

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

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

31 JANUARY 2019

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 January 2019, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three months 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 three months period ended 31 January 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL ABDULJADER

LICENSE NO. 207 A

EY

AL AIBAN, AL OSAIMI & PARTNERS

17 March 2019

Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 January 2019

		Three months ended 31 January	
	Notes	2019 KD	2018 KD (Restated)
CONTINUING OPERATIONS			
REVENUES			
Revenue from services rendered		2,356,937	2,170,341
Revenue from real estate activities		704,378	613,961
Revenue from construction contracts		527,042	2,044,109
		<u>3,588,357</u>	<u>4,828,411</u>
COST OF REVENUES			
Cost of services rendered		1,727,460	1,715,336
Cost of real estate activities		30,470	42,681
Cost of construction contracts	14	527,042	2,044,109
		<u>2,284,972</u>	<u>3,802,126</u>
GROSS PROFIT		1,303,385	1,026,285
General and administrative expenses		(319,706)	(424,626)
Reversal of (allowance for) expected credit losses		170,301	(260,098)
PROFIT FROM OPERATIONS		1,153,980	341,561
Share of results of associates		6,872	14,345
Net investment income (loss)		1,362	(10,245)
Other income		8,176	16,919
Finance costs		(179,577)	(181,671)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		990,813	180,909
NLST		(16,425)	(11,381)
Zakat		(6,570)	(4,553)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		967,818	164,975
DISCONTINUING OPERATIONS			
Profit for the period from discontinuing operations		-	1,099
PROFIT FOR THE PERIOD		967,818	166,074
BASIC AND DILUTED EARNINGS PER SHARE			
	5	<u>2.15 fils</u>	<u>0.37 fils</u>
BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
	5	<u>2.15 fils</u>	<u>0.37 fils</u>

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 January 2018; and reflect adjustments made as explained in Note 15.

The attached notes 1 to 15 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 COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 January 2019

	<i>Three months ended 31 January</i>	
	2019	2018
	KD	KD
		<i>(Restated)</i>
Profit for the period	967,818	166,074
Other comprehensive loss		
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
- Share of other comprehensive loss of associate	(22,301)	(15,372)
Other comprehensive loss for the period	(22,301)	(15,372)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	945,517	150,702

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 January 2018; and reflect adjustments made as explained in Note 15.

Al-Enma'a Real Estate Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at 31 January 2019

	Notes	31 January 2019 KD	(Audited) 31 October 2018 KD	31 January 2018 KD (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		631,259	713,342	303,666
Investment properties	6	48,071,038	48,071,038	50,150,678
Investment in associates	7	1,660,419	1,675,848	1,608,195
Financial assets at fair value through other comprehensive income		2,547,808	2,547,808	4,147,958
Accounts receivable and other assets	8	92,664	92,636	2,757,106
		<u>53,003,188</u>	<u>53,100,672</u>	<u>58,967,603</u>
Current assets				
Inventories		128,432	126,639	66,994
Financial assets at fair value through profit or loss		2,656	2,478	31,388
Gross amount due from customers for contract works		4,246,157	4,072,993	2,734,125
Accounts receivable and other assets	8	14,019,217	14,280,898	16,129,810
Investment deposits		200,000	200,000	250,000
Bank balances and cash	9	2,052,483	2,334,262	600,076
		<u>20,648,945</u>	<u>21,017,270</u>	<u>19,812,393</u>
Assets classified as held for sale		-	-	2,489,583
		<u>20,648,945</u>	<u>21,017,270</u>	<u>22,301,976</u>
TOTAL ASSETS		<u><u>73,652,133</u></u>	<u><u>74,117,942</u></u>	<u><u>81,269,579</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital		45,053,468	45,053,468	45,053,468
Share premium		176,642	176,642	176,642
Statutory reserve		8,384,971	8,384,971	8,384,971
Voluntary reserve		4,491,560	4,491,560	4,544,599
Foreign currency translation reserve		35,638	57,939	33,039
Cumulative changes in fair value reserve		(1,798,366)	(1,798,366)	(406,739)
Accumulated losses		(11,628,268)	(12,596,086)	(11,378,480)
TOTAL EQUITY		<u><u>44,715,645</u></u>	<u><u>43,770,128</u></u>	<u><u>46,407,500</u></u>
Non-current liabilities				
Employees' end of service benefits		1,796,375	1,965,552	1,954,301
Murabaha payables		2,054,527	2,427,745	4,082,475
Accounts payable and other liabilities		5,003,326	5,033,805	6,008,930
		<u>8,854,228</u>	<u>9,427,102</u>	<u>12,045,706</u>
Current liabilities				
Gross amount due to customers for contract works		211,464	310,503	470,239
Murabaha payables		12,848,427	12,885,564	12,187,050
Accounts payable and other liabilities		7,022,369	7,724,645	8,880,102
		<u>20,082,260</u>	<u>20,920,712</u>	<u>21,537,391</u>
Liabilities directly associated with the assets held for sale		-	-	1,278,982
		<u>20,082,260</u>	<u>20,920,712</u>	<u>22,816,373</u>
TOTAL LIABILITIES		<u><u>28,936,488</u></u>	<u><u>30,347,814</u></u>	<u><u>34,862,079</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>73,652,133</u></u>	<u><u>74,117,942</u></u>	<u><u>81,269,579</u></u>

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 January 2018; and reflect adjustments made as explained in Note 15.


Saleh Turki Saleh Al-Khamis
Chairman

The attached notes 1 to 15 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 January 2019

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value reserve KD	Accumulated losses KD	Total KD
As at 1 November 2018 (Audited)	45,053,468	176,642	8,384,971	4,491,560	57,939	(1,798,366)	(12,596,086)	43,770,128
Profit for the period	-	-	-	-	-	-	967,818	967,818
Other comprehensive loss for the period	-	-	-	-	(22,301)	-	-	(22,301)
Total comprehensive (loss) income for the period	-	-	-	-	(22,301)	-	967,818	945,517
As at 31 January 2019	45,053,468	176,642	8,384,971	4,491,560	35,638	(1,798,366)	(11,628,268)	44,715,645
As at 1 November 2017 (Audited)	45,053,468	176,642	8,384,971	4,544,599	48,411	74,016	(9,898,648)	48,383,459
Transition adjustment on adoption of IFRS 9 at 1 November 2017	-	-	-	-	-	(480,755)	(1,645,906)	(2,126,661)
Restated balance as at 1 November 2017	45,053,468	176,642	8,384,971	4,544,599	48,411	(406,739)	(11,544,554)	46,256,798
Profit for the period (Restated)	-	-	-	-	-	-	166,074	166,074
Other comprehensive loss for the period	-	-	-	-	(15,372)	-	-	(15,372)
Total comprehensive (loss) income for the period (Restated)	-	-	-	-	(15,372)	-	166,074	150,702
As at 31 January 2018 (Restated)	45,053,468	176,642	8,384,971	4,544,599	33,039	(406,739)	(11,378,480)	46,407,500

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 January 2018; and reflect adjustments made as explained in Note 15.

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 January 2019

		Three months ended 31 January	
	Note	2019 KD	2018 KD (Restated)
OPERATING ACTIVITIES			
Profit for the period from continuing operations before provision for NLST and Zakat		990,813	180,909
Profit for the period from discontinuing operations		-	1,099
		990,813	182,008
Adjustments to reconcile profit for the period to net cash flows:			
Share of results of associates		(6,872)	(14,345)
Depreciation		48,939	31,885
Gain on disposal of property, plant and equipment		(5,172)	(5,714)
Net investment (income) loss		(1,362)	10,245
Provision for employees' end of service benefits		71,823	91,938
Finance costs		179,577	181,671
Reversal of (allowance for) expected credit losses		(170,301)	260,098
		1,107,445	737,786
Changes in working capital:			
Inventories		(1,793)	16,431
Gross amounts due from/ to customers for contract works		(297,737)	(1,031,752)
Accounts receivable and other assets		457,488	(113,226)
Accounts payable and other liabilities		(435,741)	189,302
		829,662	(201,459)
Cash flows from (used in) operations		(241,000)	(77,673)
Employees' end of service benefits paid			
		588,662	(279,132)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(296)	-
Proceeds from disposal of property, plant and equipment		38,612	86,674
Additions to investment properties		-	(248)
Proceeds from profit on investment deposits		1,184	-
Additions to financial assets at fair value through other comprehensive income		-	(237,231)
Proceeds from sale of financial assets at fair value through other comprehensive income		-	383,452
Assets and liabilities classified as held for sale		-	(158,897)
		39,500	73,750
Net cash flows from investing activities			
		39,500	73,750
FINANCING ACTIVITIES			
Net movement in murabaha payables		(482,832)	(73,133)
Finance costs paid		(107,100)	(99,165)
		(589,932)	(172,298)
Net cash flows used in financing activities			
		(589,932)	(172,298)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		38,230	(377,680)
Cash and cash equivalents at the beginning of the year	9	1,863,986	648,158
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	1,902,216	270,478

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 January 2018; and reflect adjustments made as explained in Note 15.

The attached notes 1 to 15 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 January 2019

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 three-months period ended 31 January 2019 was authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 10 March 2019.

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 Tower, First, Second and Mezzanine Floors, Kuwait.

The Annual General Assembly of the shareholders of the Parent Company held on 3 March 2019 approved the consolidated financial statements for the year ended 31 October 2018.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the three-months period ended 31 January 2019 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 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 2018. 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 three-months period ended 31 January 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 October 2019. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 October 2018.

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used 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 2018, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting periods starting from 1 November 2018 as below:

Adoption of IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has implemented IFRS 15 and opted for modified retrospective application. However, the application of this standard does not have significant impact on the Group's accounting policies.

The Group did not have any material impact on the application of IFRS 15 in transition to result in significant impact on its past result. Accordingly, no restatements have been made to the interim condensed consolidated financial information on adoption of the standard on modified retrospective approach.

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.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 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 similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Group does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

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 January 2019

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share are calculated by dividing the 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 January, the Parent Company did not have any diluted shares, or treasury shares.

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the period is as follows:

	<i>Three months ended 31 January</i>	
	<i>2019</i>	<i>2018 (Restated)</i>
Profit for the period (KD)	967,818	166,074
Weighted average number of shares outstanding during the period	450,534,680	450,534,680
Basic and diluted earnings per share	2.15 fils	0.37 fils
Profit for the period from continuing operations (KD)	967,818	164,975
Weighted average number of shares outstanding during the period	450,534,680	450,534,680
Basic and diluted earnings per share from continuing operations	2.15 fils	0.37 fils
Profit for the period from discontinuing operations (KD)	-	1,099
Weighted average number of shares outstanding during the period	450,534,680	450,534,680
Basic and diluted earnings per share from discontinuing operations	-	0.002 fils

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 January 2019

6 INVESTMENT PROPERTIES

Investment properties are categorized into:

	<i>31 January 2019 KD</i>	<i>(Audited) 31 October 2018 KD</i>	<i>31 January 2018 KD</i>
Properties under development	-	-	2,280,248
Developed properties	<u>48,071,038</u>	<u>48,071,038</u>	<u>47,870,430</u>
	<u>48,071,038</u>	<u>48,071,038</u>	<u>50,150,678</u>

As at 31 January 2019, investment properties with a carrying value amounting to KD 25,851,000 and KD 11,129,000 (31 October 2018: KD 25,851,000 and KD 11,129,000 and 31 January 2018: KD 31,582,248 and KD 7,361,000) are pledged as a security against murabaha payables to the Ultimate Parent Company (Note 10) and local financial institutions, respectively.

7 INVESTMENT IN ASSOCIATES

As at the reporting date, the legal formalities of transferring the equity interest ownership in Energy Central Utilities Bahrain South Water Company B.S.C.C. to the Parent Company has been initiated and the transfer process will be completed within the current year.

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 January 2019

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>31 January 2019 KD</i>	<i>(Audited) 31 October 2018 KD</i>	<i>31 January 2018 KD (Restated)</i>
<i>Non-current</i>			
Retention receivables, gross	95,054	95,054	3,132,759
Less: Allowance for expected credit losses of retention receivables	(2,390)	(2,418)	(375,653)
Retention receivables, net	92,664	92,636	2,757,106
<i>Current</i>			
Trade receivables and amounts due from contract owners, gross	7,110,974	7,252,462	8,023,460
Less: Allowance for expected credit losses of trade receivables and amounts due from contract owners	(2,281,309)	(2,428,387)	(977,509)
Trade receivables and amounts due from contract owners, net	4,829,665	4,824,075	7,045,951
Amounts due from related parties, gross	633,354	461,210	419,419
Less: Impairment of amounts due from related parties	(78,602)	(78,602)	-
Amounts due from related parties, net (Note 10)	554,752	382,608	419,419
Retention receivables, gross	4,610,982	4,681,251	1,720,720
Less: Allowance for expected credit losses of retention Receivables	(394,936)	(408,510)	(178,592)
Retention receivables, net	4,216,046	4,272,741	1,542,128
Subcontractor debit balances, gross	9,984,037	10,055,916	4,190,848
Less: impairment of subcontractor debit balances	(8,115,573)	(8,184,223)	-
Subcontractor debit balances, net	1,868,464	1,871,693	4,190,848
Advances to subcontractors	686,053	684,908	788,642
Prepaid expenses and refundable deposits	662,954	905,992	550,615
Other receivables	1,201,283	1,338,881	1,592,207
	2,550,290	2,929,781	2,931,464
	14,019,217	14,280,898	16,129,810
	14,111,881	14,373,534	18,886,916

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 January 2019

9 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:

	31 January 2019 KD	<i>(Audited)</i> 31 October 2018 KD	31 January 2018 KD
Bank balances and cash	2,052,483	2,334,262	600,076
Bank overdrafts (included under accounts payable and other liabilities)	(150,267)	(470,276)	(329,598)
Cash and cash equivalents at the end of the period /year	<u>1,902,216</u>	<u>1,863,986</u>	<u>270,478</u>

As at 31 January 2019, bank balances and cash include an amount of KD 989,455 (31 October 2018: KD 1,872,909 and 31 January 2018: KD 351,436) which represents amounts held with the Ultimate Parent Company (Note 10).

As at 31 January 2019, bank overdrafts include an amount of KD 16,112 (31 October 2018: KD 41,520 and 31 January 2018: KD 15,623) which represents amounts withdrawn from the Ultimate Parent Company (Note 10).

The Parent Company manages on behalf of the Ultimate Parent Company, a portfolio of real estate assets. These real estate assets, investment deposits, and bank balances relating to these fiduciary accounts are not included in the interim condensed statement of financial position.

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 January 2019

10 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.

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

	<i>Ultimate Parent Company</i>	<i>Three months ended 31 January</i>	
		<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of income:</i>			
Revenue from services rendered	879,035	879,035	685,011
Finance costs	63,614	63,614	91,407

Revenue from services rendered include KD 58,018 (2018: KD 80,051) which has been earned from trust and fiduciary activities.

	<i>Ultimate Parent Company</i>	<i>31 January 2019</i>	<i>(Audited) 31 October 2018</i>	<i>31 January 2018</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>				
Amounts due from related parties (Note 8)	554,752	554,752	382,608	419,419
Investment deposits	-	-	-	250,000
Bank balances and cash (Note 9)	989,455	989,455	1,872,909	351,436
Murabaha payables	4,097,484	4,097,484	4,351,293	6,136,741
Bank overdrafts (included under accounts payable and other liabilities) (Note 9)	16,112	16,112	41,520	15,623

As of 31 January 2019, murabaha payables due to the Ultimate Parent Company are secured against certain investment properties with a carrying value amounting to KD 25,851,000 (31 October 2018: KD 25,851,000 and 31 January 2018: KD 31,582,248), respectively (Note 6).

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

As of 31 January 2019, investment deposits and bank balances amounting to KD 2,500,000 and KD 5,817,642 (31 October 2018: KD 2,500,000 and KD 5,081,148, and 31 January 2018: KD 2,500,000 and KD 8,807,811) respectively, are related to fiduciary assets held with the Ultimate Parent Company.

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10 RELATED PARTY TRANSACTIONS (continued)

	Three months ended 31 January	
	2019	2018
	KD	KD
<i>Key management compensations:</i>		
Salaries and other short-term benefits	62,537	62,537
Employees' end of service benefits	5,926	5,926
	<u>68,463</u>	<u>68,463</u>

11 CONTINGENT LIABILITIES

- (a) As at 31 January 2019, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 19,145,551 (31 October 2018: KD 18,500,282 and 31 January 2018: KD 22,221,670) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 12,144,560 (31 October 2018: KD 12,744,410 and 31 January 2018: KD 14,475,636) related to delayed projects amounting to KD 97,110,242 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 obligation from those legal cases.

12 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 five reportable operating segments as follows:

Manufacturing: production and distribution of ready-mix cement.

Construction Projects: undertaking contracts to construct buildings.

Services Rendered: undertaking maintenance of mechanical and electrical spare parts and building materials, providing security services, and managing real estate for others.

Real estate: managing its own properties and renting properties for others.

Investments: 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 January 2019 and 31 January 2018, there were no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

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As at 31 and for the period ended 31 January 2019

12 SEGMENT INFORMATION (continued)

Segment information as at and for the three months period ended 31 January is as follows:

	Construction Projects KD	Services Rendered KD	Real Estate KD	Investments KD	Unallocated KD	Total KD
<i>Three months ended 31 January 2019</i>						
Segment revenues	527,042	2,356,937	704,378	8,234	178,477	3,775,068
Operating and administrative expenses	(519,089)	(1,721,299)	(30,470)	(207,780)	(279,673)	(2,758,311)
Depreciation	(7,953)	(6,161)	-	(3,608)	(31,217)	(48,939)
Segment costs	(527,042)	(1,727,460)	(30,470)	(211,388)	(310,890)	(2,807,250)
Profit (loss) for the period	-	629,477	673,908	(203,154)	(132,413)	967,818
<i>As at 31 January 2019</i>						
Assets	12,282,163	5,636,893	41,266,477	12,889,631	1,576,969	73,652,133
Liabilities	9,570,979	1,582,542	2,535,890	12,420,060	2,827,017	28,936,488
Capital expenditures and commitments	-	-	-	-	296	296
<i>As at 31 October 2018</i>						
Assets	11,792,264	6,130,850	41,212,029	13,496,085	1,486,714	74,117,942
Liabilities	9,773,013	1,550,022	2,576,271	12,795,987	3,652,521	30,347,814
Capital expenditures and commitments	-	-	-	532,102	-	532,102

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12 SEGMENT INFORMATION (continued)

Three months ended 31 January 2018

	Manufacturing*	Construction Projects	Services Rendered	Real Estate	Investments	Unallocated	Total
	KD	KD	KD	KD	KD	KD	KD
Segment revenues	309,050	2,044,109	2,170,341	613,961	4,100	16,919	5,158,480
Operating and administrative expenses	(307,951)	(2,027,346)	(1,714,445)	(42,681)	(233,382)	(634,717)	(4,960,522)
Depreciation	-	(16,763)	(891)	-	(3,757)	(10,474)	(31,885)
Segment costs	(307,951)	(2,044,109)	(1,715,336)	(42,681)	(237,139)	(645,190)	(4,992,406)
Profit (loss) for the period (Restated)	1,099	-	455,005	571,280	(233,039)	(628,271)	166,074
As at 31 January 2018							
Assets (Restated)	2,489,583	15,893,788	5,837,652	40,298,994	16,132,084	617,478	81,269,579
Liabilities	1,278,983	12,625,246	1,519,278	2,724,300	13,607,479	3,106,793	34,862,079
Capital expenditures and commitments	-	-	-	-	-	248	248

* This segment refers to the ready mix factory that is classified as held for sale.

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13 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:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>As at 31 January 2019</i>				
Investment properties	-	7,059,038	41,012,000	48,071,038
Financial assets at fair value through profit or loss	2,656	-	-	2,656
Financial assets at fair value through other comprehensive income	-	-	2,547,808	2,547,808
	<u>2,656</u>	<u>7,059,038</u>	<u>43,559,808</u>	<u>50,621,502</u>
<i>As at 31 October 2018 (Audited)</i>				
Investment properties	-	7,059,038	41,012,000	48,071,038
Financial assets at fair value through profit or loss	2,478	-	-	2,478
Financial assets at fair value through other comprehensive income	-	-	2,547,808	2,547,808
	<u>2,478</u>	<u>7,059,038</u>	<u>43,559,808</u>	<u>50,621,324</u>
<i>As at 31 January 2018 (Restated)</i>				
Investment properties	-	9,442,678	40,708,000	50,150,678
Financial assets at fair value through profit or loss	31,388	-	-	31,388
Financial assets at fair value through other comprehensive income	-	-	4,147,958	4,147,958
	<u>31,388</u>	<u>9,442,678</u>	<u>44,855,958</u>	<u>54,330,024</u>

During the periods / year ended 31 January 2019, 31 October 2018 and 31 January 2018, there were no transfers between Level 1, level 2, and level 3 fair value measurement.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 and for the period ended 31 January 2019

13 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.

	Net losses recorded in the interim				
	As at the beginning of the year KD	the (interim) consolidated statement of income KD	Net purchases, transfers, sales and settlements KD	As at the end of the period KD	
31 January 2019					
Investment properties		-	-	41,012,000	
Financial assets at fair value through other comprehensive income		-	-	2,547,808	
	41,012,000			43,559,808	
	2,547,808				
	43,559,808				

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As at 31 and for the period ended 31 January 2019

13 FAIR VALUE MEASUREMENT (continued)

	As at the beginning of the year KD	Transferred from financial assets available for sale KD	Transition adjustment on adoption of IFRS 9 at 1 November 2017 KD	Transferred from buildings and land under developments KD	Net losses recorded in the (interim consolidated statement of income KD	Net losses recorded in the consolidated statement of comprehensive income KD	Net purchases, transfers, sales and settlements KD	As at the end of the year KD
31 January 2018 (audited)								
Investment properties	40,708,000	-	-	-	-	-	-	40,708,000
Financial assets at fair value through other comprehensive income	339,052	4,159,232	(480,755)	-	-	-	130,429	4,147,958
	41,047,052	4,159,232	(480,755)	-	-	-	130,429	44,855,958

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 based on adjusted net assets book value when the underlying assets represents the fair value.

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(UNAUDITED)

As at 31 and for the period ended 31 January 2019

13 FAIR VALUE MEASUREMENT (continued)

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.

Properties under development

Properties under development are valued using the combination of the market approach, as described above, for the land and the cost approach for the construction works. Cost approach is based on a comparison of the cost of constructing a similar property taking into consideration depreciation of the construction costs and fair value of the land, adjusted for difference in the nature, location or condition of the specific property.

14 COST OF CONSTRUCTION CONTRACTS

The cost of construction contracts includes the cost deduction of KD 523,032 associated with the subcontractor's final payment certificates signed during the current period which relates to projects preliminary delivered to customers in prior years.

15 COMPARATIVE INFORMATION

During the prior year ended 31 October 2018, the Group has early adopted IFRS 9 – Financial Instruments as of 1 November 2017 (transition adjustment date); therefore the comparative information for the prior period ended 31 January 2018 has been restated to reflect the adoption of IFRS 9 since the transition adjustment date, primarily due to recognition of expected credit losses on financial assets.

The following adjustments have been made to the comparative financial information:

<i>Interim condensed consolidated statement of financial position</i>	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>As at 31 January 2018</i>			
<i>Non-current assets</i>			
Financial assets at fair value through other comprehensive income	-	4,147,958	4,147,958
Financial assets available for sale	4,153,275	(4,153,275)	-
Accounts receivable and other assets	3,132,759	(375,653)	2,757,106
	<u> </u>	<u> </u>	<u> </u>
<i>Current assets</i>			
Financial assets at fair value through profit or loss	506,826	(475,438)	31,388
Gross amount due from customers for contract works	3,108,375	(374,250)	2,734,125
Accounts receivable and other assets	17,285,911	(1,156,101)	16,129,810
	<u> </u>	<u> </u>	<u> </u>
<i>Equity</i>			
Cumulative changes in fair value reserve	74,016	(480,755)	(406,739)
Accumulated losses	(9,472,476)	(1,906,004)	(11,378,480)
	<u> </u>	<u> </u>	<u> </u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 31 and for the period ended 31 January 2019

15 COMPARATIVE INFORMATION (continued)

Interim condensed consolidated statement of income

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Period ended 31 January 2018</i>			
Allowance for expected credit losses	-	(260,098)	(260,098)
Profit for the period	<u>426,172</u>	<u>(260,098)</u>	<u>166,074</u>
Basic and diluted earnings per share (fils)	<u>0.95</u>		<u>0.37</u>

For details on the transition adjustment on adoption of IFRS 9, please refer to the disclosures in the consolidated financial statements for the year ended 31 October 2018.