

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

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

31 JULY 2023





Ernst & Young
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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 July 2023, 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 2023 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 2023 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

13 September 2023

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 2023

	Note	Three months ended		Nine months ended	
		31 July		31 July	
		2023	2022	2023	2022
		KD	KD	KD	KD
REVENUES					
Revenue from services rendered		1,577,695	1,309,561	4,693,217	4,468,017
Revenue from real estate activities		479,015	457,482	1,419,108	1,415,777
Revenue from construction contracts		-	174,124	13,724	1,376,640
		<u>2,056,710</u>	<u>1,941,167</u>	<u>6,126,049</u>	<u>7,260,434</u>
COST OF REVENUES					
Cost of services rendered		1,162,338	905,085	3,327,800	3,393,806
Cost of real estate activities		203,275	103,259	486,168	298,956
Cost of construction contracts		187,505	272,824	275,158	2,499,510
		<u>1,553,118</u>	<u>1,281,168</u>	<u>4,089,126</u>	<u>6,192,272</u>
GROSS PROFIT					
		<u>503,592</u>	<u>659,999</u>	<u>2,036,923</u>	<u>1,068,162</u>
Reversal of (allowance for) expected credit losses, net		83,663	111,320	(183,384)	123,680
General and administrative expenses		(316,951)	(302,360)	(949,965)	(927,923)
		<u>270,304</u>	<u>468,959</u>	<u>903,574</u>	<u>263,919</u>
PROFIT FROM OPERATIONS					
Unrealized loss on change in fair value of investment properties	6	-	-	(277,771)	(65,976)
Realized gain on sale of investment property	6	293,000	-	293,000	-
Profit on investment deposits		84,698	22,294	243,224	50,950
Unrealised gain on change in fair value of financial assets through profit or loss		-	-	-	278
Other income		4,688	1,793	73,208	26,701
Finance costs on Murabaha payables		(140,392)	(98,960)	(386,619)	(216,391)
Finance costs on lease liabilities		(11,712)	(35,714)	(45,727)	(116,097)
		<u>500,586</u>	<u>358,372</u>	<u>802,889</u>	<u>(56,616)</u>
PROFIT (LOSS) FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), PROVISION FOR NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT					
KFAS		(5,006)	-	(6,950)	-
NLST		(9,836)	-	(24,380)	-
Zakat		(3,934)	-	(9,752)	-
		<u>481,810</u>	<u>358,372</u>	<u>761,807</u>	<u>(56,616)</u>
PROFIT (LOSS) FOR THE PERIOD					
Other comprehensive income:					
<i>Other comprehensive (loss) income that will not be reclassified to interim condensed statement of income in subsequent periods:</i>					
Net (loss) gain on equity instruments designated at fair value through other comprehensive income		-	(296)	13,839	(296)
		<u>-</u>	<u>(296)</u>	<u>13,839</u>	<u>(296)</u>
Total other comprehensive (loss) income for the period					
		<u>-</u>	<u>(296)</u>	<u>13,839</u>	<u>(296)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD					
		<u>481,810</u>	<u>358,076</u>	<u>775,646</u>	<u>(56,912)</u>
BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE					
	5	<u>1.07 fils</u>	<u>0.80 fils</u>	<u>1.69 fils</u>	<u>(0.13) fils</u>

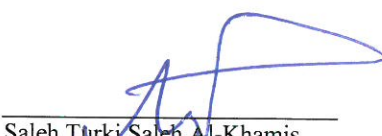
The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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 2023

		<i>(Audited)</i>	
	<i>Notes</i>	<i>31 July 2023 KD</i>	<i>31 October 2022 KD</i>
			<i>31 July 2022 KD</i>
ASSETS			
Non-current assets			
Property, plant and equipment		24,196	83,807
Investment properties	6	41,095,544	40,901,816
Investment in associates		9,795	9,795
Financial assets at fair value through other comprehensive income		356,582	373,025
Accounts receivable and other assets		781,895	744,391
Right of use assets		1,290,200	2,969,004
		43,558,212	44,679,860
Current assets			
Inventories		37,980	38,866
Contract assets		123,185	954,330
Accounts receivable and other assets		7,053,987	6,356,487
Investment deposits	7	10,804,162	9,704,162
Bank balances and cash	7	691,143	2,038,540
		18,710,457	19,092,385
TOTAL ASSETS		62,268,669	63,772,245
EQUITY AND LIABILITIES			
Equity			
Share capital		45,053,468	45,053,468
Cumulative changes in fair values reserve		(3,806,741)	(3,820,580)
Retained earnings (accumulated losses)		653,946	(398,739)
TOTAL EQUITY		41,900,673	41,125,027
Non-current liabilities			
Employees' end of service benefits		1,117,544	1,128,617
Murabaha payables		11,053,420	11,501,916
Accounts payable and other liabilities		1,325,604	1,327,120
Lease liabilities		-	711,357
		13,496,568	14,669,010
Current liabilities			
Accounts payable and other liabilities		5,042,702	5,745,428
Murabaha payables		1,124,875	1,550,508
Lease liabilities		703,851	682,272
		6,871,428	7,978,208
TOTAL LIABILITIES		20,367,996	22,647,218
TOTAL EQUITY AND LIABILITIES		62,268,669	63,772,245


 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 2023

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Cumulative changes in fair values reserve KD</i>	<i>Retained earnings (accumulated losses) KD</i>	<i>Total KD</i>
As at 1 November 2022 (<i>Audited</i>)	45,053,468	-	-	(3,820,580)	(107,861)	41,125,027
Profit for the period	-	-	-	-	761,807	761,807
Other comprehensive income for the period	-	-	-	13,839	-	13,839
Total comprehensive income for the period	-	-	-	13,839	761,807	775,646
As at 31 July 2023	45,053,468	-	-	(3,806,741)	653,946	41,900,673
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

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 2023

	Note	<i>Nine months ended</i>	
		<i>31 July</i>	
		2023	2022
		KD	KD
OPERATING ACTIVITIES			
Profit (loss) for the period before KFAS, provision for NLST and Zakat		802,889	(56,616)
Non-cash adjustments to reconcile profit (loss) for the period to net cash flows:			
Depreciation on property, plant, and equipment and right of use assets		1,330,052	1,339,838
Gain on sale of property, plant and equipment		-	(7,497)
Unrealized loss on change in fair value of investment properties	6	277,771	65,976
Realised gain on sale of investment property	6	(293,000)	-
Profit on investment deposits		(243,224)	(50,950)
Unrealized gain on change in fair value of financial assets at fair value through profit or loss		-	(278)
Allowance for (reversal of) expected credit losses, net		183,384	(123,680)
Provision for employees' end of service benefits		125,204	144,180
Finance costs on Murabaha payables		386,619	216,391
Finance costs on Murabaha payables (under cost of real estate activities)		62,554	54,247
Finance costs on lease liabilities		45,727	116,097
		2,677,976	1,697,708
Changes in working capital:			
Inventories		886	6,950
Financial assets at fair value through profit or loss		-	2,722
Contract assets		925,396	556,319
Contract liabilities		-	(525,189)
Accounts receivable and other assets		(974,634)	3,632,037
Accounts payable and other liabilities		(745,324)	(2,704,225)
Cash flows from operations		1,884,299	2,666,322
Employees' end of service benefits paid		(136,277)	(575,077)
Net cash flows from operating activities		1,748,023	2,091,245
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment		(11,338)	(21,132)
Proceeds from sale of property, plant and equipment		-	7,500
Purchase of investment properties	6	(2,878,499)	-
Proceeds from sale of an investment property	6	2,700,000	-
Proceeds from capital redemption of equity instruments designated at FVOCI		10,000	864
Profit on investment deposits received		243,224	51,405
Net cash flows from investing activities		63,387	38,637
FINANCING ACTIVITIES			
Payments of Murabaha payables		(29,390,994)	(18,710,343)
Proceeds from Murabaha payables		28,545,155	23,004,921
Finance costs paid		(477,463)	(223,215)
Payment of lease liabilities		(735,505)	(735,332)
Net cash flows (used in) from financing activities		(2,058,807)	3,336,031
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(247,397)	5,465,913
Cash and cash equivalents as at 1 November		11,742,702	6,734,756
CASH AND CASH EQUIVALENTS AS AT 31 JULY	7	11,495,305	12,200,669

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 2023

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 2023 was authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 13 September 2023.

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'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 2023 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 and financial assets at fair value through other comprehensive income 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 2022. 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-month period ended 31 July 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 October 2023. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 October 2022.

As at and for the period ended 31 July 2023

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 2022, except for the adoption of new standards effective as of 1 November 2022.

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 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

Property, plant and equipment - proceeds before intended use - Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the interim condensed consolidated financial information of the Group.

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

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.

In accordance with the transitional provisions, the Group 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 date of initial application). These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

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:

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.

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 revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

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 2023

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

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.

5 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) 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 (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) 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>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Profit (loss) for the period (KD)	481,810	358,372	761,807	(56,616)
Weighted average number of shares outstanding during the period	450,534,680	450,534,680	450,534,680	450,534,680
Basic and diluted earnings (losses) per share	1.07 Fils	0.80 fils	1.69 Fils	(0.13) fils

There have been no transactions involving ordinary shares between the reporting date and the date of authorization of this interim condensed consolidated financial information which would require the restatement of earnings (losses) per share.

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 2023

6 INVESTMENT PROPERTIES

	<i>31 July</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 October</i> <i>2022</i> <i>KD</i>	<i>31 July</i> <i>2022</i> <i>KD</i>
As at the beginning of the period / year	40,901,816	40,522,273	40,522,273
Additions during the period	2,878,499	-	-
Sale during the period	(2,407,000)	-	-
Unrealized (loss) gain on change in fair value	(277,771)	379,543	(65,976)
As at the end of the period / year	41,095,544	40,901,816	40,456,297

The fair value of investment properties was determined as at 31 July 2023 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 2023, investment properties with carrying values of 17,192,000, KD 4,610,000 and KD 7,789,000 (31 October 2022: KD 17,149,000, KD 4,717,000 and KD 7,923,000, 31 July 2022: KD 17,086,000 and KD 12,722,000) are pledged as a security against letter of guarantees and Murabaha payables to the Ultimate Parent Company, other related parties and local financial institutions, respectively.

During the period ended 31 July 2023, the Parent Company acquired an investment property from the Ultimate Parent Company for a total consideration of KD 2,878,499. Based on the contractual terms of purchase agreement, the total consideration was paid in cash during the period.

During the period ended 31 July 2023, the Parent Company sold an investment property to a non-related party for a total consideration of KD 2,700,000. As a result, the Group realised a gain on sale of KD 293,000 in the interim condensed consolidated financial information for the period ended 31 July 2023.

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>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 October</i> <i>2022</i> <i>KD</i>	<i>31 July</i> <i>2022</i> <i>KD</i>
Investment deposits	10,804,162	9,704,162	11,803,616
Bank balances and cash	691,143	2,038,540	401,826
	11,495,305	11,742,702	12,205,442
Less:			
Bank overdrafts (included under accounts payable and other liabilities)	-	-	(4,773)
Cash and cash equivalents at the end of the period / year	11,495,305	11,742,702	12,200,669

Bank balances and cash amounting to KD 692,966 and KD 3,551 (31 October 2022: KD 839,001 and KD 7,218 and 31 July 2022: KD 240,802) are held with the Ultimate Parent Company and other related parties (Note 8).

Investment deposits amounting to KD 5,704,162 (31 October 2022: KD 5,704,162 and 31 July 2022: KD 10,703,616) are placed with the Ultimate Parent Company (Note 8).

As at 31 July 2022, bank overdrafts amounting to KD 2,498 represent 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 and for the period ended 31 July 2023

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 with related parties included in the interim condensed consolidated statement of comprehensive income are as follows:

	<i>Nine months ended 31 July</i>			
	<i>Other related parties*</i> <i>KD</i>	<i>Ultimate Parent Company</i> <i>KD</i>	2023 KD	2022 KD
Revenue from services rendered*	-	1,039,206	1,039,206	1,566,147
Profit on investment deposits	-	149,419	149,419	51,406
Cost of services rendered	24,180	9,928	34,108	32,592
Cost of real estate activities	5,463	62,554	68,017	5,215
Cost of construction	2,078	3,339	5,417	45,332
General and administrative expenses	14,692	-	14,692	13,287
Finance costs on Murabaha payables	122,567	106,671	229,238	37,808
	<i>Three months ended 31 July</i>			
	<i>Other related parties*</i> <i>KD</i>	<i>Ultimate Parent Company</i> <i>KD</i>	2023 KD	2022 KD
Revenue from services rendered*	-	314,613	314,613	376,908
Profit on investment deposits	-	53,718	53,718	22,750
Cost of services rendered	9,692	3,147	12,839	11,175
Cost of real estate activities	2,854	38,438	41,292	2,945
Cost of construction	1,728	642	2,370	4,728
General and administrative expenses	5,661	-	5,661	10,436
Finance costs on Murabaha payables	46,378	25,096	71,474	37,808

* Revenue from services rendered includes KD 96,990 (31 July 2022: KD 130,574) which has been earned from trust and fiduciary activities (Note 13).

During the period ended 31 July 2023, the Parent Company acquired an investment property from the Ultimate Parent Company for a total consideration of KD 2,878,499 (Note 6). Based on the contractual terms of purchase agreement, the total consideration was paid in cash during the period.

	<i>Three months ended</i> <i>31 July</i>		<i>Nine months ended</i> <i>31 July</i>	
	2023 KD	2022 KD	2023 KD	2022 KD
<i>Key management compensations:</i>				
Salaries and other short-term benefits	84,012	89,938	268,037	259,256
Employees' end of service benefits	9,670	9,216	29,008	27,476
	93,682	99,154	297,045	286,732

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 July 2023

8 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Other related parties*</i> KD	<i>Ultimate Parent Company</i> KD	31 July 2023 KD	<i>(Audited)</i> 31 October 2022 KD	31 July 2022 KD
Amounts due from related parties (included under accounts receivable and other assets)	-	113,514	113,514	124,531	44,007
Investment deposits (Note 7)	-	5,704,162	5,704,162	5,704,162	10,703,616
Bank balances and cash (Note 7)	3,551	692,966	696,517	846,219	240,802
Accrued revenue (included under accounts receivable and other assets)	-	-	-	-	92,490
Murabaha payables	2,929,712	4,800,753	7,730,465	8,131,975	5,037,808
Bank overdrafts (included under accounts payable and other liabilities) (Note 7)	-	-	-	-	2,498
Accounts payable and other liabilities	41,256	-	41,256	11,677	38,381

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

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

As of 31 July 2023, investment deposits and bank balances amounting to KD Nil and KD 2,137,511 (31 October 2022: 2,500,000 and KD 3,912,480, and 31 July 2022: KD 2,500,000 and KD 3,958,453), respectively, are related to fiduciary assets held with the Ultimate Parent Company (Note 13).

9 CONTINGENT LIABILITIES

- (a) As at 31 July 2023, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 15,955,688 (31 October 2022: KD 16,947,094 and 31 July 2022: KD 17,415,094) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 10,065,688 (31 October 2022: KD 11,246,335 and 31 July 2022: KD 11,729,335) are related to delayed projects amounting to KD 81,339,813 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.

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:

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 July 2023

10 SEGMENT INFORMATION (continued)

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 2023 and 31 July 2022, there were no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

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

	<i>Services rendered KD</i>	<i>Real estate KD</i>	<i>Construction projects KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
31 July 2023:						
Segment revenues	4,693,217	1,419,108	13,724	258,453	-	6,384,502
Segment operating costs	(3,327,800)	(486,168)	(275,158)	-	-	(4,089,126)
Reversal of (allowance for) expected credit losses, net	47,202	(92,615)	(137,971)	-	-	(183,384)
Segment results	<u>1,412,619</u>	<u>840,325</u>	<u>(399,405)</u>	<u>258,453</u>	<u>-</u>	<u>2,111,992</u>
Other income					73,208	73,208
Finance costs on murabaha payables					(386,619)	(386,619)
Finance costs on lease liabilities					(45,727)	(45,727)
Other operating expenses					(949,965)	(949,965)
KFAS, NLST and Zakat					(41,082)	(41,082)
Profit for the period						<u><u>761,807</u></u>
31 July 2022:						
Segment revenues	4,468,017	1,415,777	1,376,640	(14,748)	-	7,245,686
Segment operating costs	(3,393,806)	(298,956)	(2,499,510)	-	-	(6,192,272)
Reversal of (allowance for) expected credit losses, net	163,064	(142,694)	103,310	-	-	123,680
Segment results	<u>1,237,275</u>	<u>974,127</u>	<u>(1,019,560)</u>	<u>(14,748)</u>	<u>-</u>	<u>1,177,094</u>
Other income					26,701	26,701
Finance costs on murabaha payables					(216,391)	(216,391)
Finance costs on lease liabilities					(116,097)	(116,097)
Other operating expenses					(927,923)	(927,923)
Loss for the period						<u><u>(56,616)</u></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 2023

10 SEGMENT INFORMATION (continued)

The following table presents allocation of total assets, liabilities and capital expenditures and commitments:

<i>As at 31 July 2023</i>	<i>Services rendered KD</i>	<i>Real estate KD</i>	<i>Construction projects KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Assets	2,483,771	35,240,613	6,211,809	17,976,367	356,109	62,268,669
Liabilities	2,308,155	17,918	3,761,142	12,178,295	2,102,486	20,367,996
Capital expenditures and commitments	-	2,889,837	-	-	-	-
<i>As at 31 October 2022 (Audited)</i>						
Assets	3,310,628	34,950,584	6,379,759	18,288,490	842,784	63,772,245
Liabilities	2,789,711	145,292	4,862,064	13,102,734	1,747,417	22,647,218
Capital expenditures and commitments	13,779	-	-	-	7,356	21,135
<i>As at 31 July 2022</i>						
Assets	6,841,460	4,683,295	34,610,732	18,744,733	352,045	65,232,265
Liabilities	4,641,306	4,136,900	217,556	13,070,998	2,135,589	24,202,349
Capital expenditures and commitments	13,779	-	-	-	7,356	21,135

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 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>As at 31 July 2023</i>				
Investment properties	-	5,991,544	35,104,000	41,095,544
Financial assets at fair value through other comprehensive income	-	-	356,582	356,582
	-	5,991,544	35,460,582	41,452,126

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11 FAIR VALUE MEASUREMENT (continued)

	<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 October 2022 (Audited)</i>				
Investment properties	-	6,050,816	34,851,000	40,901,816
Financial assets at fair value through other comprehensive income	-	-	373,025	373,025
	<u>-</u>	<u>6,050,816</u>	<u>35,224,025</u>	<u>41,274,841</u>
	<u>-</u>	<u>6,050,816</u>	<u>35,224,025</u>	<u>41,274,841</u>
	<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 profit or loss	-	-	-	-
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>5,942,297</u>	<u>35,082,792</u>	<u>41,025,089</u>

There were no transfers between fair value hierarchies during the periods ended 31 July 2023 and 31 July 2022, and the year ended 31 October 2022.

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

	<i>Investment</i> <i>properties</i> <i>KD</i>	<i>Financial assets at</i> <i>fair value through</i> <i>other comprehensive</i> <i>income</i> <i>KD</i>
31 July 2023		
As at the beginning of the period	34,851,000	373,025
Additions during the period	2,878,499	-
Capital redemption of equity instruments designated at FVOCI	-	(16,443)
Disposal during the period	(2,407,000)	-
Net losses recorded in profit or loss	(218,499)	-
As at the end of the period	<u>35,104,000</u>	<u>356,582</u>
<i>31 October 2022 (Audited)</i>		
As at the beginning of the year	34,648,000	569,952
Net gain recorded in the profit or loss	203,000	-
Net loss recorded in other comprehensive income	-	(196,063)
Net purchases, transfers, sales and settlements	-	(864)
As at the end of the year	<u>34,851,000</u>	<u>373,025</u>
<i>31 July 2022</i>		
As at the beginning and end of the period	34,648,000	569,952
Net losses recorded in profit or loss	(134,000)	-
	-	(1,160)
As at the end of the period	<u>34,514,000</u>	<u>568,792</u>

11 FAIR VALUE MEASUREMENT (continued)

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:

- ▶ Properties are valued using the income capitalization approach. 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 using the current market discount rate.
- ▶ Lands 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 has appealed in the Court of Cassation and no court date have been set yet.
- 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 favour 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.

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. On 20 November 2022, the Court judgment was issued in favour of the Parent Company with the same amount due to enrichment without reason. On 28 December 2022, the subcontractor requested to appeal in the Court of Cassation and two memorandums were prepared by the Group to respond to the reasons for the appeal by Cassation. However, no Court of Cassation date have been set yet.

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. However, management believes they have sufficient provisions against the legal cases on account of the related claim with the same subcontractor and the provisions already recorded against the receivables from the subcontractor.

- c) On 6 February 2022, the Court of first instance has issued an initial verdict stating that an amount of KD 483,166 in addition to reimbursements relating to liquidated guarantees and legal expenses are due to the Group from a main contractor. The decision was appealed by the main contractor and the Parent Company, and the Court of Appeals verdict was issued on 22 January 2023 against the Group's favour and adjusted the court of first instance's initial verdict, mandating the Group to a reimbursement of KD 85,176 due from the main contractor. As a result, the Parent Company recorded an additional allowance for expected credit losses of KD 342,409 against the outstanding balance due from the main contractor. The Parent Company filed an appeal against the ruling in the Cassation Court, which were transferred to the Cassation Prosecution. However, no Court of Cassation date have been set until the date of issuance of this interim condensed consolidated financial information.

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12 LEGAL CASES (continued)

- d) On 22 March 2021, the Court of first instance has issued a verdict mandating the Parent Company to settle an amount of KD 183,855 to a subcontractor. On 22 February 2023, the Court of Appeals verdict adjusted the first verdict, mandating the Parent Company to pay an amount of KD 176,992 plus 7% interest starting from 14 January 2019. On 17 May 2023, the Court of Appeals has ordered the continuation of the execution of the verdict, and it was fully executed during the period in which the Parent Company has fully settled the demanded verdict amount. As a result, the Parent Company recorded a loss of KD 161,397 in profit or loss, and filed an appeal for cassation before the consultation room which is to be scheduled for hearing.

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 2023 amounted to KD Nil and KD 2,908,788, respectively (31 October 2022: KD 2,500,000 and KD 3,929,272 and 31 July 2022: 2,500,000 and KD 3,982,227, respectively), out of which are investment deposits and bank balances related to the Ultimate Parent Company amounting to KD Nil and KD 2,137,511 respectively (31 October 2022: KD 2,500,000 and KD 3,912,480 and 31 July 2022: KD 2,500,000 and KD 3,958,453 respectively).

Revenue from services rendered includes KD 269,778 (31 July 2022: KD 327,633) arising from trust and fiduciary activities, out of which KD 96,990 (31 July 2022: KD 130,574) 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 which was held on 12 March 2023 approved:

- ▶ The consolidated financial statements for the year ended 31 October 2022.
- ▶ The distribution of Board of directors' remuneration of KD 9,000 to the independent member of the Board of Directors.
- ▶ The Board of Directors' recommendation not to distribute dividends for the year ended 31 October 2022.
- ▶ 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 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 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 authorisation 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.

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