

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2019 (UNAUDITED)



Building a better
working world

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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 2019 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 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 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 2019 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

ANWAR Y. AL-QATAMI, F.C.C.A.
(LICENCE NO. 50-A)
GRANT THORNTON
AL-QATAMI, AL-AIBAN & PARTNERS

28 October 2019
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 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
INCOME					
Rental income		761,674	1,020,811	2,424,471	3,387,959
Gain on sale of investment properties		-	-	-	523,978
Gain on sale of financial assets at fair value through profit or loss		155,303	194,367	1,331,893	793,294
Distribution income from financial assets at fair value through profit or loss		217,319	167,950	447,494	431,564
Management fees		16,126	18,356	655,783	254,756
Share of results of associates	5	222,617	186,831	651,955	663,031
Other income		74,694	70,695	222,736	269,455
Net foreign exchange differences		63,529	22,715	(6,818)	8,474
		<u>1,511,262</u>	<u>1,681,725</u>	<u>5,727,514</u>	<u>6,332,511</u>
EXPENSES					
Real estate operating costs		(250,837)	(285,151)	(909,319)	(805,886)
Staff costs		(189,271)	(154,509)	(547,603)	(506,147)
Depreciation		(48,922)	(7,775)	(115,411)	(12,869)
Administrative expenses		(63,622)	(57,923)	(226,631)	(223,558)
Consultancy and professional fees		(60,670)	(38,481)	(115,696)	(115,158)
Finance costs		(544,613)	(570,377)	(1,637,014)	(1,776,607)
		<u>(1,157,935)</u>	<u>(1,114,216)</u>	<u>(3,551,674)</u>	<u>(3,440,225)</u>
Profit for the period before tax		353,327	567,509	2,175,840	2,892,286
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(3,183)	(6,698)	(19,592)	(25,485)
National Labour Support Tax (NLST)		(9,342)	(19,107)	(55,922)	(71,857)
Zakat		(3,737)	(7,643)	(22,369)	(28,743)
PROFIT FOR THE PERIOD		337,065	534,061	2,077,957	2,766,201
Attributable to:					
Equity holders of the Parent Company		337,417	534,680	2,078,987	2,705,623
Non-controlling interests		(352)	(619)	(1,030)	60,578
PROFIT FOR THE PERIOD		337,065	534,061	2,077,957	2,766,201
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	3	<u>1.01 Fils</u>	<u>1.59 Fils</u>	<u>6.18 Fils</u>	<u>8.04 Fils</u>

The attached notes 1 to 11 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 2019

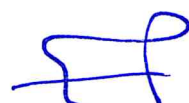
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	337,065	534,061	2,077,957	2,766,201
Other comprehensive income				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Net exchange differences on translation of foreign operations	(11,257)	32,550	14,241	(28,014)
Other comprehensive (loss) income for the period	(11,257)	32,550	14,241	(28,014)
Total comprehensive income for the period	325,808	566,611	2,092,198	2,738,187
Attributable to:				
Equity holders of the Parent Company	326,160	567,230	2,093,228	2,677,609
Non-controlling interests	(352)	(619)	(1,030)	60,578
	325,808	566,611	2,092,198	2,738,187

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

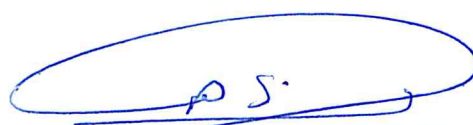
Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 (UNAUDITED)

As at 30 September 2019

		(Audited)	
	Notes	30 September 2019 KD	31 December 2018 KD
		30 September 2018 KD	
ASSETS			
Cash and bank balances		1,930,545	6,571,267
Accounts receivable and other assets		5,652,497	6,261,915
Financial assets at fair value through profit or loss		8,092,841	9,721,768
Investment properties	4	68,863,510	64,487,981
Investment in associates	5	23,428,482	24,230,450
Property and equipment		587,845	91,408
TOTAL ASSETS		108,555,720	111,364,789
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6.a	34,564,860	34,564,860
Share premium		2,869,130	2,869,130
Statutory reserve		8,842,498	8,842,498
Voluntary reserve		4,421,250	4,421,250
Treasury shares	6.b	(1,010,776)	(922,378)
Treasury shares reserve		4,396,905	4,396,905
Foreign currency translation reserve		1,470,142	1,455,901
Fair value reserve		(712,709)	-
Retained earnings		6,392,972	6,670,223
Equity attributable to equity holders of the Parent Company		61,234,272	61,585,680
Non-controlling interests		84,218	85,248
TOTAL EQUITY		61,318,490	61,670,928
LIABILITIES			
Accounts payable and other liabilities		8,670,071	9,726,702
Bank loans	8	38,567,159	39,967,159
TOTAL LIABILITIES		47,237,230	49,693,861
TOTAL EQUITY AND LIABILITIES		108,555,720	111,364,789



Faisal Fahad Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Chief Executive Officer

The attached notes 1 to 11 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 2019

	<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	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
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 7)	-	-	-	-	-	-	-	-	(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 11 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) (CONTINUED)
For the nine months ended 30 September 2019

	<i>Attributable to equity holders of the Parent Company</i>											
	<i>Share capital</i> <i>KD</i>	<i>Share premium</i> <i>KD</i>	<i>Statutory reserve</i> <i>KD</i>	<i>Voluntary reserve</i> <i>KD</i>	<i>Treasury shares</i> <i>KD</i>	<i>Treasury shares reserve</i> <i>KD</i>	<i>Foreign currency translation reserve</i> <i>KD</i>	<i>Fair value reserve</i> <i>KD</i>	<i>Retained earnings</i> <i>KD</i>	<i>Sub-total</i> <i>KD</i>	<i>Non-controlling interests</i> <i>KD</i>	<i>Total</i> <i>KD</i>
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
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	(100,614)	100,614	-	-	-
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
Profit for the period	-	-	-	-	-	-	-	-	2,705,623	2,705,623	60,578	2,766,201
Other comprehensive loss for the period	-	-	-	-	-	-	(28,014)	-	-	(28,014)	-	(28,014)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(28,014)	-	2,705,623	2,677,609	60,578	2,738,187
Gain on acquiring additional interest in a subsidiary	-	-	-	-	-	-	-	-	330,564	330,564	(2,748,564)	(2,418,000)
Purchase of treasury shares	-	-	-	-	(56,638)	-	-	-	-	(56,638)	-	(56,638)
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(2,019,633)	(2,019,633)	-	(2,019,633)
As at 30 September 2018	34,564,860	2,869,130	8,411,283	4,205,643	(922,378)	4,396,905	1,400,292	-	6,008,072	60,933,807	84,067	61,017,874

The attached notes 1 to 11 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 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period before tax		2,175,840	2,892,286
<i>Adjustments to reconcile profit for the period before tax to net cash flows:</i>			
Gain on sale of financial assets at fair value through profit or loss		(1,331,893)	(793,294)
Distribution income from financial assets at fair value through profit or loss		(447,494)	(431,564)
Gain on sale of investment properties		-	(523,978)
Share of results of associates	5	(651,955)	(663,031)
Depreciation of property and equipment		32,737	12,869
Depreciation of right-of-use assets		82,674	-
Interest income		(198,307)	(212,282)
Finance costs		1,637,014	1,776,607
		<u>1,298,616</u>	<u>2,057,613</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		609,418	(73,870)
Accounts payable and other liabilities		(761,846)	2,917,531
		<u>1,146,188</u>	<u>4,901,274</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Additions to property and equipment		(112,043)	(49,718)
Proceeds from redemption of financial assets at fair value through profit or loss		493,211	77,271
Proceeds from sale of financial assets at fair value through profit or loss		2,516,001	2,043,167
Purchase of financial assets at fair value through profit or loss		(48,392)	-
Capital expenditure incurred on investment properties	4	(4,313,096)	(8,607,247)
Proceeds on sale of investment properties		-	12,460,523
Dividends received from associates	5	374,614	371,031
Purchase of investment in associates	5	(226,799)	(574,318)
Proceeds from capital redemption of investment in associates	5	302,139	4,321,212
Distribution income received from financial assets at fair value through profit or loss		447,494	431,564
Acquisition of subsidiary		-	(2,418,000)
Interest income received		198,307	156,841
		<u>(368,564)</u>	<u>8,212,326</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITIES			
Proceeds from loan obtained		2,600,000	-
Repayment of loans		(4,000,000)	(5,400,000)
Finance costs paid		(1,637,014)	(1,192,995)
Dividends paid to equity holders of the Parent Company		(2,292,934)	(1,961,688)
Purchase of treasury shares		(88,398)	(56,638)
		<u>(5,418,346)</u>	<u>(8,611,321)</u>
Net cash used in financing activities			
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES		(4,640,722)	4,502,279
Cash and bank balances at 1 January		<u>6,571,267</u>	<u>6,032,705</u>
CASH AND BANK BALANCES AT 30 SEPTEMBER		<u>1,930,545</u>	<u>10,534,984</u>
NON-CASH ITEMS			
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)	-
		<u>-</u>	<u>-</u>

The attached notes 1 to 11 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 2019

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Injazzat Real Estate Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 28 October 2019.

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 registered office 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.

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 2019 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 2018.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied, for the first time, IFRS 16 'Leases'. 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 2019, but do not have an material 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 2019

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

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

IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>KD</i>
Assets	
Right-of-use assets (included under property and equipment)	499,805
Liabilities	
Lease liabilities (included under accounts payable and other liabilities)	499,805

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

▶ *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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 2019

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

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

b) Summary of new accounting policies (continued)

▶ *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

▶ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

▶ *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

c) Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets KD	Lease liabilities KD
At 1 January 2019	499,805	499,805
Depreciation expense	(82,674)	-
Finance costs	-	20,645
Payments	-	(93,366)
At 30 September 2019	417,131	427,084

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

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

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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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	337,417	534,680	2,078,987	2,705,623
Weighted average number of shares outstanding during the period (excluding treasury shares)	335,471,370	336,605,457	336,207,076	336,605,457
Basic and diluted earnings per share (EPS)	1.01 Fils	1.59 Fils	6.18 Fils	8.04 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>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period/year	64,487,981	65,109,210	65,109,210
Capital expenditure on investment properties	4,313,096	6,799,630	8,607,247
Acquisitions of investments properties	-	4,783,503	-
Disposals	-	(11,936,545)	(11,936,545)
Change in fair value	-	(417,480)	-
Exchange difference	62,433	149,663	-
	68,863,510	64,487,981	61,779,912

- The fair value of investment properties was independently determined at 31 December 2018 by accredited independent valuers who are specialised in valuing such type of properties using a mix of income capitalization method and the market comparison approach considering the nature usage of each property. The valuation of the Group's investment properties is performed on an annual basis as management believes that there are no significant circumstances that have arisen during the interim period, which may have a significant impact on fair value.
- Investment properties with a carrying value of KD 29,545,124 (31 December 2018: KD 29,545,124 and 30 September 2018: KD 22,198,018) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 8)

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5 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
At the beginning of the period / year	24,230,450	25,608,949	25,608,949
Additions	226,799	1,528,421	574,318
Return of capital	(1,202,139)	(4,533,264)	(4,321,212)
Share of profit	651,955	2,750,838	663,031
Share of other comprehensive income	-	(712,709)	-
Exchange differences	(103,969)	(40,754)	(159,098)
Dividends received	(374,614)	(371,031)	(371,031)
At the end of the period / year	<u>23,428,482</u>	<u>24,230,450</u>	<u>21,994,957</u>

During the period, Ikarous Real Estate Company (an associate) has been liquidated and has been deregistered from the commercial register. The carrying value of the associate amounting to KD 900,000 has been offset against the amount due to the investee company (Note 9). There are no cash inflows/outflows from this transaction and no gain/loss have been recognized during the period then ended.

As at 30 September 2019, investment in associates with a carrying value of KD 20,004,354 (31 December 2018: KD 19,741,741 and 30 September 2018: KD 17,436,813) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 8).

6 SHARE CAPITAL AND TREASURY SHARES

a) Share capital

At 30 September 2019, the authorised, issued and fully paid-up capital of the Parent Company comprised 345,648,600 (31 December 2018: 345,648,600 and 30 September 2018: 345,648,600) shares of 100 fils each. All shares are paid in cash.

b) Treasury shares

	<i>30 September</i> <i>2019</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i>	<i>30 September</i> <i>2018</i>
Number of treasury shares	10,191,143	9,043,143	9,043,143
Percentage of issued shares	2.95%	2.62%	2.62%
Cost of treasury shares (KD)	1,010,776	922,378	922,378
Market value of treasury shares (KD)	815,291	777,710	723,451

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

7 DIVIDENDS AND DIRECTORS' REMUNERATION

The annual general assembly meeting (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 and directors' proposal to distribute cash dividends of 7 fils per share amounting of KD 2,356,238 for the year ended 31 December 2018 (31 December 2017: KD 2,019,633) and directors' remuneration of KD 105,000 (2017: KD 105,000) for the year then ended.

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8 BANK LOANS

		<i>Effective interest rate (EIR)</i>	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
	<i>Currency</i>		<i>KD</i>	<i>KD</i>	<i>KD</i>
		CBK discount rate			
Secured bank loans	KD	+1.75% - 2.6%	<u>38,567,159</u>	<u>39,967,159</u>	<u>39,967,159</u>

The loans are due for repayment as follows:

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Within one year	4,600,000	2,500,000	2,500,000
Over one year	<u>33,967,159</u>	<u>37,467,159</u>	<u>37,467,159</u>
	<u>38,567,159</u>	<u>39,967,159</u>	<u>39,967,159</u>

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

9 RELATED PARTY DISCLOSURES

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

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

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position:			
Due from associate company	51,415	88,630	92,226
Due from other related parties	121,716	121,716	241,468
Due on sale of investment property	3,939,793	3,930,103	3,927,823
Due to associate company – note 5	110,844	962,471	923,496
	<i>Three months ended 30 September</i>	<i>(Audited) 30 September</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of profit or loss:			
Interest income on accounts receivable	63,313	55,383	172,614
Management fees	5,389	9,246	18,706
	<u>68,702</u>	<u>64,629</u>	<u>191,320</u>
			<u>188,711</u>

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9 RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel

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

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Key management remunerations:				
Salaries and short-term benefits	103,772	101,948	305,164	301,094
Employees' end of service benefits	10,060	12,115	35,373	36,346
	<u>113,832</u>	<u>114,063</u>	<u>340,537</u>	<u>337,440</u>

The Board of Directors in their meeting held on 28 January 2019 proposed directors' remuneration of KD 105,000 for the year ended 31 December 2018. This proposal was approved by the shareholders at the AGM held on 6 March 2019.

10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and bank balances and financial liabilities held by the Group as at 30 September 2019, 31 December 2018 and 30 September 2018:

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>2018</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at amortised cost:			
Accounts receivable and other assets	5,652,497	6,261,915	6,348,724
Financial assets at fair value through profit or loss:			
Unquoted equity securities	8,092,841	9,721,768	9,564,319
Total	<u>13,745,338</u>	<u>15,983,683</u>	<u>15,913,043</u>
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	8,670,071	9,726,702	9,305,530
Loans and borrowings	38,567,159	39,967,159	39,967,159
Total	<u>47,237,230</u>	<u>49,693,861</u>	<u>49,272,689</u>

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10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair values

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

	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices</i>	<i>Significant</i>	<i>Significant</i>
	<i>KD</i>	<i>in active markets</i>	<i>observable</i>	<i>unobservable</i>
		<i>(Level 1)</i>	<i>inputs</i>	<i>inputs</i>
		<i>(Level 2)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>As at 30 September 2019</i>				
Financial assets at fair value through profit or loss:				
Unquoted equity securities	8,092,841	-	-	8,092,841
<i>As at 31 December 2018 (Audited)</i>				
Financial assets at fair value through profit or loss:				
Unquoted equity securities	9,721,768	-	-	9,721,768
<i>As at 30 September 2018</i>				
Financial assets at fair value through profit or loss:				
Unquoted equity securities	9,564,319	-	-	9,564,319

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

Description of significant unobservable inputs to valuation

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Adjusted net asset value	DLOM *	20%	10% increase (decrease) in the discount would decrease (increase) the fair value by KD 800,376

*Discount for lack of marketability ("DLOM") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

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10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

	<i>Non-listed equity investments</i>
	<i>Financial assets at FVTPL</i>
	<i>KD</i>
30 September 2019	
As at 1 January 2019	9,721,768
Purchases	48,392
Sales	(3,009,212)
Gain on sale	1,331,893
As at 30 September 2019	<u>8,092,841</u>
31 December 2018	
As at 1 January 2018	-
IFRS 9 reclassification adjustment	10,891,376
Remeasurement recognised in profit or loss	93,077
Sales	(1,262,685)
As at 31 December 2018	<u>9,721,768</u>
30 September 2018	
As at 1 January 2018	-
IFRS 9 reclassification adjustment	10,891,376
Sales	(2,120,351)
Gain on sale	793,294
As at 30 September 2018	<u>9,564,319</u>

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11 SEGMENT INFORMATION

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

	Nine months ended 30 September 2019 (Unaudited)			Nine months ended 30 September 2018 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Rental income	322,935	2,101,536	2,424,471	322,935	3,065,024	3,387,959
Gain on sale of investment properties	-	-	-	-	523,978	523,978
Gain on sale of financial assets at fair value through profit or loss	-	1,331,893	1,331,893	-	793,294	793,294
Distribution income from financial assets at fair value through profit or loss	-	447,494	447,494	-	431,564	431,564
Management fees	12,651	643,132	655,783	9,850	244,906	254,756
Share of results of associates	62,820	589,135	651,955	(63,137)	726,168	663,031
Net foreign exchange differences	(6,818)	-	(6,818)	8,474	-	8,474
Other income, net	198,305	24,431	222,736	212,282	57,173	269,455
Total income	589,893	5,137,621	5,727,514	490,404	5,842,107	6,332,511
Real estate operating costs	(89,143)	(820,176)	(909,319)	(69,521)	(736,365)	(805,886)
Staff costs	(547,603)	-	(547,603)	(506,147)	-	(506,147)
Depreciation	(105,988)	(9,423)	(115,411)	(3,720)	(9,149)	(12,869)
Administrative expenses	(226,631)	-	(226,631)	(223,558)	-	(223,558)
Consultancy and professional fees	(96,672)	(19,024)	(115,696)	(83,509)	(31,649)	(115,158)
Finance costs	(1,636,426)	(588)	(1,637,014)	(1,775,891)	(716)	(1,776,607)
KFAS, NLSST and Zakat	(97,883)	-	(97,883)	(126,085)	-	(126,085)
Total expenses and other charges	(2,800,346)	(849,211)	(3,649,557)	(2,788,431)	(777,879)	(3,566,310)
(Loss) profit for the period	(2,210,453)	4,288,410	2,077,957	(2,298,027)	5,064,228	2,766,201

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11 SEGMENT INFORMATION (continued)

	30 September 2019 (Unaudited)			31 December 2018 (Audited)			30 September 2018 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Total assets	17,040,192	91,515,528	108,555,720	22,065,250	89,299,539	111,364,789	26,472,253	83,818,310	110,290,563
Total liabilities	41,431,978	5,805,252	47,237,230	43,583,079	6,110,782	49,693,861	43,754,335	5,518,354	49,272,689
Commitments	-	1,770,562	1,770,562	-	5,254,079	5,254,079	-	8,711,053	8,711,053

Disaggregated revenue information

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

Timing of revenue recognition	30 September 2019			30 September 2018		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Services performed at a point in time	12,651	608,308	620,959	9,850	-	9,850
Services performed over time	-	34,824	34,824	-	244,906	244,906
Total revenue from contracts with customers	12,651	643,131	655,783	9,850	244,906	254,756