

**AL-ENMA'A REAL ESTATE COMPANY K.S.C.P.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

31 JULY 2022



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL ENMA'A REAL ESTATE COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Enma'a Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group") as at 31 July 2022, and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The 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 ("IAS 34"). 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.

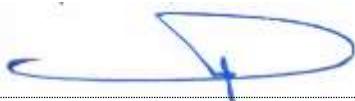
Conclusion

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 account 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 during the nine-month period ended 31 July 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 31 July 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY

AL AIBAN, AL OSAIMI & PARTNERS

12 September 2022
Kuwait

Al-Enma'a Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 July 2022

| | Note | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|------|---------------------------|-------------|--------------------------|-------------|
| | | <i>31 July</i> | | <i>31 July</i> | |
| | | <i>2022</i> | <i>2021</i> | <i>2022</i> | <i>2021</i> |
| | | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| REVENUES | | | | | |
| Revenue from services rendered | | 1,309,561 | 1,747,583 | 4,468,017 | 5,565,488 |
| Revenue from real estate activities | | 457,482 | 520,868 | 1,415,777 | 1,539,368 |
| Revenue from construction contracts | | 174,124 | 98,160 | 1,376,640 | 894,834 |
| | | 1,941,167 | 2,366,611 | 7,260,434 | 7,999,690 |
| COST OF REVENUES | | | | | |
| Cost of services rendered | | 905,085 | 1,506,174 | 3,393,806 | 4,585,743 |
| Cost of real estate activities | | 103,259 | 99,037 | 298,956 | 363,063 |
| Cost of construction contracts | | 272,824 | 223,516 | 2,499,510 | 1,259,864 |
| | | 1,281,168 | 1,828,727 | 6,192,272 | 6,208,670 |
| GROSS PROFIT | | | | | |
| | | 659,999 | 537,884 | 1,068,162 | 1,791,020 |
| Reversal of (allowance for) expected credit losses | | 111,320 | 34,890 | 123,680 | (93,858) |
| General and administrative expenses | | (302,360) | (249,268) | (927,923) | (839,405) |
| PROFIT FROM OPERATIONS | | | | | |
| | | 468,959 | 323,506 | 263,919 | 857,757 |
| Net investment income (loss) | | 22,294 | 14,761 | (14,748) | 47,769 |
| Other income | | 1,793 | 9,271 | 26,701 | 89,437 |
| Finance costs on murabaha payables | | (98,960) | (57,514) | (216,391) | (188,953) |
| Finance costs on lease liabilities | | (35,714) | (57,271) | (116,097) | (174,555) |
| PROFIT (LOSS) FOR THE PERIOD BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT | | | | | |
| | | 358,372 | 232,753 | (56,616) | 631,455 |
| NLST | | - | (3,648) | - | (16,493) |
| Zakat | | - | (1,459) | - | (6,597) |
| PROFIT (LOSS) FOR THE PERIOD | | | | | |
| | | 358,372 | 227,646 | (56,616) | 608,365 |
| BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE | | | | | |
| | 5 | 0.80 fils | 0.51 fils | (0.13) fils | 1.35 fils |
| Other comprehensive loss | | | | | |
| | | (296) | - | (296) | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | | | | | |
| | | 358,076 | 227,646 | (56,912) | 608,365 |

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Enma'a Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 July 2022

| | Notes | 31 July 2022 KD | (Audited) 31 October 2021 KD | 31 July 2021 KD |
|---|-------|--------------------------|---------------------------------------|--------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 108,917 | 168,523 | 194,331 |
| Investment properties | 6 | 40,456,297 | 40,522,273 | 41,138,050 |
| Investment in associates | | 9,795 | 9,795 | 9,795 |
| Financial assets at fair value through other comprehensive income | | 568,792 | 569,952 | 1,111,587 |
| Accounts receivable and other assets | | 744,391 | 725,296 | 680,531 |
| Right of use assets | | 2,969,004 | 4,228,107 | 4,637,899 |
| | | <u>44,857,196</u> | <u>46,223,946</u> | <u>47,772,193</u> |
| Current assets | | | | |
| Inventories | | 39,478 | 46,428 | 122,045 |
| Financial assets at fair value through profit or loss | | - | 2,899 | 2,807 |
| Contract assets | | 1,175,668 | 1,667,590 | 3,363,617 |
| Accounts receivable and other assets | | 6,954,481 | 10,481,933 | 11,068,603 |
| Investment deposits | 7 | 11,803,616 | 5,803,616 | 5,903,744 |
| Bank balances and cash | 7 | 401,826 | 944,093 | 1,510,603 |
| | | <u>20,375,069</u> | <u>18,946,559</u> | <u>21,971,419</u> |
| TOTAL ASSETS | | <u><u>65,232,265</u></u> | <u><u>65,170,505</u></u> | <u><u>69,743,612</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | | 45,053,468 | 45,053,468 | 45,053,468 |
| Share premium | | - | 176,642 | 176,642 |
| Statutory reserve | | - | 8,384,971 | 8,384,971 |
| Cumulative changes in fair values reserve | | (3,624,813) | (3,623,850) | (3,082,215) |
| Accumulated losses | | (398,739) | (8,904,403) | (6,263,306) |
| TOTAL EQUITY | | <u>41,029,916</u> | <u>41,086,828</u> | <u>44,269,560</u> |
| Non-current liabilities | | | | |
| Employees' end of service benefits | | 1,290,028 | 1,720,925 | 1,732,573 |
| Murabaha payables | | 7,857,813 | 2,915,367 | 3,172,737 |
| Accounts payable and other liabilities | | 1,329,742 | 3,317,557 | 3,013,266 |
| Lease liabilities | | 704,253 | 1,393,629 | 3,362,696 |
| | | <u>11,181,836</u> | <u>9,347,478</u> | <u>11,281,272</u> |
| Current liabilities | | | | |
| Accounts payable and other liabilities | | 5,781,280 | 6,441,473 | 6,921,306 |
| Contract liabilities | | - | 525,189 | 233,465 |
| Murabaha payables | | 5,271,244 | 5,871,689 | 5,864,059 |
| Lease liabilities | | 1,967,989 | 1,897,848 | 1,173,950 |
| | | <u>13,020,513</u> | <u>14,736,199</u> | <u>14,192,780</u> |
| TOTAL LIABILITIES | | <u>24,202,349</u> | <u>24,083,677</u> | <u>25,474,052</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>65,232,265</u></u> | <u><u>65,170,505</u></u> | <u><u>69,743,612</u></u> |


 Saleh Turki Saleh Al-Khamis
 Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Enma'a Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 July 2022

| | <i>Share capital KD</i> | <i>Share premium KD</i> | <i>Statutory reserve KD</i> | <i>Voluntary reserve KD</i> | <i>Cumulative changes in fair values reserve KD</i> | <i>Accumulated losses KD</i> | <i>Total KD</i> |
|--|---------------------------------|---------------------------------|-------------------------------------|-------------------------------------|---|--------------------------------------|---------------------|
| As at 1 November 2021 (<i>Audited</i>) | 45,053,468 | 176,642 | 8,384,971 | - | (3,623,850) | (8,904,403) | 41,086,828 |
| Loss for the period | - | - | - | - | - | (56,616) | (56,616) |
| Other comprehensive loss for the period | - | - | - | - | (296) | - | (296) |
| Total comprehensive loss for the period | - | - | - | - | (296) | (56,616) | (56,912) |
| Extinguishment of accumulated losses (Note 14) | - | (176,642) | (8,384,971) | - | - | 8,561,613 | - |
| Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings | - | - | - | - | (667) | 667 | - |
| As at 31 July 2022 | 45,053,468 | - | - | - | (3,624,813) | (398,739) | 41,029,916 |
| As at 1 November 2020 (<i>Audited</i>) | 45,053,468 | 176,642 | 8,384,971 | 4,479,673 | (3,082,215) | (11,351,344) | 43,661,195 |
| Profit for the period | - | - | - | - | - | 608,365 | 608,365 |
| Total comprehensive income for the period | - | - | - | - | - | 608,365 | 608,365 |
| Extinguishment of accumulated losses (Note 14) | - | - | - | (4,479,673) | - | 4,479,673 | - |
| As at 31 July 2021 | 45,053,468 | 176,642 | 8,384,971 | - | (3,082,215) | (6,263,306) | 44,269,560 |

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Enma'a Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 July 2022

| | <i>Nine months ended</i> | |
|---|--------------------------|--------------|
| | <i>31 July</i> | |
| <i>Note</i> | 2022 | 2021 |
| | KD | KD |
| OPERATING ACTIVITIES | | |
| (Loss) profit for the period before provision for NLST and Zakat | (56,616) | 631,455 |
| Non-cash adjustments to reconcile (loss) profit for the period to net cash flows: | | |
| Depreciation on property, plant and equipment and right of use assets | 1,339,838 | 1,336,044 |
| Gain on sale of property, plant and equipment | (7,497) | (4,040) |
| Net investment loss (income) | 14,748 | (47,769) |
| (Reversal of) allowance for expected credit losses | (123,680) | 93,858 |
| Provision for employees' end of service benefits | 144,180 | 193,534 |
| Finance costs on murabaha payables | 216,391 | 188,953 |
| Finance costs on murabaha payables (under cost of real estate activities) | 54,247 | 25,820 |
| Finance costs on lease liabilities | 116,097 | 174,555 |
| | 1,697,708 | 2,592,410 |
| Changes in working capital: | | |
| Inventories | 6,950 | 4,650 |
| Financial assets at fair value through profit or loss | 2,722 | - |
| Contract assets | 556,319 | 104,295 |
| Contract liabilities | (525,189) | (22,080) |
| Accounts receivable and other assets | 3,632,037 | 1,614,519 |
| Accounts payable and other liabilities | (2,704,225) | (1,683,947) |
| Cash flows from operations | 2,666,322 | 2,609,847 |
| Employees' end of service benefits paid | (575,077) | (259,121) |
| Net cash flows from operating activities | 2,091,245 | 2,350,726 |
| INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (21,132) | (791) |
| Proceeds from sale of property, plant and equipment | 7,500 | 13,485 |
| Profit from investment deposits received | 51,405 | 46,799 |
| Proceeds on sale of financial assets at fair value through other comprehensive income | 864 | - |
| Net cash flows from investing activities | 38,637 | 59,493 |
| FINANCING ACTIVITIES | | |
| Payments of murabaha payables | (18,710,343) | (27,544,920) |
| Proceeds from murabaha payables | 23,004,921 | 25,564,182 |
| Finance costs paid | (223,215) | (177,877) |
| Payment of lease liabilities | (735,332) | (1,185,334) |
| Net cash flows from (used in) financing activities | 3,336,031 | (3,343,949) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 5,465,913 | (933,730) |
| Cash and cash equivalents as at 1 November | 6,734,756 | 8,343,850 |
| CASH AND CASH EQUIVALENTS AS AT 31 JULY | 7 12,200,669 | 7,410,120 |

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Enma'a Real Estate 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 July 2022

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Al Enma'a Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (Collectively, the "Group") for the nine-months period ended 31 July 2022 was authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 12 September 2022.

The Parent Company is a public Kuwaiti Shareholding Company registered and incorporated in Kuwait on 15 August 1993 whose shares are listed on the Boursa Kuwait. The Parent Company is a subsidiary of Kuwait Finance House K.S.C.P. (the "Ultimate Parent Company"), a registered Islamic Bank in Kuwait, and whose shares are listed on Boursa Kuwait.

The Parent Company is engaged in real estate activities inside and outside Kuwait. The Parent Company's activities in real estate include contracting, management and maintenance of real estate. The Parent Company undertakes contracts to construct buildings and to carry out real estate, commercial, residential, industrial and touristic projects as well as security of public and private real estate, and the transportation of funds and precious metals, in addition to maintenance of mechanical and electrical spare parts and building materials. Surplus funds are invested in direct equity investments, real estate and equity portfolios managed by specialist managers, both local and foreign. All activities are conducted in accordance with Islamic Sharia.

The registered office of the Parent Company is located at Abdullah Mubarak Street, Al-Enma'a's Tower, First, Second and Mezzanine Floors, Kuwait.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the nine-months period ended 31 July 2022 has been prepared in accordance with IAS 34 "*Interim Financial Reporting*".

The interim condensed consolidated financial information is prepared on a historical cost basis except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar (KD), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 October 2021. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine-months period ended 31 July 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 October 2022. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 October 2021.

Certain prior period amounts have been reclassified to conform with current period presentation but has no effect on the profit for the period ended 31 July 2021 or on the total equity as at 31 July 2021. Such reclassifications have been made to improve the quality of information presented.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 October 2021, except for the adoption of new standards effective as of 1 November 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial information are listed below:

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Al-Enma'a Real Estate 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 July 2022

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

5 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) per share are calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings (losses) per share are calculated by dividing the (loss) profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 July, the Parent Company did not have any diluted shares, or treasury shares.

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|---------------------------|-------------|--------------------------|-------------|
| | <i>31 July</i> | | <i>31 July</i> | |
| | 2022 | 2021 | 2022 | 2021 |
| Profit (loss) for the period (KD) | 358,372 | 227,646 | (56,616) | 608,365 |
| Weighted average number of shares outstanding during the period | 450,534,680 | 450,534,680 | 450,534,680 | 450,534,680 |
| Basic and diluted (losses) earnings per share | 0.80 Fils | 0.51 fils | (0.13) Fils | 1.35 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 (losses) earnings per share.

6 INVESTMENT PROPERTIES

| | <i>31 July</i> | <i>(Audited)</i> | <i>31 July</i> |
|--|-------------------|-------------------|----------------|
| | 2022 | <i>31 October</i> | <i>31 July</i> |
| | KD | <i>2021</i> | <i>2021</i> |
| | | <i>KD</i> | <i>KD</i> |
| As at the beginning of the period / year | 40,522,273 | 41,138,050 | 41,138,050 |
| Unrealized loss on revaluation | (65,976) | (615,777) | - |
| | 40,456,297 | 40,522,273 | 41,138,050 |

Al-Enma'a Real Estate 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 July 2022

6 INVESTMENT PROPERTIES (continued)

The fair value of investment properties was determined as at 31 October 2021 by independent valuers specialized in valuing this type of properties. Description of the valuation methods is provided in detail in Note 11.

As at 31 July 2022, investment properties with carrying values of KD 17,086,000 and KD 12,722,000 (31 October 2021: KD 17,080,000 and KD 11,378,000 and 31 July 2021: KD 16,820,000 and KD 12,232,000) are pledged as a security against letter of guarantees to the Ultimate Parent Company (Note 8 and 9) and local financial institutions and Murabaha payables, respectively.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows are reconciled to the related items in the interim condensed consolidated statement of financial position as follows:

| | <i>31 July</i> <i>2022</i> <i>KD</i> | <i>(Audited)</i> <i>31 October</i> <i>2021</i> <i>KD</i> | <i>31 July</i> <i>2021</i> <i>KD</i> |
|---|--|---|--|
| Investment deposits | 11,803,616 | 5,803,616 | 5,903,744 |
| Bank balances and cash | 401,826 | 944,093 | 1,510,603 |
| | 12,205,442 | 6,747,709 | 7,414,347 |
| Less: | | | |
| Bank overdrafts (included under accounts payable and other liabilities) | (4,773) | (12,953) | (4,227) |
| Cash and cash equivalents at the end of the period /year | 12,200,669 | 6,734,756 | 7,410,120 |

Investment deposits are placed with local and foreign banks and are denominated in Kuwaiti dinars. These deposits carry an average profit rate of 1.19% (31 October 2021: 1.04% and 31 July 2021: 1.04%) and matures within 90 days from the placement date.

As at 31 July 2022, bank balances and cash include an amount of KD 240,802 (31 October 2021: KD 719,002 and 31 July 2021: KD 1,117,253) which represents balances placed with the Ultimate Parent Company (Note 8).

As at 31 July 2022, investment deposits include an amount of KD 10,703,616 (31 October 2021: KD 5,803,616 and 31 July 2021: KD 5,903,744) which represents balances placed with the Ultimate Parent Company and other related party (Note 8).

As at 31 July 2022, bank overdrafts include an amount of KD 2,498 (31 October 2021: KD 24 and 31 July 2021: KD 2,954) which represents amounts withdrawn from the Ultimate Parent Company (Note 8).

8 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, associates, directors and executive officers of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's Board of Directors.

Al-Enma'a Real Estate 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 July 2022

8 RELATED PARTY TRANSACTIONS (continued)

Transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

| <i>Interim condensed consolidated statement of comprehensive income:</i> | <i>Three months ended 31 July</i> | | | | <i>Nine months ended 31 July</i> | | | |
|--|-----------------------------------|--------------------------------|----------------|-------------|----------------------------------|--------------------------------|------------------|-------------|
| | <i>Other related parties*</i> | <i>Ultimate Parent Company</i> | <i>2022</i> | <i>2021</i> | <i>Other related party *</i> | <i>Ultimate Parent Company</i> | <i>2022</i> | <i>2021</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Revenue from services rendered | - | 376,908 | 376,908 | 839,567 | - | 1,566,147 | 1,566,147 | 2,553,324 |
| Profit on investment deposits | - | 22,750 | 22,750 | 14,059 | - | 51,406 | 51,406 | 46,799 |
| Cost of services rendered | 11,175 | - | 11,175 | 11,568 | 22,645 | 9,947 | 32,592 | 39,169 |
| Cost of real estate activities | 2,405 | 540 | 2,945 | 540 | 4,675 | 540 | 5,215 | 2331 |
| Cost of construction | 19 | 4,709 | 4,728 | 39,490 | 205 | 45,127 | 45,332 | 133,156 |
| General and administrative expenses | 10,436 | - | 10,436 | 449 | 13,287 | - | 13,287 | 15,645 |
| Finance costs on murabaha payables | - | 37,808 | 37,808 | - | - | 37,808 | 37,808 | 16,880 |

Revenue from services rendered includes KD 130,574 (31 July 2021: KD 142,241) which has been earned from trust and fiduciary activities (Note 13).

* *Other related parties include affiliates of the Ultimate Parent Company.*

Al-Enma'a Real Estate 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 July 2022

8 RELATED PARTY TRANSACTIONS (continued)

| | <i>Other related parties*</i> KD | <i>Ultimate Parent Company</i> KD | <i>31 July 2022</i> KD | <i>(Audited) 31 October 2021</i> KD | <i>31 July 2021</i> KD |
|--|---|--|-------------------------------|--|-------------------------------|
| <i>Interim condensed consolidated statement of financial position:</i> | | | | | |
| Amounts due from related parties (included under accounts receivable and other assets | - | 44,007 | 44,007 | 112,782 | 228,690 |
| Investment deposits (Note 7) | 5,000,000 | 5,703,616 | 10,703,616 | 5,803,616 | 5,903,744 |
| Bank balances and cash (Note 7) | - | 240,802 | 240,802 | 719,002 | 1,117,253 |
| Accrued revenue (included under accounts receivable and other assets) | - | 92,490 | 92,490 | 87,923 | - |
| Bank overdrafts (included under accounts payable and other liabilities) (Note 7) | - | 2,498 | 2,498 | 24 | 2,954 |
| Murabaha payables | - | 5,037,808 | 5,037,808 | - | - |
| Accounts payable and other liabilities | 38,381 | - | 38,381 | 14,494 | 2,303 |

Amounts due from related parties are interest free and are receivable on demand.

As of 31 July 2022, investment deposits and bank balances amounting to KD 2,500,000 and KD 3,958,453 (31 October 2021: 2,500,000 and KD 3,627,890, and 31 July 2021: KD 2,500,000 and KD 4,093,643), respectively, are related to fiduciary assets held with the Ultimate Parent Company (Note 13).

| | <i>Three months ended 31 July</i> | | <i>Nine months ended 31 July</i> | |
|--|---------------------------------------|-------------------|--------------------------------------|-------------------|
| | <i>2022</i> KD | <i>2021</i> KD | <i>2022</i> KD | <i>2021</i> KD |
| <i>Key management compensations:</i> | | | | |
| Salaries and other short-term benefits | 59,669 | 42,496 | 178,812 | 190,596 |
| Employees' end of service benefits | 6,287 | 3,073 | 17,334 | 14,969 |
| | 65,956 | 45,569 | 196,146 | 205,565 |

9 CONTINGENT LIABILITIES

- (a) As at 31 July 2022, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 17,415,094 (31 October 2021: KD 17,490,594 and 31 July 2021: KD 17,490,344) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 11,729,335 (31 October 2021: KD 11,729,335 and 31 July 2021: KD 11,729,335) are related to delayed projects amounting to KD 60,640,380 for which the Parent Company did not have approved extension on the project completion date.
- (c) The Parent Company has legal cases filed by subcontractors and the management of the Parent Company does not expect probable obligations from those legal cases. Please refer to Note 12 for more details on significant legal cases.

Al-Enma'a Real Estate 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 July 2022

10 SEGMENT INFORMATION

For management purposes, the Group is organized into business units, based on their products and services, in order to manage its various lines of business. For segment reporting, the Group has four reportable operating segments as follows:

| | |
|-------------------------------|--|
| <i>Construction projects:</i> | Undertaking contracts to construct buildings. |
| <i>Services rendered:</i> | Undertaking maintenance of mechanical and electrical spare parts and building materials, providing security services, and managing real estate for others. |
| <i>Real estate:</i> | Managing its own properties and renting properties for others. |
| <i>Investments:</i> | Participating and investing in shares of local and foreign companies and real estate properties. |

No operating segments have been aggregated to form the above reportable operating segments.

Management of the Parent Company monitors the operating results of its business units separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the interim condensed consolidated financial information.

Reported segment profit or loss is based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance and is reconciled to Group profit or loss.

During the periods ended 31 July 2022 and 31 July 2021, there were no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

Al-Enma'a Real Estate 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 July 2022

10 SEGMENT INFORMATION (continued)

Segment information as at and for the nine months period ended 31 July is as follows:

| | <i>Construction projects KD</i> | <i>Services rendered KD</i> | <i>Real estate KD</i> | <i>Investments KD</i> | <i>Unallocated KD</i> | <i>Total KD</i> |
|--|---|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------|
| <i>Nine months ended 31 July 2022:</i> | | | | | | |
| Segment revenues | <u>1,376,640</u> | <u>4,468,017</u> | <u>1,415,777</u> | <u>(14,748)</u> | <u>150,381</u> | <u>7,396,067</u> |
| Operating and administrative expenses | <u>(2,498,929)</u> | <u>(3,386,001)</u> | <u>(298,956)</u> | - | <u>(1,188,058)</u> | <u>(7,371,944)</u> |
| Depreciation | <u>(581)</u> | <u>(7,805)</u> | - | - | <u>(72,353)</u> | <u>(80,739)</u> |
| Segment costs | <u>(2,499,510)</u> | <u>(3,393,806)</u> | <u>(298,956)</u> | - | <u>(1,260,411)</u> | <u>(7,452,683)</u> |
| (Loss) profit for the period | <u>(1,122,870)</u> | <u>1,074,211</u> | <u>1,116,821</u> | <u>(14,748)</u> | <u>(1,110,030)</u> | <u>(56,616)</u> |
| <i>Nine months ended 31 July 2021:</i> | | | | | | |
| Segment revenues | <u>894,834</u> | <u>5,565,488</u> | <u>1,539,368</u> | <u>47,769</u> | <u>89,437</u> | <u>8,136,896</u> |
| Operating and administrative expenses | <u>(1,258,053)</u> | <u>(4,567,496)</u> | <u>(362,975)</u> | - | <u>(1,250,327)</u> | <u>(7,438,851)</u> |
| Depreciation | <u>(1,811)</u> | <u>(18,247)</u> | <u>(88)</u> | - | <u>(69,534)</u> | <u>(89,680)</u> |
| Segment costs | <u>(1,259,864)</u> | <u>(4,585,743)</u> | <u>(363,063)</u> | - | <u>(1,319,861)</u> | <u>(7,528,531)</u> |
| (Loss) profit for the period | <u>(365,030)</u> | <u>979,745</u> | <u>1,176,305</u> | <u>47,769</u> | <u>(1,230,424)</u> | <u>608,365</u> |

Al-Enma'a Real Estate 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 July 2022

10 SEGMENT INFORMATION (continued)

| | <i>Construction projects KD</i> | <i>Services rendered KD</i> | <i>Real estate KD</i> | <i>Investments KD</i> | <i>Unallocated KD</i> | <i>Total KD</i> |
|--|-------------------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------|
| <i>As at 31 July 2022</i> | | | | | | |
| Assets | <u>6,841,460</u> | <u>4,683,295</u> | <u>34,610,732</u> | <u>18,744,733</u> | <u>352,045</u> | <u>65,232,265</u> |
| Liabilities | <u>4,641,306</u> | <u>4,136,900</u> | <u>217,556</u> | <u>13,070,998</u> | <u>2,135,589</u> | <u>24,202,349</u> |
| Capital expenditures and commitments | <u>-</u> | <u>13,779</u> | <u>-</u> | <u>-</u> | <u>7,356</u> | <u>21,135</u> |
| <i>As at 31 October 2021 (Audited)</i> | | | | | | |
| Assets | <u>8,678,025</u> | <u>8,374,088</u> | <u>34,851,777</u> | <u>12,857,206</u> | <u>409,409</u> | <u>65,170,505</u> |
| Liabilities | <u>6,884,110</u> | <u>3,860,271</u> | <u>857,622</u> | <u>8,185,705</u> | <u>4,295,969</u> | <u>24,083,677</u> |
| Capital expenditures and commitments | <u>-</u> | <u>17,046</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,046</u> |
| <i>As at 31 July 2021</i> | | | | | | |
| Assets | <u>11,376,138</u> | <u>7,994,739</u> | <u>35,332,986</u> | <u>13,964,380</u> | <u>1,075,369</u> | <u>69,743,612</u> |
| Liabilities | <u>7,625,023</u> | <u>5,969,025</u> | <u>886,227</u> | <u>8,257,993</u> | <u>2,735,784</u> | <u>25,474,052</u> |
| Capital expenditures and commitments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>791</u> | <u>791</u> |

Al-Enma'a Real Estate 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 July 2022

11 FAIR VALUE MEASUREMENT

Fair value is 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.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of assets recorded at fair value by valuation technique:

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; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

| | <i>Level 1</i> <i>KD</i> | <i>Level 2</i> <i>KD</i> | <i>Level 3</i> <i>KD</i> | <i>Total</i> <i>KD</i> |
|---|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| <i>As at 31 July 2022</i> | | | | |
| Investment properties | - | 5,942,297 | 34,514,000 | 40,456,297 |
| Financial assets at fair value through other comprehensive income | - | - | 568,792 | 568,792 |
| | <u>-</u> | <u>5,942,297</u> | <u>35,082,792</u> | <u>41,025,089</u> |
| | <u><u>-</u></u> | <u><u>5,942,297</u></u> | <u><u>35,082,792</u></u> | <u><u>41,025,089</u></u> |
| <i>As at 31 October 2021 (Audited)</i> | | | | |
| Investment properties | - | 5,874,273 | 34,648,000 | 40,522,273 |
| Financial assets at fair value through profit or loss | 2,899 | - | - | 2,899 |
| Financial assets at fair value through other comprehensive income | - | - | 569,952 | 569,952 |
| | <u>2,899</u> | <u>5,874,273</u> | <u>35,217,952</u> | <u>41,095,124</u> |
| | <u><u>2,899</u></u> | <u><u>5,874,273</u></u> | <u><u>35,217,952</u></u> | <u><u>41,095,124</u></u> |
| <i>As at 31 July 2021</i> | | | | |
| Investment properties | - | 6,025,050 | 35,113,000 | 41,138,050 |
| Financial assets at fair value through profit or loss | 2,807 | - | - | 2,807 |
| Financial assets at fair value through other comprehensive income | - | - | 1,111,587 | 1,111,587 |
| | <u>2,807</u> | <u>6,025,050</u> | <u>36,224,587</u> | <u>42,252,444</u> |
| | <u><u>2,807</u></u> | <u><u>6,025,050</u></u> | <u><u>36,224,587</u></u> | <u><u>42,252,444</u></u> |

There were no transfers between fair value hierarchies during the periods ended 31 July 2022 and 31 July 2021, and the year ended 31 October 2021.

Al-Enma'a Real Estate 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 July 2022

11 FAIR VALUE MEASUREMENT (continued)

The following table shows a reconciliation of the opening and closing amounts of level three assets, which are recorded at fair value.

| | <i>Investment properties KD</i> | <i>Financial assets at fair value through other comprehensive income KD</i> |
|---|---|---|
| 31 July 2022 | | |
| As at the beginning of the period | 34,648,000 | 569,952 |
| Net losses recorded in the profit or loss | (134,000) | - |
| Net purchases, transfers, sales and settlements | - | (1,160) |
| | <u>34,514,000</u> | <u>568,792</u> |
| 31 October 2021 (Audited) | | |
| As at the beginning of the year | 35,113,000 | 1,111,587 |
| Net losses recorded in the profit or loss | (465,000) | - |
| Net losses recorded in other comprehensive income | - | (541,635) |
| | <u>34,648,000</u> | <u>569,952</u> |
| 31 July 2021 | | |
| As at the beginning and end of the period | <u>35,113,000</u> | <u>1,111,587</u> |

Description of significant unobservable inputs to valuation of financial assets:

Unquoted equity securities classified as financial assets at fair value through other comprehensive income are valued using certain inputs and assumptions to determine the fair value based on the average market multiples method, price to book value of comparable companies, and discount for lack marketability and control.

Description of valuation methods used in the fair valuation of investment properties:

Developed properties

- ▶ Properties are valued using the income capitalization approach assuming full capacity of the property. Income capitalization approach is based on capitalization of the discounted annual cash flows from the property, which is calculated by discounting rental income generated annually by the property, assuming full capacity, using the current market discount rate.
- ▶ Properties are valued using the market approach. Market approach is based on a comparison of active market prices for similar properties and recent arm length's market transactions, adjusted for difference in the nature, location or condition of the specific property.

12 LEGAL CASES

- a) On 13 December 2020, the Court of First Instance has issued an initial verdict stating that an amount of KD 163,159 is due to the Group from a customer. The decision has been appealed by both sides of the legal case. The appeal was accepted in form and in subject, however, on 30 May 2022, the appeal was rejected by the court for premature filing. The management of the Group is in process of filing another appeal.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 July 2022

12 LEGAL CASES (continued)

- b) On 26 January 2021, the Court of first instance has issued an initial verdict stating that an amount of KD 6,588,572 is due from the Group to a subcontractor. The decision has been appealed by the Group and the Court of Appeals decision to discuss the matter was set on 20 February 2022. The Court of Appeals' verdict came against the Group's favor mandating the Group to pay KD 6,588,752. The Group has appealed against the ruling in the Cassation Court. On 12 June 2022, the Court of Cassation approved the Group's request to suspend the enforcement of the abovementioned verdict awaiting the outcome of the final ruling.

Management and the legal counsel believe that there is uncertainty around the case and the ultimate outcome of the case by the Court of Cassation cannot be determined presently, and as a result, no provision has been recognised in the interim condensed consolidated financial information as at 31 July 2022.

The Parent Company has also filed another case against the same subcontractor. On 17 May 2022, the Court of first instance issued an initial verdict obligating the subcontractor to pay the Parent Company an amount of KD 2,850,286 and the related legal charges. The subcontractor appealed against the ruling, and the hearing session has been scheduled on 23 October 2022.

Management and the legal counsel believe that there is uncertainty around the case and the ultimate outcome of the case cannot be determined presently, and as a result, management believes that no material impact is expected on the Group's interim condensed consolidated financial information as at 31 July 2022.

13 FIDUCIARY ASSETS

The Group manages rented real estate portfolios on behalf of the Ultimate Parent Company and other third parties. The Group collects rental income and deposits it in fiduciary bank accounts.

The aggregate value of investment deposits and bank balances held in a trust or fiduciary capacity by the Group at 31 July 2022 amounted to KD 2,500,000 and KD 3,982,227, respectively (31 October 2021: KD 2,500,000 and KD 4,477,734 and 31 July 2021: KD 2,500,000 and KD 4,856,062, respectively), out of which are investment deposits and bank balances related to the Ultimate Parent Company amounting to KD 2,500,000 and KD 3,958,453, respectively (31 October 2021: KD 2,500,000 and KD 3,627,890 and 31 July 2021: KD 2,500,000 and KD 4,093,643 respectively).

Revenue from services rendered includes KD 327,633 (31 July 2021: KD 322,729) arising from trust and fiduciary activities, out of which KD 130,574 (31 July 2021: KD 142,241) has been earned from services rendered to the Ultimate Parent Company (Note 8).

14 ANNUAL GENERAL ASSEMBLY MEETING (AGM)

The Annual General Assembly Meeting ("AGM") of the Parent Company's shareholders was held on 20 March 2022 and approved:

- the consolidated financial statements for the year ended 31 October 2021;
- the distribution of Board of directors' remuneration of KD 7,375 (2020: KD 7,000) to the independent member of the Board of Directors.
- the Board of Directors' recommendation not to distribute dividends for the year ended 31 October 2021;
- the extinguishment of accumulated losses balance of KD 8,561,613 against KD 176,642 of the share premium and KD 8,384,971 of the statutory reserve; and
- The authorization of the Board of Directors to trade in the Parent Company's shares to the extent of 10% of its share capital in accordance with guidelines of the law No.7 of 2010 and its executive regulations and subsequent amendments.

The AGM of the Parent Company's shareholders which was held on 23 March 2021 and approved the extinguishment of accumulated losses balance of KD 4,479,673 against the voluntary reserve.

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