

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

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

**31 JANUARY 2017**



Building a better  
working world

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## **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 2017, and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity 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 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association that have occurred during the three months period ended 31 January 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN  
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AL SULTAN AND PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

14 March 2017  
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 2017

	Notes	Three months ended 31 January	
		2017 KD	2016 KD
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES</b>			
Revenue from services rendered		2,447,828	3,628,792
Revenue from real estate activities		549,511	633,429
Revenue from construction contracts		2,633,507	4,496,394
		<u>5,630,846</u>	<u>8,758,615</u>
<b>COST OF REVENUES</b>			
Cost of services rendered		1,967,100	3,097,095
Cost of real estate activities		60,621	60,133
Cost of construction contracts		2,636,354	4,786,758
		<u>4,664,075</u>	<u>7,943,986</u>
<b>GROSS PROFIT</b>		<b>966,771</b>	<b>814,629</b>
Provision for doubtful debts		(125,000)	-
General and administrative expenses		(469,615)	(392,563)
<b>PROFIT FROM OPERATIONS</b>		<b>372,156</b>	<b>422,066</b>
Net investment income (loss)	3	11,487	(55,933)
Other income		16,207	7,646
Finance costs		(185,070)	(213,495)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>214,780</b>	<b>160,284</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(1,342)
National Labour Support Tax (NLST)		(8,310)	(5,421)
Zakat		(3,324)	(2,168)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>203,146</b>	<b>151,353</b>
<b>DISCONTINUING OPERATION</b>			
Loss for the period from discontinuing operation		(27,316)	(11,219)
<b>PROFIT FOR THE PERIOD</b>		<b>175,830</b>	<b>140,134</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	4	<b>0.39 fils</b>	<b>0.31 fils</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	4	<b>0.45 fils</b>	<b>0.34 fils</b>

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 2017

	Note	Three months ended 31 January	
		2017 KD	2016 KD
<b>Profit for the period</b>		<b>175,830</b>	<b>140,134</b>
<b>Other comprehensive income (loss):</b>			
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>			
- Net unrealised gain (loss) of financial assets available for sale		365	(25,260)
- Realised loss (gain) on sale of financial assets available for sale transferred to interim condensed consolidated statement of income	3	8,707	(23,615)
- Impairment loss on financial assets available for sale transferred to interim condensed consolidated statement of income	3	-	36,900
<b>Other comprehensive income (loss) for the period</b>		<b>9,072</b>	<b>(11,975)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>184,902</b>	<b>128,159</b>

# 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 2017

		31 January 2017 KD	(Audited) 31 October 2016 KD	31 January 2016 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		1,122,258	1,023,167	3,238,524
Investment properties	5	53,278,942	53,273,269	53,721,483
Investment in associates		1,566,822	1,566,822	849,759
Financial assets available for sale		5,872,296	5,929,753	7,984,954
Accounts receivable and other assets	6	2,601,654	3,419,017	3,289,606
		<u>64,441,972</u>	<u>65,212,028</u>	<u>69,084,326</u>
<b>Current assets</b>				
Inventories		157,116	155,135	2,280,825
Financial assets at fair value through profit or loss		644,399	566,710	690,162
Gross amount due from customers for contract works		3,245,473	2,314,754	7,067,110
Accounts receivable and other assets	6	19,861,474	20,974,975	22,947,028
Investment deposits		250,000	250,000	500,000
Bank balances and cash	7	683,157	554,250	1,695,388
		<u>24,841,619</u>	<u>24,815,824</u>	<u>35,180,513</u>
Assets classified as held for sale		2,970,732	2,687,381	-
		<u>27,812,351</u>	<u>27,503,205</u>	<u>35,180,513</u>
<b>TOTAL ASSETS</b>		<u><u>92,254,323</u></u>	<u><u>92,715,233</u></u>	<u><u>104,264,839</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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		4,591,927	4,591,927	4,692,796
Foreign currency translation reserve		50,824	50,824	95,204
Cumulative changes in fair values reserve		258,760	249,688	289,034
(Accumulated losses) retained earnings		(1,615,783)	(1,791,613)	7,252,304
<b>Total equity</b>		<u>56,900,809</u>	<u>56,715,907</u>	<u>65,944,419</u>
<b>Non-current liabilities</b>				
Employees' end of service benefits		2,019,690	1,999,821	1,963,867
Murabaha payables		2,046,974	2,564,147	5,458,686
Accounts payable and other liabilities		3,873,660	3,324,924	1,612,794
		<u>7,940,324</u>	<u>7,888,892</u>	<u>9,035,347</u>
<b>Current liabilities</b>				
Gross amount due to customers for contract works		62,645	195,377	90,622
Murabaha payables		15,850,964	14,151,448	13,969,720
Accounts payable and other liabilities		9,839,821	12,310,049	15,224,731
		<u>25,753,430</u>	<u>26,656,874</u>	<u>29,285,073</u>
Liabilities classified as held for sale		1,659,760	1,453,560	-
		<u>27,413,190</u>	<u>28,110,434</u>	<u>29,285,073</u>
<b>Total liabilities</b>		<u>35,353,514</u>	<u>35,999,326</u>	<u>38,320,420</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>92,254,323</u></u>	<u><u>92,715,233</u></u>	<u><u>104,264,839</u></u>

Saleh Turki Saleh Al-Khamis  
Chairman

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 2017

	Notes	Three months ended 31 January	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period from continuing operations before contribution to KFAS, NLST and Zakat		214,780	160,284
Loss for the period from discontinuing operation		(27,316)	(11,219)
Profit for the period before contribution to KFAS, NLST and Zakat		187,464	149,065
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation		64,025	241,979
Loss on disposal of property, plant and equipment		-	1,303
Net investment (income) loss	3	(11,487)	55,933
Provision for doubtful debts		125,000	-
Provision for employees' end of service benefits		86,792	153,209
Finance costs		185,070	213,495
		636,864	814,984
Changes in working capital:			
Inventories		(1,981)	966,325
Financial assets at fair value through profit or loss		(57,495)	-
Gross amounts due from/ to customers for contract works		(1,063,451)	2,046,047
Accounts receivable and other assets		1,805,864	(2,095,029)
Assets classified as held for sale		(283,351)	-
Accounts payable and other liabilities		(1,811,777)	(2,175,002)
Liabilities classified as held for sale		206,200	-
Cash flows used in operations		(569,127)	(442,675)
Employees' end of service benefits paid		(66,923)	(85,440)
Net cash flows used in operating activities		(636,050)	(528,115)
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(163,116)	(86,904)
Proceeds from disposal of property, plant and equipment		-	14,104
Additions to investment properties	5	(5,673)	(8,411)
Additions to financial assets available for sale		(17,250)	-
Proceeds from sale of financial assets available for sale		75,072	22,933
Proceeds from liquidation of investment deposits		-	50,000
Dividend income received	3	-	7,131
Net cash flows used in investing activities		(110,967)	(1,147)
<b>FINANCING ACTIVITIES</b>			
Net movement in murabaha payables		1,182,343	(460,251)
Finance costs paid		(185,070)	(213,495)
Net cash flows from (used in) financing activities		997,273	(673,746)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		250,256	(1,203,008)
Cash and cash equivalents at the beginning of the period	7	186,052	1,223,402
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7	<b>436,308</b>	<b>20,394</b>

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 2017

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Cumulative changes in fair values reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
As at 1 November 2016 (Audited)	45,053,468	176,642	8,384,971	4,591,927	50,824	249,688	(1,791,613)	56,715,907
Profit for the period	-	-	-	-	-	-	175,830	175,830
Other comprehensive income for the period	-	-	-	-	-	9,072	-	9,072
Total comprehensive income for the period	-	-	-	-	-	9,072	175,830	184,902
<b>As at 31 January 2017</b>	<b>45,053,468</b>	<b>176,642</b>	<b>8,384,971</b>	<b>4,591,927</b>	<b>50,824</b>	<b>258,760</b>	<b>(1,615,783)</b>	<b>56,900,809</b>
As at 1 November 2015 (Audited)	45,053,468	176,642	8,384,971	4,692,796	95,204	301,009	7,112,170	65,816,260
Profit for the period	-	-	-	-	-	-	140,134	140,134
Other comprehensive loss for the period	-	-	-	-	-	(11,975)	-	(11,975)
Total comprehensive (loss) income for the period	-	-	-	-	-	(11,975)	140,134	128,159
As at 31 January 2016	45,053,468	176,642	8,384,971	4,692,796	95,204	289,034	7,252,304	65,944,419

The attached notes 1 to 11 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 31 January 2017

### 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 2017 was authorised for issuance in accordance with a resolution of the Parent Company's Board of Directors on 14 March 2017.

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

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 new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

### 2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the three months period ended 31 January 2017 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is prepared under the historical cost convention except for investment properties, financial assets available for sale 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 accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 October 2016, 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 January 2016. These amendments of the standards did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 October 2016. 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 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 October 2017. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 October 2016.



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 January 2017

3 NET INVESTMENT INCOME (LOSS)

	<i>Three months ended 31 January</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Realised (loss) gain on sale of financial assets available for sale	(8,707)	23,615
Impairment loss on financial assets available for sale	-	(36,900)
Realised gain on sale of financial assets at fair value through profit or loss	2,901	-
Unrealised gain (loss) on financial assets at fair value through profit or loss	17,293	(49,779)
Dividend income	-	7,131
	<u>11,487</u>	<u>(55,933)</u>

4 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.

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>2017</i>	<i>2016</i>
Profit for the period (KD)	175,830	140,134
Weighted average number of shares outstanding during the period	450,534,680	450,534,680
<b>Basic and diluted earnings per share</b>	<u>0.39 fils</u>	<u>0.31 fils</u>
Profit for the period from continuing operations (KD)	203,146	151,353
Weighted average number of shares outstanding during the period	450,534,680	450,534,680
<b>Basic and diluted earnings per share from continuing operations</b>	<u>0.45 fils</u>	<u>0.34 fils</u>

5 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 January 2017 KD</i>	<i>31 October 2016 KD</i>	<i>31 January 2016 KD</i>
At the beginning of the period/ year	53,273,269	53,713,072	53,713,072
Additions	5,673	292,707	8,411
Unrealised loss on revaluation	-	(732,510)	-
At the end of the period/ year	<u>53,278,942</u>	<u>53,273,269</u>	<u>53,721,483</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 31 January 2017

5 INVESTMENT PROPERTIES (continued)

Investment properties are categorised into:

	<i>31 January 2017 KD</i>	<i>(Audited) 31 October 2016 KD</i>	<i>31 January 2016 KD</i>
Properties under development	4,500,673	4,495,000	4,173,411
Developed properties	48,778,269	48,778,269	49,548,072
	<u>53,278,942</u>	<u>53,273,269</u>	<u>53,721,483</u>

Properties under development include land and development costs amounting to KD 3,401,521 and KD 1,099,152 as at 31 January 2017 (31 October 2016: KD 3,401,521 and KD 1,093,479 and 31 January 2016: KD 3,364,053 and KD 809,358), respectively.

As at 31 January 2017, investment properties with a carrying value amounting to KD 32,463,603 and KD 7,671,000 (31 October 2016: KD 32,463,603 and KD 7,671,000 and 31 January 2016: KD 39,161,773 and KD 7,391,000) are pledged as a security against murabaha payables to the Ultimate Parent Company (Note 8) and local financial institutions, respectively.

As at 31 January 2017, an investment property with a carrying value of KD 2,924,481 (31 October 2016: KD 2,924,481 and 31 January 2016: KD 2,388,869) represents the Group's interest in a jointly controlled property which is located in Bahrain.

6 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>31 January 2017 KD</i>	<i>(Audited) 31 October 2016 KD</i>	<i>31 January 2016 KD</i>
<i>Non-current</i>			
Retention receivables	2,601,654	3,419,017	3,289,606
<i>Current</i>			
Trade receivables and amounts due from contracts' owners, net	6,777,419	7,825,080	9,807,974
Amounts due from related parties (Note 8)	269,631	407,335	499,125
Retention receivables	2,237,106	1,405,501	1,611,510
Subcontractors debit balances	7,235,385	7,424,429	6,967,279
Advances to subcontractors	1,103,297	1,216,912	1,901,691
Prepaid expenses and refundable deposits	231,147	537,358	186,058
Other receivables	2,007,489	2,158,360	1,973,391
	<u>19,861,474</u>	<u>20,974,975</u>	<u>22,947,028</u>
	<u>22,463,128</u>	<u>24,393,992</u>	<u>26,236,634</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 31 January 2017

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 January 2017 KD</i>	<i>(Audited) 31 October 2016 KD</i>	<i>31 January 2016 KD</i>
Bank balances and cash	683,157	554,250	1,695,388
Bank overdrafts (included under accounts payable and other liabilities)	(246,849)	(368,198)	(1,674,994)
	<u>436,308</u>	<u>186,052</u>	<u>20,394</u>

As at 31 January 2017, bank balances and cash include an amount of KD 647,121 and KD Nil (31 October 2016: KD 214,883 and KD Nil and 31 January 2016: KD 983,683 and KD 52,047) which represents amounts held with the Ultimate Parent Company and an entity under common control, respectively (Note 8).

As at 31 January 2017, bank overdrafts include an amount of KD 63,699 (31 October 2016: KD 108,589 and 31 January 2016: KD 166,730) which represents amounts withdrawn from the Ultimate Parent Company (Note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at t 31 January 2017

**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.

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

	<i>Ultimate Parent Company KD</i>	<i>Three months ended 31 January</i>		
		<i>2017 KD</i>	<i>2016 KD</i>	
<i>Interim condensed consolidated statement of income</i>				
Revenue from services rendered	737,843	737,843	919,220	
Finance costs	120,539	120,539	173,178	
	<i>Ultimate Parent Company KD</i>	<i>31 January 2017 KD</i>	<i>(Audited) 31 October 2016 KD</i>	<i>31 January 2016 KD</i>
<i>Interim condensed consolidated statement of financial position</i>				
Amounts due from related parties (Note 6)	269,631	269,631	407,335	499,125
Investment deposits	250,000	250,000	250,000	250,000
Bank balances and cash (Note 7)	647,121	647,121	214,883	1,035,730
Murabaha payables	9,616,350	9,616,350	10,224,114	13,001,771
Bank overdrafts (included under accounts payable and other liabilities) (Note 7)	63,699	63,699	108,589	166,730

As at 31 January 2017, murabaha payables due to the Ultimate Parent Company are secured against pledge of certain investment properties with a carrying value amounting to KD 32,463,603 (31 October 2016: KD 32,463,603 and 31 January 2016: KD 39,161,773), respectively (Note 5).

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 January 2017

### 8 RELATED PARTY TRANSACTIONS (continued)

	<i>Three months ended</i>	
	<i>31 January</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
<i>Key management compensations</i>		
Salaries and other short-term benefits	69,288	60,605
Employees' end of service benefits	8,633	9,626
	<u>77,921</u>	<u>70,231</u>

### 9 CONTINGENT LIABILITIES

As at 31 January 2017, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 26,185,298 (31 October 2016: KD 26,368,100 and 31 January 2016: KD 26,549,610) from which it is anticipated that no material liability will arise.

### 10 SEGMENTAL INFORMATION

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

*Manufacturing:* production and distribution of readymix cement.

*Projects and maintenance:* undertaking contracts to construct buildings and maintenance of mechanical and electrical spare parts and building materials.

*Real estate:* Managing real estate for others and renting properties.

*Investments:* participating and investing in shares of local and foreign companies and real estate properties.

Management of the Parent Company monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating 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 2017 and 31 January 2016, 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 31 January 2017

10 SEGMENTAL INFORMATION (continued)

Segmental reporting information for the three months period ended 31 January is as follows:

	<i>Manufacturing KD</i>	<i>Projects &amp; maintenance KD</i>	<i>Real estate KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 31 January 2017</i>						
Segment revenue	<u>890,581</u>	<u>3,114,666</u>	<u>2,516,180</u>	<u>27,695</u>	<u>-</u>	<u>6,549,122</u>
Segment results	(27,316)	(16,804)	920,831	(154,766)	-	721,945
Depreciation	-	(61,214)	(1,041)	(2,609)	(9,008)	(73,872)
Unallocated expenses	-	-	-	-	(472,243)	(472,243)
(Loss) profit for the period	<u>(27,316)</u>	<u>(78,018)</u>	<u>919,790</u>	<u>(157,375)</u>	<u>(481,251)</u>	<u>175,830</u>
<i>As at 31 January 2017</i>						
Assets	<u>2,832,843</u>	<u>26,987,890</u>	<u>53,278,942</u>	<u>8,333,517</u>	<u>821,131</u>	<u>92,254,323</u>
Liabilities	<u>1,659,760</u>	<u>12,440,577</u>	<u>68,332</u>	<u>18,008,893</u>	<u>3,175,952</u>	<u>35,353,514</u>
Investments in associates	-	-	-	<u>1,566,822</u>	-	<u>1,566,822</u>
Capital expenditures	<u>34,690</u>	<u>99,946</u>	<u>5,922</u>	<u>443</u>	<u>27,788</u>	<u>168,789</u>
	<i>Manufacturing KD</i>	<i>Projects &amp; maintenance KD</i>	<i>Real estate KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Period ended 31 January 2016</i>						
Segment revenue	<u>1,284,374</u>	<u>6,171,604</u>	<u>2,594,658</u>	<u>-</u>	<u>-</u>	<u>10,050,636</u>
Segment results	131,980	(42,486)	956,719	(267,934)	-	778,279
Depreciation	(143,200)	(88,396)	(3,560)	(1,494)	(5,329)	(241,979)
Unallocated expenses	-	-	-	-	(396,166)	(396,166)
(Loss) profit for the Period	<u>(11,220)</u>	<u>(130,882)</u>	<u>953,159</u>	<u>(269,428)</u>	<u>(401,495)</u>	<u>140,134</u>
<i>As at 31 January 2016</i>						
Assets	<u>3,601,578</u>	<u>34,765,861</u>	<u>53,721,483</u>	<u>10,024,876</u>	<u>2,151,041</u>	<u>104,264,839</u>
Liabilities	<u>1,300,098</u>	<u>13,862,762</u>	<u>41,569</u>	<u>19,926,693</u>	<u>3,189,298</u>	<u>38,320,420</u>
Investment in associates	-	-	-	<u>849,759</u>	-	<u>849,759</u>
Capital expenditures	<u>21,722</u>	<u>49,256</u>	<u>24,337</u>	<u>-</u>	<u>-</u>	<u>95,315</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 31 January 2017

### 11 FAIR VALUE MEASUREMENTS

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.

As at 31 January 2017, the fair values of financial assets with the exception of certain financial assets available for sale carried at cost amounting to KD 5,870,421 (31 October 2016: KD 5,895,404 and 31 January 2016: KD 7,930,660) are not materially different from their carrying values.

#### 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> KD	<i>Level 2</i> KD	<i>Level 3</i> KD	<i>Total</i> KD
<i>As at 31 January 2017</i>				
Investment properties	-	12,465,181	40,813,761	53,278,942
Financial assets available for sale	1,875	-	-	1,875
Financial assets at fair value through profit or loss	112,689	-	531,710	644,399
	<u>114,564</u>	<u>12,465,181</u>	<u>41,345,471</u>	<u>53,925,216</u>
<i>As at 31 October 2016 (Audited)</i>				
Investment properties	-	12,459,508	40,813,761	53,273,269
Financial assets available for sale	34,349	-	-	34,349
Financial assets at fair value through profit or loss	35,000	-	531,710	566,710
	<u>69,349</u>	<u>12,459,508</u>	<u>41,345,471</u>	<u>53,874,328</u>
<i>As at 31 January 2016</i>				
Investment properties	-	12,293,903	41,427,580	53,721,483
Financial assets available for sale	54,294	-	-	54,294
Financial assets at fair value through profit or loss	60,827	-	629,335	690,162
	<u>115,121</u>	<u>12,293,903</u>	<u>42,056,915</u>	<u>54,465,939</u>

During the periods/ year ended 31 January 2017, 31 October 2016 and 31 January 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 January 2017

### 11 FAIR VALUE MEASUREMENTS (continued)

#### Fair value hierarchy (continued)

The following table shows a reconciliation of the opening and closing amounts of level 3 assets which are recorded at fair value.

	<i>At the beginning of the period/ year KD</i>	<i>Net losses recorded in the (interim condensed) consolidated statement of income KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the period/ year KD</i>
<b>31 January 2017</b>				
Investment properties	40,813,761	-	-	40,813,761
Financial assets at fair value through profit or loss	531,710	-	-	531,710
	<u>41,345,471</u>	<u>-</u>	<u>-</u>	<u>41,345,471</u>
<b>31 October 2016 (audited)</b>				
Investment properties	41,427,580	(613,819)	-	40,813,761
Financial assets at fair value through profit or loss	665,550	(133,751)	(89)	531,710
	<u>42,093,130</u>	<u>(747,570)</u>	<u>(89)</u>	<u>41,345,471</u>
<b>31 January 2016</b>				
Investment properties	41,427,580	-	-	41,427,580
Financial assets at fair value through profit or loss	665,550	(36,215)	-	629,335
	<u>42,093,130</u>	<u>(36,215)</u>	<u>-</u>	<u>42,056,915</u>

#### Description of significant unobservable inputs to valuation of financial assets:

Unquoted equity securities are valued based on book value and price to book value multiple method. Multiples are determined using the latest financial statements available of the investee entities.

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

##### *Developed properties which generate rental income*

These properties are valued using the income capitalisation approach assuming full capacity of the property. Income capitalisation approach is based on capitalisation 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.

##### *Developed properties which do not generate rental income*

These properties are valued using the market approach. Market approach is based on a comparison of active market prices for similar properties and recent arm's length 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