) KD	Six months ended 30 June 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		2,324,777	2,986,154
Adjustments for:			
Gain on sale of financial assets at FVTPL		(598,927)	-
Distribution income from financial assets at FVTPL		(263,614)	-
Distribution income from financial assets available for sale		-	(122,763)
Gain on sale of investment properties	7	(523,978)	(1,629,529)
Share of results of associates	8	(476,200)	(994,416)
Depreciation		5,094	6,635
Interest income		(121,645)	(196,713)
Finance costs		1,206,230	1,126,650
		1,551,737	1,176,018
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(417,917)	(131,114)
Accounts payable and other liabilities		108,281	(615,674)
Net cash from operating activities		1,242,101	429,230
INVESTING ACTIVITIES			
Additions to property and equipment		(8,873)	(13,506)
Proceeds from redemption of financial assets at FVTPL		77,271	-
Proceed from sale of financial assets at FVTPL		1,784,489	-
Proceeds from redemption of financial assets available for sale		-	399,763
Additions to investment properties	7	(1,899,488)	(2,468,377)
Proceeds on sale of investment properties	7	12,460,523	8,296,764
Dividend received from associate	8	371,031	-
Purchase of investment in associates	8	(559,040)	(799,579)
Capital redemption of investment in associates	8	4,217,198	774,123
Distribution income received from financial assets at FVTPL		263,614	-
Distribution income received from financial assets available for sale		-	122,763
Acquisition of subsidiary		(2,418,000)	-
Interest income received		66,865	144,914
Net cash from investing activities		14,355,590	6,456,865
FINANCING ACTIVITIES			
Loans obtained		-	1,820,000
Loans paid		(3,400,000)	-
Finance costs paid		(1,206,230)	(1,126,650)
Cash dividend paid		(1,928,793)	(1,571,999)
Purchase of treasury shares		(56,638)	-
Net cash used in financing activities		(6,591,661)	(878,649)
Increase in cash and cash equivalent		9,006,030	6,007,446
Cash and cash equivalents at beginning of the period		6,032,705	4,112,367
Cash and cash equivalents at end of the period		15,038,735	10,119,813

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the Parent Company

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

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

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

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

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

The interim condensed consolidated financial information of the Group for the six months period ended 30 June 2018 were authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 1 August 2018.

2 Basis of presentation

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

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

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

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

3 Changes in accounting policies

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

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

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

IFRS 15: Revenue from Contracts with Customers

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

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

The five steps in the model are as follows:

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments

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

The Group has not restated comparative information for the financial year 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for the period ended 31 March 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 31 March 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

a) Classification and measurement

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

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

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

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

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

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

(b) Impairment

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

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

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

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

(c) Hedge accounting

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

(d) Other adjustments

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

Transition

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

4 Subsidiary companies

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

4 Subsidiary companies (continued)

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

5 Basic and diluted earnings per share

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Profit for the period attributable to the owners of the Parent Company (KD)	1,076,804	511,384	2,170,943	2,861,858
Weighted average number of the outstanding shares (excluding treasury shares)	336,747,999	337,276,776	336,747,999	336,276,776
Basic and diluted earnings per share attributable to the owners of the Parent Company	3.20 Fils	1.52 Fils	6.45 Fils	8.49 Fils

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

6 Accounts receivable and other assets

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Financial assets			
Due from associate company (note 13)	77,257	25,015	2,490,973
Due from other related parties (note 13)	237,242	242,228	226,842
Due on sale of investment properties (refer below)	3,923,643	3,909,915	3,926,635
Advance payment to purchase investment property	1,317,898	825,293	-
Other financial assets	361,969	647,362	477,729
	5,918,009	5,649,813	7,122,179
Non-financial assets			
Advances to contractors	2,965	2,965	2,965
Prepayments and other assets	771,136	566,635	519,885
	774,101	569,600	522,850
	6,692,110	6,219,413	7,645,029

Due on sale of investment properties of KD3,923,643 (31 December 2017: KD3,909,915 and 30 June 2017: KD3,926,635) represents receivable from a related party and carries on effective interest rate of 5.50% (31 December 2017: 5.25% and 30 June 2017: 4.75%) per annum.

Notes to the interim condensed consolidated financial information (continued)

7 Investment properties

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

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
At 1 January	65,109,210	56,876,218	56,876,218
Additions	1,899,488	3,705,069	2,468,377
Arising from acquisition of a subsidiary	-	11,936,545	-
Disposals	(11,936,545)	(6,667,235)	(6,667,235)
Change in fair value	-	(350,964)	-
Foreign currency translation adjustments	-	(390,423)	-
	55,072,153	65,109,210	52,677,360

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

8 Investment in associates

The movement in investment in associates is as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
At 1 January	25,608,949	27,677,215	27,677,215
Additions	559,040	1,094,881	799,579
Disposals	-	(3,133,831)	-
Return of capital	(4,217,198)	(1,126,282)	(774,123)
Dividends	(371,031)	(619,806)	-
Share of results for the period/year	476,200	1,880,036	994,416
Foreign currency translation adjustment	(110,720)	(163,264)	(40,616)
	21,945,240	25,608,949	28,656,471

As at 30 June 2018, investment in associates with a carrying value of KD17,429,750 (31 December 2017: KD16,948,452 and 30 June 2017: KD16,507,354) are secured against certain bank loans (note 11).

Notes to the interim condensed consolidated financial information (continued)

9 Treasury shares

The details of treasury shares are as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Cost - KD	922,378	865,740	865,338
Number of treasury shares	9,043,143	8,376,824	8,371,824
Percentage of capital	2.62%	2.42%	2.42%
Market value – KD	768,667	645,015	616,166

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

10 Accounts payable and other liabilities

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Accounts payable	1,485,489	1,064,050	825,661
Accrued expenses	1,593,793	1,836,612	1,466,998
Due to associate company (note 13)	902,000	1,060,776	1,352,054
Customer advances	569,277	369,393	186,205
Other liabilities	1,442,504	1,420,523	1,238,510
	5,993,063	5,751,354	5,069,428

11 Bank loans

	<i>Effective interest Rate</i>	<i>Security</i>	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Local bank – Kuwaiti Dinar	CBK discount rate + 1.5% to 3%	Secured	41,967,159	45,367,159	41,787,159

The loans are due for repayment as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Within one year	2,000,000	2,000,000	10,607,963
Over one year	39,967,159	43,367,159	31,179,196
	41,967,159	45,367,159	41,787,159

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

Notes to the interim condensed consolidated financial information (continued)

12 Annual general assembly

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

13 Related party transactions

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

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

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from associate company (note 6)	77,257	25,015	2,490,973
Due from other related parties (note 6)	237,242	242,228	226,842
Due on sale of investment property (note 6)	3,923,643	3,909,915	3,926,635
Due to associate company (note 10)	902,000	1,060,776	1,352,054

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

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Interim condensed consolidated statement of profit or loss:				
Interest income on accounts receivable	55,190	94,630	105,713	186,799
Management and placement fees	9,155	90,702	18,369	111,585
Key management compensation:				
Salaries and short-term benefits	101,056	61,033	199,146	131,816
Employees' end of service benefit	12,224	8,545	24,231	17,091

14 Fair value measurement

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

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

Notes to the interim condensed consolidated financial information (continued)

14 Fair value measurement (continued)

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

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and bank balances	15,038,735	6,032,705	10,119,813
Accounts receivable and other assets	5,918,009	5,649,813	7,122,179
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	9,628,650	-	-
Financial assets available for sale at fair value:			
Financial assets available for sale	-	104,845	336,443
	30,585,394	11,787,363	17,578,435
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	5,423,786	5,381,961	4,883,223
Bank loans	41,967,159	45,367,159	41,787,159
	47,390,945	50,749,120	46,670,382

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

	Level 3 KD	Total KD
30 June 2018		
Financial assets at fair value through profit or loss:		
Special purposes real estate entities	971,470	971,470
Unquoted real estate equity investments	3,650,447	3,650,447
Debt financing	5,006,733	5,006,733
	9,628,650	9,628,650
31 December 2017		
Financial assets available for sale:		
Special purposes real estate entities	64,311	64,311
Unquoted real estate equity investments	40,534	40,534
	104,845	104,845
30 June 2017		
Financial assets available for sale:		
Special purposes real estate entities	64,311	272,132
Unquoted real estate equity investments	272,132	64,311
	336,443	336,443

Notes to the interim condensed consolidated financial information (continued)

14 Fair value measurement (continued)

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

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

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

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

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

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Opening balance	104,845	572,604	572,604
IFRS 9 adjustments	10,786,531	-	-
Net purchase, transferred sales	(1,262,726)	(530,675)	-
Gains or losses recognised in:			
- Other comprehensive income	-	62,916	(236,161)
Closing balance	9,628,650	104,845	336,443

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

Notes to the interim condensed consolidated financial information (continued)

15 Segmental information

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

	30 June 2018 (Unaudited)			30 June 2017 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Rental income	215,290	2,151,858	2,367,148	324,490	1,749,054	2,073,544
Gain on sale of investment properties	-	523,978	523,978	-	1,629,529	1,629,529
Gain on sale of financial assets at FVTPL	-	598,927	598,927	-	-	-
Distribution income from financial assets at FVTPL	-	263,614	263,614	-	-	-
Distribution income from financial assets available for sale	-	-	-	-	122,763	122,763
Management and placement fees	9,850	226,550	236,400	15,000	198,461	213,461
Share of results of associates	(63,139)	539,339	476,200	554,449	439,967	994,416
Foreign exchange (loss)/gain	(14,241)	-	(14,241)	200,060	(2,113)	197,947
Other income, net	121,645	77,115	198,760	(110,898)	-	(110,898)
Total income	269,405	4,381,381	4,650,786	983,101	4,137,661	5,120,762
Real estate operating costs	(54,319)	(466,416)	(520,735)	(21,716)	(395,580)	(417,296)
Staff costs	(351,638)	-	(351,638)	(391,860)	-	(391,860)
Depreciation	(3,083)	(2,011)	(5,094)	(4,280)	(2,355)	(6,635)
General and administrative expenses	(165,635)	-	(165,635)	(141,435)	-	(141,435)
Consultancy and professional fees	(49,114)	(27,563)	(76,677)	(47,026)	(3,706)	(50,732)
Finance costs	(1,205,798)	(432)	(1,206,230)	(1,126,079)	(571)	(1,126,650)
KFAS, NILST and Zakat	(92,637)	-	(92,637)	(125,529)	-	(125,529)
Total expenses and other charges	(1,922,224)	(496,422)	(2,418,646)	(1,857,925)	(402,212)	(2,260,137)
(Loss)/profit for the period	(1,652,819)	3,884,959	2,232,140	(874,824)	3,735,449	2,860,625
Total assets	26,802,618	81,608,867	108,411,485	28,431,601	78,110,747	106,542,348
Total liabilities	45,188,212	2,772,010	47,960,222	45,800,072	1,056,515	46,856,587