

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

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

31 JANUARY 2024



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 2024, and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-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.

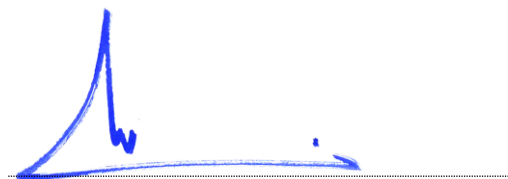
Conclusion

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 three-month period ended 31 January 2024 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 establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, during the three-month period ended 31 January 2024 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER

LICENCE NO 207 A

EY

AL AIBAN, AL OSAIMI & PARTNERS

13 March 2024

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 January 2024

	Notes	Three months ended 31 January	
		2024 KD	2023 KD
REVENUES			
Revenue from services rendered		1,033,205	1,670,611
Revenue from real estate activities		484,057	467,936
Revenue from construction contracts		-	-
		<u>1,517,262</u>	<u>2,138,547</u>
COST OF REVENUES			
Cost of services rendered		793,435	1,034,451
Cost of real estate activities		147,339	111,604
Cost of construction contracts		162,686	39,614
		<u>1,103,460</u>	<u>1,185,669</u>
GROSS PROFIT			
		<u>413,802</u>	<u>952,878</u>
Reversal of (allowance for) expected credit losses, net		23,040	(168,638)
General and administrative expenses		(362,275)	(363,702)
PROFIT FROM OPERATIONS			
		<u>74,567</u>	<u>420,538</u>
Profit on investment deposits		64,252	81,328
Other income		7,809	10,917
Finance costs on murabaha payables		(114,326)	(119,840)
Finance costs on lease liabilities		(8,802)	(17,186)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), PROVISION FOR NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT			
		<u>23,500</u>	<u>375,757</u>
KFAS		(213)	(2,679)
NLST		-	(14,356)
Zakat		-	(5,743)
PROFIT FOR THE PERIOD			
		<u>23,287</u>	<u>352,979</u>
Other comprehensive income			
		-	-
Total other comprehensive income for the period			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		<u>23,287</u>	<u>352,979</u>
BASIC AND DILUTED EARNINGS PER SHARE			
	5	<u>0.05 fils</u>	<u>0.78 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 January 2024

		31 January 2024	(Audited) 31 October 2023	31 January 2023
	Notes	KD	KD	KD
ASSETS				
Non-current assets				
Property, plant and equipment		130,061	100,388	60,226
Investment properties	6	40,707,847	40,707,847	40,901,816
Investment in associates		-	9,795	9,795
Financial assets at fair value through other comprehensive income		332,947	340,380	373,025
Accounts receivable and other assets		781,895	781,895	762,114
Right of use assets		817,645	961,936	2,129,602
		<u>42,770,395</u>	<u>42,902,241</u>	<u>44,236,578</u>
Current assets				
Inventories		10,065	10,065	38,186
Contract assets		123,185	123,185	954,330
Accounts receivable and other assets		6,128,042	6,430,107	6,229,352
Investment deposits	7	8,155,774	8,155,774	8,204,162
Bank balances and cash	7	412,005	4,390,863	3,886,936
		<u>14,829,071</u>	<u>19,109,994</u>	<u>19,312,966</u>
TOTAL ASSETS		<u>57,599,466</u>	<u>62,012,235</u>	<u>63,549,544</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		45,053,468	45,053,468	45,053,468
Statutory reserve		95,209	95,209	-
Voluntary reserve		95,209	95,209	-
Cumulative changes in fair values reserve		(3,814,082)	(3,814,082)	(3,820,580)
Retained earnings		723,556	700,269	245,118
TOTAL EQUITY		<u>42,153,360</u>	<u>42,130,073</u>	<u>41,478,006</u>
Non-current liabilities				
Employees' end of service benefits		1,161,866	1,141,850	1,158,480
Murabaha payables		7,086,557	7,256,796	11,224,540
Accounts payable and other liabilities		2,613,456	3,241,799	1,327,749
Lease liabilities		-	-	720,160
		<u>10,861,879</u>	<u>11,640,445</u>	<u>14,430,929</u>
Current liabilities				
Accounts payable and other liabilities		3,318,516	2,800,319	5,349,530
Murabaha payables		545,552	4,730,041	1,601,575
Lease liabilities		720,159	711,357	689,504
		<u>4,584,227</u>	<u>8,241,717</u>	<u>7,640,609</u>
TOTAL LIABILITIES		<u>15,446,106</u>	<u>19,882,162</u>	<u>22,071,538</u>
TOTAL EQUITY AND LIABILITIES		<u>57,599,466</u>	<u>62,012,235</u>	<u>63,549,544</u>


Saleh Turki Saleh Al-Khamis
Chairman

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

HA

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 2024

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary 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 2023 (<i>Audited</i>)	45,053,468	95,209	95,209	(3,814,082)	700,269	42,130,073
Profit for the period	-	-	-	-	23,287	23,287
Total comprehensive income for the period	-	-	-	-	23,287	23,287
As at 31 January 2024	45,053,468	95,209	95,209	(3,814,082)	723,556	42,153,360
As at 1 November 2022 (<i>Audited</i>)	45,053,468	-	-	(3,820,580)	(107,861)	41,125,027
Profit for the period	-	-	-	-	352,979	352,979
Total comprehensive loss for the period	-	-	-	-	352,979	352,979
As at 31 January 2023	45,053,468	-	-	(3,820,580)	245,118	41,478,006

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 January 2024

	Note	Three months ended 31 January	
		2024 KD	2023 KD
OPERATING ACTIVITIES			
Profit for the period before KFAS, provision for NLST and Zakat		23,500	375,757
<i>Non-cash adjustments to reconcile profit for the period to net cash flows:</i>			
Depreciation on property, plant, and equipment and right of use assets		153,875	443,282
Profit on investment deposits		(64,252)	(81,328)
(Reversal of) allowance for expected credit losses, net		(23,040)	168,638
Provision for employees' end of service benefits		54,781	43,086
Finance costs on Murabaha payables		114,326	119,840
Finance costs on Murabaha payables (under cost of real estate activities)		37,714	-
Finance costs on lease liabilities		8,802	17,186
		<u>305,706</u>	<u>1,086,461</u>
Changes in working capital:			
Inventories		-	680
Accounts receivable and other assets		334,900	(41,503)
Accounts payable and other liabilities		(110,359)	(418,047)
		<u>530,247</u>	<u>627,591</u>
Cash flows from operations		530,247	627,591
Employees' end of service benefits paid		(34,765)	(13,223)
		<u>495,482</u>	<u>614,368</u>
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment		(39,257)	-
Proceeds from capital redemption of equity instruments designated at FVOCI		7,433	-
Profit on investment deposits received		64,252	81,328
		<u>32,428</u>	<u>81,328</u>
FINANCING ACTIVITIES			
Payments of murabaha payables		(11,897,383)	(8,203,940)
Proceeds from murabaha payables		7,554,842	8,004,842
Finance costs paid		(164,227)	(147,051)
Payment of lease liabilities		-	(1,151)
		<u>(4,506,768)</u>	<u>(347,300)</u>
Net cash flows used in financing activities		(4,506,768)	(347,300)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,978,858)	348,396
Cash and cash equivalents as at 1 November		12,546,637	11,742,702
CASH AND CASH EQUIVALENTS AS AT 31 JANUARY	7	<u>8,567,779</u>	<u>12,091,098</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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

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 2024 was authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 13 March 2024.

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 three-months period ended 31 January 2024 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 2023. 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-month period ended 31 January 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 October 2024. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 October 2023.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 November 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial information.

As at and for the period ended 31 January 2024

**3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(Continued)**

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

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide 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 will have an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements at year end.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's interim condensed consolidated financial information.

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

In January 2020 and October 2022, 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.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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 and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 January</i>	
	2024	2023
Profit for the period (KD)	23,287	352,979
Weighted average number of shares outstanding during the period	450,534,680	450,534,680
Basic and diluted earnings per share	0.05 fils	0.78 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 per share.

6 INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 January</i>	<i>31 October</i>	<i>31 January</i>
	2024	2023	2023
	KD	KD	KD
As at the beginning of the period / year	40,707,847	40,901,816	40,901,816
Additions during the period / year	-	2,878,500	-
Sale during the period / year	-	(2,830,319)	-
Unrealized loss on change in fair value	-	(242,150)	-
As at the end of the period / year	40,707,847	40,707,847	40,901,816

The fair value of investment properties was determined as at 31 October 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 January 2024, investment properties with carrying values of KD 15,293,000, KD 4,720,000 and KD Nil (31 October 2023: KD 15,293,000, KD 4,720,000 and KD 3,793,000 and 31 January 2023: KD 17,149,000, KD 4,717,000 and KD Nil) are pledged as a security against letters of guarantee and murabaha payables to the Ultimate Parent Company, other related parties and local financial institutions, respectively.

7 CASH AND CASH EQUIVALENTS

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

	<i>(Audited)</i>		
	<i>31 January</i>	<i>31 October</i>	<i>31 January</i>
	2024	2023	2023
	KD	KD	KD
Investment deposits	8,155,774	8,155,774	8,204,162
Bank balances and cash	412,005	4,390,863	3,886,936
	8,567,779	12,546,637	12,091,098

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

7 CASH AND CASH EQUIVALENTS (continued)

Bank balances and cash amounting to KD 262,411 and KD 57,716 (31 October 2023: KD 233,851 and KD 82,153 and 31 January 2023: KD 614,012 and KD 5,270) are held with the Ultimate Parent Company and other related parties (Note 8).

Investment deposits amounting to KD 5,605,774 (31 October 2023: KD 5,605,774 and 31 January 2023: KD 5,704,162) are placed with the Ultimate Parent Company (Note 8).

8 RELATED PARTY TRANSACTIONS

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

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

	<i>Three months ended 31 January</i>			
	<i>Other related parties*</i> <i>KD</i>	<i>Ultimate Parent Company</i> <i>KD</i>	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Revenue from services rendered*	-	305,077	305,077	391,570
Revenue from real estate activities	-	12,000	12,000	-
Profit on investment deposits	-	55,161	55,161	44,577
Cost of services rendered	10,075	2,293	12,368	14,966
Cost of real estate activities	2,105	37,714	39,819	1,573
Cost of construction	1,728	1,717	3,445	2,182
General and administrative expenses	6,985	32	7,017	3,866
Finance costs on Murabaha payables	45,570	25,142	70,712	75,849

* Revenue from services rendered includes KD 29,164 (31 January 2023: KD 43,009) which has been earned from trust and fiduciary activities (Note 13).

	<i>Three months ended 31 January</i>	
	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
<i>Key management compensations:</i>		
Salaries and other short-term benefits	87,013	93,104
Employees' end of service benefits	9,632	9,669
	96,645	102,773

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

	<i>Other related parties*</i> <i>KD</i>	<i>Ultimate Parent Company</i> <i>KD</i>	<i>31 January 2024</i> <i>KD</i>	<i>(Audited)</i>	
				<i>31 October 2023</i> <i>KD</i>	<i>31 January 2023</i> <i>KD</i>
Amounts due from related parties (included under "accounts receivable and other assets")	478,935	19,429	498,364	579,175	51,262
Investment deposits (Note 7)	-	5,605,774	5,605,774	5,605,774	5,704,162
Bank balances and cash (Note 7)	57,716	262,411	320,127	316,004	619,282
Murabaha payables	2,828,818	4,803,291	7,632,109	7,682,536	8,071,674
Accounts payable and other liabilities	50,305	8,000	58,305	19,653	57,712

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

8 RELATED PARTY TRANSACTIONS (continued)

As of 31 January 2024, investment deposits and bank balances amounting to KD Nil and KD 2,407,117 (31 October 2023: KD Nil and KD 2,959,012, and 31 January 2023: KD 2,500,000 and KD 3,073,622), respectively, are related to fiduciary assets held with the Ultimate Parent Company (Note 13).

9 CONTINGENT LIABILITIES

- (a) As at 31 January 2024, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 8,332,564 (31 October 2023: KD 16,034,188 and 31 January 2023: KD 16,939,344) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 2,362,815 (31 October 2023: KD 10,065,688 and 31 January 2023: KD 11,246,335) are related to delayed projects amounting to KD 20,863,534 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:

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

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

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

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

During the periods ended 31 January 2024 and 31 January 2023, there were no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

10 SEGMENT INFORMATION (continued)

Segment information as at and for the three months period ended 31 January 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 January 2024:						
Segment revenues	1,033,205	484,057	-	64,252	7,809	1,589,323
Segment operating costs	(793,435)	(147,339)	(162,686)	-	-	(1,103,460)
Reversal of allowance for expected credit losses, net	11,406	11,634	-	-	-	23,040
Segment results	<u>251,176</u>	<u>348,352</u>	<u>(162,686)</u>	<u>64,252</u>	<u>7,809</u>	<u>508,903</u>
Finance costs on murabaha payables						(114,326)
Finance costs on lease liabilities						(8,802)
Other operating expenses						(362,275)
KFAS, NLST and Zakat						(213)
Profit for the period						<u>23,287</u>

	<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 January 2023:						
Segment revenues	1,670,611	467,936	-	81,328	10,917	2,230,792
Segment operating costs	(1,034,451)	(111,604)	(39,614)	-	-	(1,185,669)
(Allowance for) reversal of expected credit losses, net	(19,382)	(57,173)	47,917	-	(140,000)	(168,638)
Segment results	<u>616,778</u>	<u>299,159</u>	<u>8,303</u>	<u>81,328</u>	<u>(129,083)</u>	<u>876,485</u>
Finance costs on murabaha payables						(119,840)
Finance costs on lease liabilities						(17,186)
Other operating expenses						(363,702)
KFAS, NLST and Zakat						(22,778)
Profit for the period						<u>352,979</u>

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

	<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>
As at 31 January 2024						
Assets	<u>1,912,901</u>	<u>35,272,445</u>	<u>5,120,248</u>	<u>14,979,227</u>	<u>314,645</u>	<u>57,599,466</u>
Liabilities	<u>2,237,949</u>	<u>52,761</u>	<u>3,069,993</u>	<u>7,657,678</u>	<u>2,427,725</u>	<u>15,446,106</u>
Capital expenditures and commitments	<u>39,257</u>	-	-	-	-	<u>39,257</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 January 2024

10 SEGMENT INFORMATION (continued)

	<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>
<i>As at 31 October 2023 (Audited)</i>						
Assets	2,064,947	35,259,339	5,241,247	19,038,013	408,689	62,012,235
Liabilities	2,239,180	5,829	3,692,663	12,002,384	1,942,106	19,882,162
Capital expenditures and commitments	91,774	-	-	-	-	91,774
<i>As at 31 January 2023</i>						
Assets	6,220,266	2,998,988	34,608,758	18,955,047	766,485	63,549,544
Liabilities	4,408,416	2,233,770	93,825	12,826,115	2,509,412	22,071,538
Capital expenditures and commitments	-	-	-	-	-	-

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 January 2024</i>				
Investment properties	-	5,542,847	35,165,000	40,707,847
Financial assets at fair value through other comprehensive income	-	-	332,947	332,947
	-	5,542,847	35,497,947	41,040,794

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

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 2023 (Audited)</i>				
Investment properties	-	5,542,847	35,165,000	40,707,847
Financial assets at fair value through other comprehensive income	-	-	340,380	340,380
	<u>-</u>	<u>5,542,847</u>	<u>35,505,380</u>	<u>41,048,227</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 January 2023</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>

There were no transfers between fair value hierarchies during the periods ended 31 January 2024 and 31 January 2023, and the year ended 31 October 2023.

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</i> <i>at FVOCI</i> <i>KD</i>
31 January 2024		
As at the beginning of the period	35,165,000	340,380
Capital redemption of equity instruments designated at FVOCI	-	(7,433)
As at the end of the period	<u>35,165,000</u>	<u>332,947</u>
<i>31 October 2023 (Audited)</i>		
As at the beginning of the year	34,851,000	373,025
Net gain recorded in the profit or loss	(157,500)	-
Net loss recorded in other comprehensive income	-	(5,270)
Net purchases, transfers, sales and settlements	471,500	(27,375)
As at the end of the year	<u>35,165,000</u>	<u>340,380</u>
<i>31 January 2023</i>		
As at the beginning and end of the period	<u>34,851,000</u>	<u>373,025</u>

Description of significant unobservable inputs to valuation of financial assets:

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

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

- ▶ 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) During the year ended 31 October 2018, the Parent Company filed a legal case against a contract owner claiming the recovery of previously incurred delay penalties amounting to KD 3,851,136. On 13 December 2020, the Court of First Instance has issued a verdict which entitled the Parent Company to recover the final payment of the contract amounting to KD 163,159. This ruling was appealed by both sides of the legal case, and on 30 May 2022, the appeal was rejected, and the legal case was dismissed by the court for premature filing. The management of the Group filed an appeal against the ruling at the Court of Cassation. On 8 November 2023, the legal case was dismissed from the court following an out-of-court settlement between the disputed parties. Based on which, the contract owner released the withheld bank guarantees of KD 7,702,272 during the period ended 31 January 2024.
- b) During the prior years, a subcontractor filed a legal case against the Parent Company claiming recovery of costs incurred on one of the projects. On 26 January 2021, the Court of first instance has issued an initial verdict awarding the subcontractor an amount of KD 6,588,572. The Parent Company filed an appeal against the ruling at the Court of Appeal, and on 20 February 2022, the Court of appeal's verdict was issued supporting the first ruling. The Group appealed against the ruling at the Court of Cassation. 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 this ruling, and on 20 November 2022, the court of appeals verdict was issued supporting the first ruling due to enrichment without reason. On 28 December 2022 the subcontractor filed an appeal at the Court of Cassation, however, the hearing session have been set until the date of approval of this consolidated financial statements.

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) During the year ended 31 October 2019, the Parent Company filed a legal case against one of the contractors seeking to refund the liquidated performance guarantee of KD 900,000 and the advance payment amounting to KD 441,402. On 6 February 2022, the Court of first instance has issued a verdict which entitled the Parent Company to reimburse an amount of KD 483,166 in addition to the liquidated guarantees. The decision was appealed by the main contractor and the Parent Company at the Court of Appeal. The Court of Appeal's verdict was issued 22 January 2023 adjusted the awarded amount by the Court of first instance to be KD 85,176 and declined the Parent Company's right to claim the guarantees. The Parent Company filed an appeal against the ruling in the Court of Cassation, which was transferred to the Cassation Prosecution for final opinion. 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 contractor. On 23 January 2024, the Court of Appeal's verdict adjusted the Court of Appeal's verdict and obligated the Parent Company to pay the contractor an amount of KD 85,176 which is in the execution stage.
- d) During the year ended 31 October 2019, a subcontractor filed a legal case against the Parent Company seeking final settlement of the subcontract's balance. 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. 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 year 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 during the year ended 31 October 2023, and filed an appeal in the Court of Cassation before the consultation room. On 12 November 2023, the filed appeal was rejected.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 January 2024

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 January 2024 amounted to KD Nil and KD 2,518,311, respectively (31 October 2023: KD Nil and KD 3,041,165 and 31 January 2023: 2,500,000 and KD 3,089,036, respectively), out of which are investment deposits and bank balances related to the Ultimate Parent Company amounting to KD Nil and KD 2,407,117 respectively (31 October 2023: KD Nil and KD 2,959,012 and 31 January 2023: KD 2,500,000 and KD 3,073,622 respectively).

Revenue from services rendered includes KD 221,272 (31 January 2023: KD 102,324) arising from trust and fiduciary activities, out of which KD 29,164 (31 January 2023: KD 43,009) 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 11 February 2024 approved:

- ▶ The consolidated financial statements for the year ended 31 October 2023.
- ▶ The distribution of Board of directors' remuneration of KD 15,000 to the independent member of the Board of Directors.
- ▶ The Board of Directors' recommendation not to distribute dividends for the year ended 31 October 2023.
- ▶ 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 12 March 2023 and 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.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena