

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

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

31 JULY 2019



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 2019, and the related interim condensed consolidated statement of income and the 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 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

11 September 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 July 2019

	Note	Three months ended 31 July		Nine months ended 31 July	
		2019 KD	2018 KD (Restated)	2019 KD	2018 KD (Restated)
CONTINUING OPERATIONS					
REVENUES					
Revenue from services rendered		2,198,646	2,057,008	6,808,132	6,409,563
Revenue from real estate activities		546,675	654,200	1,922,410	1,897,204
Revenue from construction contracts		170,250	4,421,008	3,515,655	7,153,334
		<u>2,915,571</u>	<u>7,132,216</u>	<u>12,246,197</u>	<u>15,460,101</u>
COST OF REVENUES					
Cost of services rendered		1,679,022	1,685,996	5,107,232	4,999,399
Cost of real estate activities		40,935	57,548	149,160	157,532
Cost of construction contracts		170,249	4,425,275	3,677,507	7,457,601
		<u>1,890,206</u>	<u>6,168,819</u>	<u>8,933,899</u>	<u>12,614,532</u>
GROSS PROFIT		1,025,365	963,397	3,312,298	2,845,569
General and administrative expenses		(292,856)	(318,266)	(1,033,035)	(1,092,235)
Allowance for expected credit losses		(96,534)	(39,743)	(95,431)	(183,201)
		<u>635,975</u>	<u>605,388</u>	<u>2,183,832</u>	<u>1,570,133</u>
Share of results of associates		10,879	12,872	29,889	36,815
Net investment income (loss)		13,765	76	39,776	(11,246)
Other income		11,107	3,335	190,002	26,527
Finance costs		(167,644)	(139,545)	(515,402)	(488,081)
		<u>504,082</u>	<u>482,126</u>	<u>1,928,097</u>	<u>1,134,148</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		504,082	482,126	1,928,097	1,134,148
NLST		(14,302)	(10,551)	(42,917)	(28,110)
Zakat		(5,720)	(4,220)	(17,167)	(11,244)
		<u>484,060</u>	<u>467,355</u>	<u>1,868,013</u>	<u>1,094,794</u>
DISCONTINUING OPERATIONS					
Loss for the period from discontinuing operations		-	(64,992)	-	(133,614)
		<u>484,060</u>	<u>402,363</u>	<u>1,868,013</u>	<u>961,180</u>
PROFIT FOR THE PERIOD		484,060	402,363	1,868,013	961,180
BASIC AND DILUTED EARNINGS PER SHARE	5	<u>1.07 fils</u>	<u>0.89 fils</u>	<u>4.15 fils</u>	<u>2.13 fils</u>
BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	5	<u>1.07 fils</u>	<u>1.04 fils</u>	<u>4.15 fils</u>	<u>2.43 fils</u>

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 July 2018; and reflect adjustments made as explained in Note 14.

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 COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 July 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>31 July</i>		<i>31 July</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
		<i>(Restated)</i>		<i>(Restated)</i>
Profit for the period	484,060	402,363	1,868,013	961,180
Other comprehensive (loss) income				
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
- Share of other comprehensive (loss) income of associates	(680)	4,571	(10,057)	(3,779)
- Net unrealized loss of financial assets at fair value through other comprehensive income	-	(1,851)	-	(1,851)
Other comprehensive (loss) income for the period	(680)	2,720	(10,057)	(5,630)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	483,380	405,083	1,857,956	955,550

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 July 2018; and reflect adjustments made as explained in Note 14.

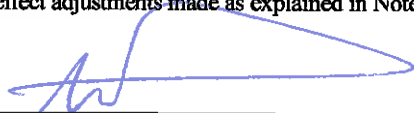
Al-Enma'a Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 July 2019

	Notes	31 July 2019 KD	(Audited) 31 October 2018 KD	31 July 2018 KD (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		557,442	713,342	272,031
Investment properties	6	44,077,038	48,071,038	50,150,678
Investment in associates	7	1,695,680	1,675,848	1,642,258
Financial assets at fair value through other comprehensive income		2,491,080	2,547,808	3,898,104
Accounts receivable and other assets		92,559	92,636	2,803,592
		<u>48,913,799</u>	<u>53,100,672</u>	<u>58,766,663</u>
Current assets				
Inventories		135,766	126,639	68,604
Financial assets at fair value through profit or loss		2,801	2,478	2,481
Gross amount due from customers for contract works		3,884,223	4,072,993	3,140,790
Accounts receivable and other assets		13,092,441	14,280,898	15,091,676
Investment deposits	8	5,458,616	200,000	-
Bank balances and cash	8	1,144,103	2,334,262	214,011
		<u>23,717,950</u>	<u>21,017,270</u>	<u>18,517,562</u>
Assets classified as held for sale		-	-	2,180,621
		<u>23,717,950</u>	<u>21,017,270</u>	<u>20,698,183</u>
TOTAL ASSETS		<u>72,631,749</u>	<u>74,117,942</u>	<u>79,464,846</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	13	4,479,673	4,491,560	4,544,599
Foreign currency translation reserve		47,882	57,939	44,632
Cumulative changes in fair value reserve		(1,798,366)	(1,798,366)	(448,032)
Accumulated losses		(10,728,073)	(12,596,086)	(10,543,932)
TOTAL EQUITY		<u>45,616,197</u>	<u>43,770,128</u>	<u>47,212,348</u>
Non-current liabilities				
Employees' end of service benefits		1,658,694	1,965,552	1,833,325
Murabaha payables		1,525,028	2,427,745	3,205,988
Accounts payable and other liabilities		5,174,188	5,033,805	6,018,090
		<u>8,357,910</u>	<u>9,427,102</u>	<u>11,057,403</u>
Current liabilities				
Gross amount due to customers for contract works		230,260	310,503	425,244
Murabaha payables		11,822,282	12,885,564	10,465,599
Accounts payable and other liabilities		6,605,100	7,724,645	9,151,621
		<u>18,657,642</u>	<u>20,920,712</u>	<u>20,042,464</u>
Liabilities directly associated with the assets held for sale		-	-	1,152,631
		<u>18,657,642</u>	<u>20,920,712</u>	<u>21,195,095</u>
TOTAL LIABILITIES		<u>27,015,552</u>	<u>30,347,814</u>	<u>32,252,498</u>
TOTAL EQUITY AND LIABILITIES		<u>72,631,749</u>	<u>74,117,942</u>	<u>79,464,846</u>

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 July 2018; and reflect adjustments made as explained in Note 14.


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 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	-	-	-	-	-	-	1,868,013	1,868,013
Other comprehensive loss for the period	-	-	-	-	(10,057)	-	-	(10,057)
Total comprehensive (loss) income for the period	-	-	-	-	(10,057)	-	1,868,013	1,857,956
Zakat (Note 13)	-	-	-	(11,887)	-	-	-	(11,887)
As at 31 July 2019	45,053,468	176,642	8,384,971	4,479,673	47,882	(1,798,366)	(10,728,073)	45,616,197
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)	-	-	-	-	-	-	961,180	961,180
Other comprehensive loss for the period (Restated)	-	-	-	-	(3,779)	(1,851)	-	(5,630)
Total comprehensive (loss) income for the period (Restated)	-	-	-	-	(3,779)	(1,851)	961,180	955,550
Net realised gain transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(39,442)	39,442	-
As at 31 July 2018 (Restated)	45,053,468	176,642	8,384,971	4,544,599	44,632	(448,032)	(10,543,932)	47,212,348

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 July 2018; and reflect adjustments made as explained in Note 14.

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 2019

	<i>Nine months ended</i> <i>31 July</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i> <i>(Restated)</i>
OPERATING ACTIVITIES		
Profit for the period from continuing operations before provision for NLST and Zakat	1,928,097	1,134,148
Loss for the period from discontinuing operations	-	(133,614)
	<u>1,928,097</u>	<u>1,000,534</u>
Adjustments to reconcile profit for the period to net cash flows:		
Share of results of associates	(29,889)	(36,815)
Depreciation	151,959	87,076
Gain on disposal of property, plant and equipment	(5,173)	(9,062)
Net investment (income) loss	(39,776)	11,246
Provision for employees' end of service benefits	213,323	237,530
Finance costs	515,402	488,081
Allowance for expected credit losses	95,431	183,201
	<u>2,829,374</u>	<u>1,961,791</u>
Changes in working capital:		
Inventories	(9,127)	14,821
Gross amounts due from/ to customers for contract works	118,639	(1,509,227)
Accounts receivable and other assets	1,082,991	981,134
Accounts payable and other liabilities	(847,141)	148,714
	<u>3,174,736</u>	<u>1,597,233</u>
Cash flows from operations	3,174,736	1,597,233
Employees' end of service benefits paid	(520,181)	(344,241)
	<u>2,654,555</u>	<u>1,252,992</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(33,380)	(28,524)
Proceeds from disposal of property, plant and equipment	42,494	94,990
Additions to investment properties	-	(248)
Proceeds from sale of investment properties	4,000,000	-
Additions to financial assets at fair value through other comprehensive income	-	(268,701)
Proceeds from sale of financial assets at fair value through other comprehensive income	56,728	687,701
Proceeds from liquidation of investment deposits	-	250,000
Proceeds from profit on investment deposits	33,453	-
Dividends income received	-	3,130
Assets and liabilities classified as held for sale	-	23,714
	<u>4,099,295</u>	<u>762,062</u>
FINANCING ACTIVITIES		
Net movement in murabaha payables	(1,974,665)	(2,667,127)
Finance costs paid	(506,736)	(409,519)
	<u>(2,481,401)</u>	<u>(3,076,646)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,272,449	(1,061,592)
Cash and cash equivalents at the beginning of the year	8 1,863,986	648,158
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8 <u>6,136,435</u>	<u>(413,434)</u>

* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 31 July 2018; and reflect adjustments made as explained in Note 14.

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 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 nine-months period ended 31 July 2019 was authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 11 September 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 nine-months period ended 31 July 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 nine-months period ended 31 July 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.

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 2019

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 July 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 July, 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</i> <i>31 July</i>		<i>Nine months ended</i> <i>31 July</i>	
	<i>2019</i>	<i>2018</i> <i>(Restated)</i>	<i>2019</i>	<i>2018</i> <i>(Restated)</i>
Profit for the period (KD)	484,060	402,363	1,868,013	961,180
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 per share	1.07 fils	0.89 fils	4.15 fils	2.13 fils
Profit for the period from continuing operations (KD)	484,060	467,355	1,868,013	1,094,794
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 per share from continuing operations	1.07 fils	1.04 fils	4.15 fils	2.43 fils
Loss for the period from discontinuing operations (KD)	-	(64,992)	-	(133,614)
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 per share from discontinuing operations	-	(0.14) fils	-	(0.30) fils

6 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 July</i> <i>2019</i> <i>KD</i>	<i>31 October</i> <i>2018</i> <i>KD</i>	<i>31 July</i> <i>2018</i> <i>KD</i>
As at the beginning of the period / year	48,071,038	50,150,430	50,150,430
Additions during the period / year	-	248	248
Disposals during period / year	(3,994,000)	-	-
Unrealized loss on evaluation	-	(2,079,640)	-
	44,077,038	48,071,038	50,150,678

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 2019

6 INVESTMENT PROPERTIES (continued)

As at 31 July 2019, investment properties with a carrying value amounting to KD 18,091,000 and KD 11,129,000 (31 October 2018: KD 25,851,000 and KD 11,129,000 and 31 July 2018: KD 26,994,248 and KD 11,949,000) are pledged as a security against murabaha payables to the Ultimate Parent Company (Note 9) and local financial institutions, respectively.

7 INVESTMENT IN ASSOCIATES

The annual general assembly meeting of Energy Central Utilities Bahrain South Water Company B.S.C.C. ("associate") held on 26 May 2019 approved the transfer of equity interest in the associate to the Parent Company and the transfer process has been completed during the period.

8 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>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 October</i> <i>2018</i> <i>KD</i>	<i>31 July</i> <i>2018</i> <i>KD</i>
Investment deposits	5,458,616	200,000	-
Bank balances and cash	1,144,103	2,334,262	214,011
	<u>6,602,719</u>	<u>2,534,262</u>	<u>214,011</u>
Less:			
Investment deposits with original maturities of more than three months	(200,000)	(200,000)	-
Bank overdrafts (included under accounts payable and other liabilities)	(266,284)	(470,276)	(627,445)
Cash and cash equivalents at the end of the period /year	<u><u>6,136,435</u></u>	<u><u>1,863,986</u></u>	<u><u>(413,434)</u></u>

As at 31 July 2019, bank balances and cash include an amount of KD 892,668 (31 October 2018: KD 1,872,909 and 31 July 2018: KD 143,263) which represents amounts held with the Ultimate Parent Company (Note 9).

As at 31 July 2019, investment deposits include an amount of KD 4,758,616 (31 October 2018: KD Nil and 31 July 2018: KD Nil) which represents amounts held with the Ultimate Parent Company (Note 9).

As at 31 July 2019, bank overdrafts include an amount of KD 25,695 (31 October 2018: KD 41,520 and 31 July 2018: KD 37,266) which represents amounts withdrawn from the Ultimate Parent Company (Note 9).

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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9 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:

Interim condensed consolidated statement of income:

	Three months ended 31 July		Total		Nine months ended 31 July		Total	
	Ultimate Parent Company	2019	2018	2019	Ultimate Parent Company	2019	2018	
	KD	KD	KD	KD	KD	KD	KD	
Revenue from services rendered	963,878	963,878	893,274	2,745,203	2,745,203	2,297,655		
Finance costs	54,286	54,286	73,558	176,244	176,244	242,176		

Revenue from services rendered include KD 204,607 (31 July 2018: KD 224,074) which has been earned from trust and fiduciary activities.

Interim condensed consolidated statement of financial position:

	Ultimate Parent Company		(Audited) 31 October 2018		31 July 2018	
	KD	KD	KD	KD	KD	KD
Amounts due from related parties	480,699	480,699	480,699	382,608	582,271	
Investment deposits (Note 8)	4,758,616	4,758,616	4,758,616	-	-	
Bank balances and cash (Note 8)	892,668	892,668	892,668	1,872,909	143,263	
Murabaha payables	3,056,939	3,056,939	3,056,939	4,351,293	4,535,805	
Bank overdrafts (included under accounts payable and other liabilities) (Note 8)	25,695	25,695	25,695	41,520	37,266	

As of 31 July 2019, murabaha payables due to the Ultimate Parent Company are secured against certain investment properties with a carrying value amounting to KD 18,091,000 (31 October 2018: KD 25,851,000 and 31 July 2018: KD 26,994,248), respectively (Note 6).

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

As of 31 July 2019, investment deposits and bank balances amounting to KD 2,500,000 and KD 6,142,341 (31 October 2018: KD 2,500,000 and KD 5,081,148, and 31 July 2018: KD 2,500,000 and KD 5,566,383) respectively, are related to fiduciary assets held with the Ultimate Parent Company.

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9 RELATED PARTY TRANSACTIONS (continued)

	Three months ended		Nine months ended	
	31 July		31 July	
	2019	2018	2019	2018
	KD	KD	KD	KD
<i>Key management compensations:</i>				
Salaries and other short-term benefits	57,953	57,953	182,862	182,862
Employees' end of service benefits	10,655	10,655	22,377	22,377
	68,608	68,608	205,239	205,239

10 CONTINGENT LIABILITIES

- (a) As at 31 July 2019, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 18,269,842 (31 October 2018: KD 18,500,282 and 31 July 2018: KD 20,091,689) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 11,870,160 (31 October 2018: KD 12,744,410 and 31 July 2018: KD 15,016,986) 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.

11 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, which was sold during the prior year.

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 July 2019 and 31 July 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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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 July 2019

11 SEGMENT INFORMATION (continued)

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

	Construction Projects KD	Services Rendered KD	Real Estate KD	Investments KD	Unallocated KD	Total KD
<i>Nine months ended 31 July 2019</i>						
Segment revenues	3,515,655	6,808,132	1,922,410	69,665	190,002	12,505,864
Operating and administrative expenses	(3,663,701)	(5,085,201)	(149,160)	(622,165)	(965,665)	(10,485,892)
Depreciation	(13,806)	(22,031)	-	(23,443)	(92,679)	(151,959)
Segment costs	(3,677,507)	(5,107,232)	(149,160)	(645,608)	(1,058,344)	(10,637,851)
(Loss) profit for the period	(161,852)	1,700,900	1,773,250	(575,943)	(868,342)	1,868,013
<i>As at 31 July 2019</i>						
Assets	11,679,140	4,973,447	37,157,726	17,785,544	1,035,892	72,631,749
Liabilities	9,267,214	1,728,062	2,316,893	11,087,672	2,615,711	27,015,552
Capital expenditures and commitments	-	27,185	-	-	6,195	33,380
<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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11 SEGMENT INFORMATION (continued)

	Manufacturing*	Construction Projects	Services Rendered	Real Estate	Investments	Unallocated	Total
	KD	KD	KD	KD	KD	KD	KD
<i>Nine months ended 31 July 2018</i>							
Segment revenues	907,063	7,153,334	6,409,563	1,897,204	25,569	26,527	16,419,260
Operating and administrative expenses	(1,040,677)	(7,414,728)	(4,994,609)	(157,532)	(604,440)	(1,159,018)	(15,371,004)
Depreciation	-	(42,873)	(4,790)	-	(11,032)	(28,381)	(87,076)
Segment costs	(1,040,677)	(7,457,601)	(4,999,399)	(157,532)	(615,472)	(1,187,399)	(15,458,080)
(Loss) profit for the period	(133,614)	(304,267)	1,410,164	1,739,672	(589,903)	(1,160,872)	961,180
<i>As at 31 July 2018</i>							
Assets	2,180,621	14,115,455	6,276,505	43,094,930	13,043,252	754,083	79,464,846
Liabilities	1,152,631	12,533,518	2,078,522	2,464,121	11,258,972	2,764,734	32,252,498
Capital expenditures and commitments	-	-	-	28,524	248	-	28,772

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

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12 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>As at 31 July 2019</i>				
Investment properties	-	7,059,038	37,018,000	44,077,038
Financial assets at fair value through profit or loss	2,801	-	-	2,801
Financial assets at fair value through other comprehensive income	-	-	2,491,080	2,491,080
	<u>2,801</u>	<u>7,059,038</u>	<u>39,509,080</u>	<u>46,570,919</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 July 2018</i>				
Investment properties	-	7,162,430	42,988,248	50,150,678
Financial assets at fair value through profit or loss	2,481	-	-	2,481
Financial assets at fair value through other comprehensive income	-	-	3,898,104	3,898,104
	<u>2,481</u>	<u>7,162,430</u>	<u>46,886,352</u>	<u>54,051,263</u>

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

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12 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.

	As at the beginning of the year KD	Net losses recorded in the interim condensed consolidated statement of income KD	Net purchases, transfers, sales and settlements KD	As at the end of the period KD				
31 July 2019								
Investment properties	41,012,000	-	(3,994,000)	37,018,000				
Financial assets at fair value through other comprehensive income	2,547,808	-	(56,728)	2,491,080				
	<u>43,559,808</u>	<u>-</u>	<u>(4,050,728)</u>	<u>39,509,080</u>				
	As at the beginning of the year KD	Transition adjustment on adoption of IFRS 9 at 1 November 2017 KD	Transferred from financial assets available for sale KD	Transferred from buildings and land under developments KD	Net losses recorded in the 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 October 2018 (audited)								
Investment properties	40,708,000	-	-	2,280,000	(1,976,248)	-	248	41,012,000
Financial assets at fair value through other comprehensive income	339,052	(480,755)	4,159,232	-	-	(1,352,185)	(117,536)	2,547,808
	<u>41,047,052</u>	<u>(480,755)</u>	<u>4,159,232</u>	<u>2,280,000</u>	<u>(1,976,248)</u>	<u>(1,352,185)</u>	<u>(117,288)</u>	<u>43,559,808</u>

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12 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 condensed consolidated statement of income KD	Net losses recorded in the interim condensed consolidated statement of income KD	Net purchases, transfers, sales and settlements KD	As at the end of the year KD
31 July 2018 (Restated)								
Investment properties	40,708,000	-	-	-	-	-	2,280,248	42,988,248
Financial assets at fair value through other comprehensive income	339,052	4,159,232	(480,755)	-	(1,851)	(1,851)	(117,574)	3,898,104
	<u>41,047,052</u>	<u>4,159,232</u>	<u>(480,755)</u>	<u>-</u>	<u>(1,851)</u>	<u>(1,851)</u>	<u>2,162,674</u>	<u>46,886,352</u>

Description of significant unobservable inputs to valuation of financial assets:

Unquoted equity securities classified as financial assets at fair value through other comprehensive income are valued based on adjusted net assets book value when the underlying assets represents the fair value.

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12 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 of condition of the specific property.

13 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

During the period ended 31 July 2019, an additional Zakat of KD 11,887 (31 October 2018: KD 53,039 and 31 July 2018: KD Nil) has been charged to voluntary reserve to be paid under the direction of the Ultimate Parent Company's Fatwa and Sharea'a Supervisory Board in accordance with the Parent Company's internal guidelines.

14 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 July 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 July 2018</i>			
<i>Non-current assets</i>			
Financial assets at fair value through other comprehensive income	-	3,898,104	3,898,104
Financial assets available for sale	4,040,898	(4,040,898)	-
Accounts receivable and other assets	3,155,419	(351,827)	2,803,592
<i>Current assets</i>			
Financial assets at fair value through profit or loss	340,442	(337,961)	2,481
Gross amount due from customers for contract works	3,540,855	(400,065)	3,140,790
Accounts receivable and other assets	15,944,600	(852,924)	15,091,676
<i>Equity</i>			
Cumulative changes in fair value reserve	32,723	(480,755)	(448,032)
Accumulated losses	(8,939,116)	(1,604,816)	(10,543,932)

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14 COMPARATIVE INFORMATION (continued)

<i>Interim condensed consolidated statement of income</i>	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Period ended 31 July 2018</i>			
Net investment income (loss)	28,196	(39,442)	(11,246)
Allowance for expected credit losses	(224,291)	41,090	(183,201)
Profit for the period	<u>959,532</u>	<u>1,648</u>	<u>961,180</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.