

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 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 31 March 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-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 three-month period ended 31 March 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

5 August 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(UNAUDITED)

For the three months ended 31 March 2020

	Notes	Three months ended	
		31 March	
		2020	2019
		KD	KD
INCOME			
Rental income		785,449	864,477
Gain on sale of financial assets at fair value through profit or loss		143,244	1,201,487
Distribution income from financial assets at fair value through profit or loss		86,000	55,631
Management fees		16,760	15,618
Share of results of associates	5	124,469	261,438
Other income		46,948	97,159
Net foreign exchange differences		29,104	42,655
		<u>1,231,974</u>	<u>2,538,465</u>
EXPENSES			
Real estate operating costs		(199,062)	(366,610)
Staff costs		(182,579)	(179,951)
Depreciation expense		(40,061)	(33,099)
Administrative expenses		(47,907)	(87,367)
Consultancy and professional fees		(29,349)	(28,497)
Finance costs		(513,064)	(553,458)
		<u>(1,012,022)</u>	<u>(1,248,982)</u>
Profit before tax		219,952	1,289,483
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(1,980)	(11,642)
National Labour Support Tax (NLST)		(5,999)	(32,838)
Zakat		(2,400)	(13,135)
PROFIT FOR THE PERIOD		209,573	1,231,868
Attributable to:			
Equity holders of the Parent Company		209,573	1,232,132
Non-controlling interests		-	(264)
PROFIT FOR THE PERIOD		209,573	1,231,868
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	0.62 Fils	3.66 Fils

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

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

For the three months ended 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
PROFIT FOR THE PERIOD	209,573	1,231,868
Other comprehensive income		
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive loss of associates	27,448	(19,055)
Net exchange differences on translation of foreign operations	(30,913)	25,180
Other comprehensive (loss) income for the period	(3,465)	6,125
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	206,108	1,237,993
Attributable to:		
Equity holders of the Parent Company	206,108	1,238,257
Non-controlling interests	-	(264)
	206,108	1,237,993

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

Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at 31 March 2020

			<i>(Audited)</i>	
	Notes	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD
ASSETS				
Cash and cash equivalents		2,202,478	2,369,410	5,435,346
Accounts receivable and other assets		5,318,442	5,806,429	7,964,740
Financial assets at fair value through profit or loss		8,035,873	8,429,204	8,710,627
Investment properties	4	60,876,097	60,323,903	66,229,877
Investment in associates	5	22,488,968	22,362,471	24,200,917
Property and equipment		579,977	618,189	565,135
TOTAL ASSETS		99,501,835	99,909,606	113,106,642
EQUITY AND LIABILITIES				
EQUITY				
Share capital	6.1	34,564,860	34,564,860	34,564,860
Share premium		2,869,130	2,869,130	2,869,130
Statutory reserve		8,842,498	8,842,498	8,842,498
Voluntary reserve		4,421,250	4,421,250	4,421,250
Treasury shares	6.2	(1,022,316)	(1,017,932)	(922,378)
Treasury shares reserve		4,396,905	4,396,905	4,396,905
Foreign currency translation reserve		1,475,482	1,478,947	1,462,026
Fair value reserve		(712,709)	(712,709)	(712,709)
(Accumulated losses) / Retained earnings		(2,369,812)	(2,579,385)	5,546,117
Equity attributable to equity holders of the Parent Company		52,465,288	52,263,564	60,467,699
Non-controlling interests		-	-	84,984
TOTAL EQUITY		52,465,288	52,263,564	60,552,683
LIABILITIES				
Accounts payable and other liabilities		7,019,388	7,878,883	12,586,800
Loans and borrowings	8	40,017,159	39,767,159	39,967,159
TOTAL LIABILITIES		47,036,547	47,646,042	52,553,959
TOTAL EQUITY AND LIABILITIES		99,501,835	99,909,606	113,106,642



Dr. Abdulmohsen Medejj Mohammad AlMedejj
Chairman



Mohammad Ibrahim Al-Farhan
Chief Executive Officer

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

For the three months ended 31 March 2020

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total
	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		
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	-	-	-	-	-	-	-	-	209,573	209,573	-	209,573
Other comprehensive loss for the period	-	-	-	-	-	-	(3,465)	-	-	(3,465)	-	(3,465)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	(3,465)	-	209,573	206,108	-	206,108
Purchase of treasury shares	-	-	-	-	(4,384)	-	-	-	-	(4,384)	-	(4,384)
At 31 March 2020	<u>34,564,860</u>	<u>2,869,130</u>	<u>8,842,498</u>	<u>4,421,250</u>	<u>(1,022,316)</u>	<u>4,396,905</u>	<u>1,475,482</u>	<u>(712,709)</u>	<u>(2,369,812)</u>	<u>52,465,288</u>	<u>-</u>	<u>52,465,288</u>
As 1 January 2019 (Audited)	34,564,860	2,869,130	8,842,498	4,421,250	(922,378)	4,396,905	1,455,901	(712,709)	6,670,223	61,585,680	85,248	61,670,928
Profit (loss) for the period	-	-	-	-	-	-	-	-	1,232,132	1,232,132	(264)	1,231,868
Other comprehensive income for the period	-	-	-	-	-	-	6,125	-	-	6,125	-	6,125
Total comprehensive income (loss) for the period	-	-	-	-	-	-	6,125	-	1,232,132	1,238,257	(264)	1,237,993
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(2,356,238)	(2,356,238)	-	(2,356,238)
At 31 March 2019	<u>34,564,860</u>	<u>2,869,130</u>	<u>8,842,498</u>	<u>4,421,250</u>	<u>(922,378)</u>	<u>4,396,905</u>	<u>1,462,026</u>	<u>(712,709)</u>	<u>5,546,117</u>	<u>60,467,699</u>	<u>84,984</u>	<u>60,552,683</u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit before tax		219,952	1,289,483
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Gain on sale of financial assets at fair value through profit or loss		(143,244)	(1,201,487)
Distribution income from financial assets at fair value through profit or loss		(86,000)	(55,631)
Share of results of associates	5	(124,469)	(261,438)
Depreciation of property and equipment		11,104	33,099
Depreciation of right-of-use assets		28,957	-
Interest income		(46,948)	(72,737)
Interest expense on lease liabilities		6,323	-
Finance costs		506,741	553,458
		<u>372,416</u>	<u>284,747</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		457,074	510,589
Accounts payable and other liabilities		(1,346,461)	(185,459)
		<u>(516,971)</u>	<u>609,877</u>
Net cash (used in) from operating activities			
INVESTING ACTIVITIES			
Additions to property and equipment		(1,849)	(7,021)
Proceeds from redemption of financial assets at fair value through profit or loss		157,138	68,101
Proceeds from sale of financial assets at fair value through profit or loss		379,437	-
Purchase of financial assets at fair value through profit or loss		-	(68,887)
Capital expenditure incurred on investment properties	4	(552,194)	(1,741,896)
Dividends received from associates	5	-	374,615
Purchase of investment in associates	5	(53,415)	(182,740)
Proceeds from capital redemption of investment in associates	5	78,835	80,041
Distribution income received from financial assets at fair value through profit or loss		86,000	55,631
Interest income received		46,948	72,737
		<u>140,900</u>	<u>(1,349,419)</u>
Net cash from (used in) investing activities			
FINANCING ACTIVITIES			
Proceeds from loan and borrowings		250,000	-
Finance costs paid		-	(1,575)
Dividends paid to equity holders of the Parent Company		-	(358,549)
Purchase of treasury shares		(4,384)	-
Payment of lease liabilities		(36,477)	(36,255)
		<u>209,139</u>	<u>(396,379)</u>
Net cash used in financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		2,369,410	6,571,267
		<u>2,202,478</u>	<u>5,435,346</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH			
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 12 form part of this interim condensed consolidated financial information.

Injazat 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 31 March 2020

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Injazat Real Estate Development Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 5 August 2020.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company’s 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.

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 three months ended 31 March 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

Amendments to IFRS 3: *Definition of a Business*

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

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

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

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

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

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

3 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	209,573	1,232,132
Weighted average number of shares outstanding during the period (excluding treasury shares)	335,345,587	336,605,457
Basic and diluted earnings per share (EPS)	0.62 Fils	3.66 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.

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 31 March 2020

4 INVESTMENT PROPERTIES

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

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
At the beginning of the period / year	60,323,903	64,487,981	64,487,981
Capital expenditure on owned property	552,194	4,519,940	1,741,896
Change in fair value	-	(8,655,684)	-
Exchange difference	-	(28,334)	-
	60,876,097	60,323,903	66,229,877

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

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

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

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

5 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
At the beginning of the period / year	22,362,471	24,230,450	24,230,450
Additions	53,415	243,666	182,740
Return of capital	(78,835)	(1,218,070)	(80,041)
Share of results for the period / year	124,469	(393,467)	261,438
Exchange differences	27,448	(125,494)	(19,055)
Dividends received	-	(374,614)	(374,615)
At the end of the period / year	22,488,968	22,362,471	24,200,917

As at 31 March 2020, investment in associates with a carrying value of KD 19,477,111 (31 December 2019: KD 19,280,485 and 31 March 2019: KD 19,752,006) are pledged as security in order to fulfil collateral requirements of certain bank loans (Note 8).

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 31 March 2020

6 SHARE CAPITAL AND TREASURY SHARES

6.1 Share capital

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

6.2 Treasury shares

	<i>31 March</i> <i>2020</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i>	<i>31 March</i> <i>2019</i>
Number of treasury shares	10,342,468	10,286,398	9,043,143
Percentage of issued shares	2.99%	2.98%	2.62%
Cost of treasury shares (KD)	1,022,316	1,017,932	922,378
Market value of treasury shares (KD)	827,397	807,482	768,667

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

The 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, 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.

8 LOANS AND BORROWINGS

	<i>Currency</i>	<i>Effective interest</i> <i>rate (EIR)</i>	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Secured bank loans	KD	CBK discount rate +1.75% - 2.6%	40,017,159	39,767,159	39,967,159

The loans are due for repayment as follows:

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Within one year	3,500,000	4,600,000	2,500,000
Over one year	36,517,159	35,167,159	37,467,159
	40,017,159	39,767,159	39,967,159

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

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 31 March 2020

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>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>2019</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position:			
Receivables from associates	14,251	64,102	93,004
Receivables from other related parties	121,716	121,716	121,716
Receivables from sale of investment property	3,784,468	3,926,873	3,941,740
Payables to associates	80,849	205,808	1,066,767
		<i>Three months ended</i>	
		<i>31 March</i>	
		<i>2020</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of profit or loss:			
Interest income on accounts receivable		46,948	54,268
Management fees		4,332	6,364
		<u>51,280</u>	<u>60,632</u>

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>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Key management remunerations:		
Salaries and short-term benefits	88,620	99,119
Employees' end of service benefits	11,791	12,224
	<u>100,411</u>	<u>111,343</u>

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).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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 31 March 2020, 31 December 2019 and 31 March 2019:

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Financial assets at amortised cost:			
Accounts receivable and other assets	5,318,442	5,806,429	7,964,740
Financial assets at fair value through profit or loss:			
Unquoted equity securities	8,035,873	8,429,204	8,710,627
Total	13,354,315	14,235,633	16,675,367
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	7,019,388	7,878,883	12,586,800
Loans and borrowings	40,017,159	39,767,159	39,967,159
Total	47,036,547	47,646,042	52,553,959

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>KD</i>	<i>Quoted prices</i> <i>in active markets</i> <i>(Level 1)</i> <i>KD</i>	<i>Significant</i> <i>observable</i> <i>inputs</i> <i>(Level 2)</i> <i>KD</i>	<i>Significant</i> <i>unobservable</i> <i>inputs</i> <i>(Level 3)</i> <i>KD</i>
<i>As at 31 March 2020</i>				
Financial assets at fair value through profit or loss:				
Unquoted equity securities	8,035,873	-	-	8,035,873
<i>As at 31 December 2019 (Audited)</i>				
Financial assets at fair value through profit or loss:				
Unquoted equity securities	8,429,204	-	-	8,429,204
<i>As at 31 March 2019</i>				
Financial assets at fair value through profit or loss:				
Unquoted equity securities	8,710,627	-	-	8,710,627

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.

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

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10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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>
31 March 2020	
As at 1 January 2020	8,429,204
Remeasurement recognised in profit or loss	-
Sales and capital redemptions	(393,331)
	<u>8,035,873</u>
As at 31 March 2020	<u>8,035,873</u>

<i>Financial assets at FVTPL</i>	<i>Non-listed equity investments</i>
	<i>KD</i>
31 December 2019	
As at 1 January 2019	9,721,768
Remeasurement recognised in profit or loss	2,261,056
Sales and capital redemptions	(3,553,620)
	<u>8,429,204</u>
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>
31 March 2019	
As at 1 January 2019	9,721,768
Remeasurement recognised in profit or loss	-
Sales and capital redemptions	(1,011,141)
	<u>8,710,627</u>
As at 31 March 2019	<u>8,710,627</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 31 March 2020

11 SEGMENT INFORMATION

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

	<i>Three months ended</i>			<i>Three months ended</i>		
	<i>31 March 2020 (Unaudited)</i>			<i>31 March 2019 (Unaudited)</i>		
	<i>Domestic</i>	<i>International</i>	<i>Total</i>	<i>Domestic</i>	<i>International</i>	<i>Total</i>
<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	
Rental income	107,645	677,804	785,449	107,645	756,832	864,477
Gain on sale of financial assets at fair value through profit or loss	-	143,244	143,244	-	1,201,487	1,201,487
Distribution income from financial assets at fair value through profit or loss	-	86,000	86,000	-	55,631	55,631
Management fees	-	16,760	16,760	-	15,618	15,618
Share of results of associates	-	124,469	124,469	-	261,438	261,438
Net foreign exchange differences	29,104	-	29,104	42,655	-	42,655
Other income, net	46,948	-	46,948	97,159	-	97,159
Total income	183,697	1,048,277	1,231,974	247,459	2,291,006	2,538,465
Real estate operating costs	(23,112)	(175,950)	(199,062)	(61,192)	(305,418)	(366,610)
Staff costs	(182,579)	-	(182,579)	(179,951)	-	(179,951)
Depreciation	(35,542)	(4,519)	(40,061)	(29,996)	(3,103)	(33,099)
Administrative expenses	(47,907)	-	(47,907)	(87,367)	-	(87,367)
Consultancy and professional fees	(28,262)	(1,087)	(29,349)	(22,871)	(5,626)	(28,497)
Finance costs	(7,693)	(505,371)	(513,064)	(1,313)	(552,145)	(553,458)
KFAS, NLST and Zakat	(10,379)	-	(10,379)	(57,615)	-	(57,615)
Total expenses and other charges	(335,474)	(686,927)	(1,022,401)	(440,305)	(866,292)	(1,306,597)
(LOSS) PROFIT FOR THE PERIOD	(151,777)	361,350	209,573	(192,846)	1,424,714	1,231,868

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

11 SEGMENT INFORMATION (continued)

	31 March 2020 (Unaudited)			31 December 2019 (Audited)			31 March 2019 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Total assets	17,755,468	81,746,367	99,501,835	17,980,444	81,929,162	99,909,606	21,706,491	91,400,151	113,106,642
Total liabilities	3,053,458	43,983,089	47,036,547	4,233,990	43,412,052	47,646,042	6,565,419	45,988,540	52,553,959
Commitments	1,529,324	870,053	2,399,377	1,668,063	971,711	2,639,774	-	5,254,079	5,254,079

Disaggregated revenue information

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

Timing of revenue recognition	Three months ended 31 March 2020			Three months ended 31 March 2019		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Services performed at a point in time	-	6,455	6,455	-	2,077	2,077
Services performed over time	-	10,305	10,305	-	13,541	13,541
Total revenue from contracts with customers	-	16,760	16,760	-	15,618	15,618

12 IMPACT OF COVID-19

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

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

- Rental income of KD 785,449 for the quarter, down 9% year-over-year due to lower vacancy.
- Operating profit of KD 956,860 for the quarter, down 53% year-over-year

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

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

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

12.1 Risk management

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

12.1.1 Credit risk

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

12.1.2 Liquidity risk

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

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

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

12 IMPACT OF COVID-19 (continued)

12.2 Use of estimates and assumptions

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

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

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

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

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

Tenant and other receivables

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

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

12.3 Subsequent events

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