

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

**31 OCTOBER 2024**



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL ENMA'A REAL ESTATE COMPANY K.S.C.P.**

### **Report on the Audit of Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Al Enma'a Real Estate Company K.S.C.P (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 October 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 October 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-ENMA'A REAL ESTATE COMPANY K.S.C.P. (continued)**

### **Report on the Audit of Consolidated Financial Statements (continued)**

#### **Key Audit Matters (continued)**

##### *Valuation of investment properties*

Investment properties represent a significant part of the total assets (60%) of the Group, with a carrying value of KD 34,175,616 at the reporting date.

The fair value of Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is highly dependent on estimates and assumptions, such as rental value, maintenance status, market knowledge and historical transactions. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we have considered this as a key audit matter.

We have challenged the appropriateness of the properties' related data supporting the external appraisers' valuations. We performed additional procedures for areas of higher risk and estimation. This included, where relevant, comparison of judgements made to current market practices and challenging the valuations on a sample basis. Further, we have considered the objectivity and expertise of the external real estate appraisers. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 4 to the consolidated financial statements.

#### **Other information included in the Group's 2024 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-ENMA'A REAL ESTATE COMPANY K.S.C.P. (continued)**

### **Report on the Audit of Consolidated Financial Statements (continued)**

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-ENMA'A REAL ESTATE COMPANY K.S.C.P. (continued)**

### **Report on Audit of the Consolidated Financial Statements (continued)**

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

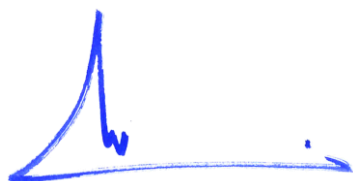
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF  
AL-ENMA’A REAL ESTATE COMPANY K.S.C.P. (continued)**

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company’s Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company’s Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company’s Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 October 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 audit, 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 year ended 31 October 2024 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER  
LICENCE NO 207 A  
EY  
(AL-AIBAN, AL-OSAIMI & PARTNERS)

12 December 2024  
Kuwait

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

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 October 2024

	<i>Notes</i>	<b>2024 KD</b>	<b>2023 KD</b>
<b>Continuing operations</b>			
<b>REVENUES</b>			
Revenue from services rendered		<b>4,944,788</b>	4,780,001
Revenue from real estate activities		<b>2,017,020</b>	1,846,551
Revenue from construction contracts		-	13,724
		<b>6,961,808</b>	6,640,276
<b>COST OF REVENUES</b>			
Cost of services rendered		<b>(3,171,392)</b>	(2,932,602)
Cost of real estate activities		<b>(712,104)</b>	(668,802)
Cost of construction contracts		<b>(941,698)</b>	(663,826)
		<b>(4,825,194)</b>	(4,265,230)
<b>GROSS PROFIT</b>		<b>2,136,614</b>	2,375,046
Reversal of (allowance for) expected credit losses	7 & 8	<b>66,279</b>	(100,126)
General and administrative expenses		<b>(1,175,171)</b>	(1,299,929)
<b>PROFIT FROM OPERATIONS</b>		<b>1,027,722</b>	974,991
Unrealized loss on revaluation of investment properties	4	<b>(160,992)</b>	(242,150)
Realized gain on sale of investment property	4	<b>916,703</b>	348,617
Profit from investment deposits		<b>374,180</b>	346,816
Other income		<b>149,605</b>	100,223
Finance costs on murabaha payables		<b>(311,434)</b>	(524,074)
Finance costs on lease liabilities	5	<b>(20,643)</b>	(54,422)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), PROVISION FOR NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>		<b>1,975,141</b>	950,001
KFAS		<b>(18,943)</b>	(8,569)
NLST		<b>(52,163)</b>	(29,333)
Zakat		<b>(20,865)</b>	(11,733)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>1,883,170</b>	900,366
<b>Discontinued operations</b>			
Profit from discontinued operations	26	<b>129,637</b>	109,950
<b>PROFIT FOR THE YEAR</b>		<b>2,012,807</b>	1,010,316
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	3	<b>4.47 fils</b>	2.24 fils
<b>BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>	3	<b>4.18 fils</b>	2.00 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME

For the year ended 31 October 2024

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
<b>Profit for the year</b>	<b>2,012,807</b>	1,010,316
<b>Other comprehensive loss:</b> <i>Items that will not be reclassified subsequently to the consolidated statement of income:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<b>100,420</b>	(5,270)
<b>Other comprehensive income (loss) for the year</b>	<b>100,420</b>	(5,270)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,113,227</b>	1,005,046

The attached notes 1 to 26 form part of these consolidated financial statements.




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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2024

	Notes	2024 KD	2023 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		71,004	100,388
Investment properties	4	34,175,616	40,707,847
Investments in associate		-	9,795
Financial assets at fair value through other comprehensive income	6	259,056	340,380
Accounts receivable and other assets	8	783,922	781,895
Right-of-use assets	5	384,774	961,936
		<u>35,674,372</u>	<u>42,902,241</u>
<b>Current assets</b>			
Inventories		-	10,065
Contract assets	7	-	123,185
Accounts receivable and other assets	8	5,143,984	6,430,107
Investment deposits	9,10	15,950,000	8,155,774
Bank balances and cash	10	200,701	4,390,863
		<u>21,294,685</u>	<u>19,109,994</u>
<b>TOTAL ASSETS</b>		<u><u>56,969,057</u></u>	<u><u>62,012,235</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	45,053,468	45,053,468
Statutory reserve	12	305,687	95,209
Voluntary reserve	13	305,687	95,209
Cumulative changes in fair values reserve		(3,573,215)	(3,814,082)
Retained earnings		2,151,673	700,269
<b>TOTAL EQUITY</b>		<u><u>44,243,300</u></u>	<u><u>42,130,073</u></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	14	1,075,068	1,141,850
Murabaha payables	15	6,790,529	7,256,796
Accounts payable and other liabilities	16	2,296,038	3,241,799
		<u>10,161,635</u>	<u>11,640,445</u>
<b>Current liabilities</b>			
Accounts payable and other liabilities	16	2,078,870	2,800,319
Murabaha payables	15	485,252	4,730,041
Lease liabilities	5	-	711,357
		<u>2,564,122</u>	<u>8,241,717</u>
<b>TOTAL LIABILITIES</b>		<u><u>12,725,757</u></u>	<u><u>19,882,162</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>56,969,057</u></u>	<u><u>62,012,235</u></u>

  
Abdullah Sulaiman AL-Ghurair  
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 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 KD</i>	<i>Total KD</i>
As at 1 November 2023	45,053,468	95,209	95,209	(3,814,082)	700,269	42,130,073
Profit for the year	-	-	-	-	2,012,807	2,012,807
Other comprehensive income for the year	-	-	-	100,420	-	100,420
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-	100,420	2,012,807	2,113,227
Transfer to reserves	-	210,478	210,478	-	(420,956)	-
Net transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	140,447	(140,447)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 October 2024</b>	<b>45,053,468</b>	<b>305,687</b>	<b>305,687</b>	<b>(3,573,215)</b>	<b>2,151,673</b>	<b>44,243,300</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1 November 2022	45,053,468	-	-	(3,820,580)	(107,861)	41,125,027
Profit for the year	-	-	-	-	1,010,316	1,010,316
Other comprehensive loss for the year	-	-	-	(5,270)	-	(5,270)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive (loss) income for the year	-	-	-	(5,270)	1,010,316	1,005,046
Transfer to reserves	-	95,209	95,209	-	(190,418)	-
Net transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	11,768	(11,768)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 October 2023	45,053,468	95,209	95,209	(3,814,082)	700,269	42,130,073
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The attached notes 1 to 26 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2024

	Notes	2024 KD	2023 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year before taxes from continuing operations		1,975,141	950,001
Profit for the year before taxes from discontinued operations		129,637	109,950
		<b>2,104,778</b>	1,059,951
<i>Non-cash adjustments to reconcile profit (loss) for the year to net cash flows:</i>			
Depreciation on property, plant and equipment and right-of-use assets		612,319	1,662,555
(Gain) loss on disposal of property, plant and equipment		(1,259)	5
Unrealized loss on revaluation of investment properties		160,992	242,150
Realized gain on sale of investment property	4	(916,703)	(348,617)
Profit from investment deposits		(381,716)	(359,807)
(Reversal of allowance for) allowance for expected credit losses, net	7,8	(66,279)	100,126
Provision for employees' end of service benefits, net	14	247,789	203,238
Finance costs on murabaha payables		311,434	524,074
Finance costs on murabaha payables (under cost of real estate activities)		150,035	99,994
Finance costs on lease liabilities	5	20,643	54,422
		<b>2,242,033</b>	3,238,091
Changes in working capital:			
Inventories	26	10,065	28,801
Contract assets		123,185	925,396
Accounts receivable and other assets		1,035,170	196,625
Accounts payable and other liabilities		(1,709,546)	(1,080,067)
Cash flows from operations			
Employees' end of service benefits paid	14	(314,571)	(190,005)
KFAS, NLST and Zakat paid		(49,635)	-
Net cash flows from operating activities		<b>1,336,701</b>	3,118,841
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of a subsidiary		325,000	-
Additions to property, plant and equipment		(81,082)	(91,774)
Proceeds from disposal of property, plant and equipment		76,568	-
Purchase of investment properties	4	-	(2,878,500)
Proceeds from sale of investment properties	4	7,287,942	2,700,001
Profit from investment deposits received		381,716	359,807
Proceeds from sale of financial assets at fair value through other comprehensive income		181,744	21,909
Net cash flows from investing activities		<b>8,171,888</b>	111,443
<b>FINANCING ACTIVITIES</b>			
Proceeds from murabaha payables		29,469,368	40,442,537
Repayment of murabaha payables		(34,161,909)	(41,481,996)
Payment of lease liabilities	5	(732,000)	(736,694)
Finance costs paid		(479,984)	(650,196)
Net cash flows used in financing activities		<b>(5,904,525)</b>	(2,426,349)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 November		12,546,637	11,742,702
<b>CASH AND CASH EQUIVALENTS AT 31 OCTOBER</b>	10	<b>16,150,701</b>	12,546,637
<b>Non-cash transactions excluded from the consolidated statement of cash flows:</b>			
Proceeds from sale of an investment properties		-	478,935
Accounts receivable and other assets ( <i>Amounts due from related parties</i> )		-	(478,935)
		-	-

The attached notes 1 to 26 form part of these consolidated financial statements.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 1 CORPORATE INFORMATION

The consolidated financial statements of Al-Enma'a Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the year ended 31 October 2024 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors 12 December 2024.

The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the Annual General Assembly meeting of the Parent Company's shareholders.

The Parent Company is a Kuwaiti Public Shareholding Company registered and incorporated in Kuwait on 15 August 1993 whose shares are listed on 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 whose shares are listed on Boursa Kuwait and Bahrain.

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 Third Floors, Kuwait.

### 2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLCIES INFORMATION

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements of the Group have been prepared on 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 consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

Certain of the prior year amounts have been reclassified to conform to the amounts of current year presentation. The reclassification has no impact on results or equity of the Group.

#### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 October 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee; and
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements; and
- ▶ The Group's voting rights and potential voting rights.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

#### 2.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

Details of the subsidiary companies included in the consolidated financial statements as at 31 October are set out below:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Effective interest in equity</i>		<i>Principal activities</i>
		<i>2024</i>	<i>2023</i>	
ERESCO Security K.S.C. (Closed) <sup>1,2</sup>	Kuwait	-	99%	Security services
Al Reyada Facilities Guarding S.P.C	Kuwait	100%	100%	Security services
Al Reyada for Security and Safety of Equipment and tools S.P.C	Kuwait	100%	100%	Security services
Al Reyada for Security Consulting Services S.P.C	Kuwait	100%	100%	Security services
United Real Estate Consultancy S.P.C	Kuwait	100%	100%	Real Estate Consulting Services
Al-Enma'a For Security Services Company K.S.C. (Closed) <sup>1</sup>	Kuwait	99%	99%	Security Services
Enma'a Gulf Real Estate Company W.L.L. <sup>1</sup>	Saudi Arabia	99%	99%	Real estate activities

<sup>1</sup> 1% of Enma'a Gulf Real Estate Company W.L.L. and Al-Enma'a For Security Services K.S.C. (Closed) are held in the name of a related party as nominee on behalf of the Parent Company, who has confirmed in writing that the Parent Company is the beneficial owner of those shares.

<sup>2</sup> During the year ended 31 October 2024, the Group sold its entire stake in ERESKO Security K.S.C. (Closed) to a related party. Further details are provided in Note 26.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.3 Changes in accounting policies and disclosures**

**New and amended standards and interpretations**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 October 2023, except for the adoption of new accounting policy for noncurrent assets held for sale and discontinued operations, and adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 November 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***Non-current assets held for sale and discontinued operations***

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Additional disclosures are provided in Note 26. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

**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 consolidated financial statements.

**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 2024 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 amendments have had 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.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.3 Changes in accounting policies and disclosures (continued)**

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

**2.4 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 consolidated financial statements 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 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 consolidated financial statements.

**IFRS 18: *Presentation and Disclosure in Financial Statements***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

**IFRS 19 *Subsidiaries without Public Accountability: Disclosures***

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.4 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 amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Amendments to IAS 7 and IFRS 7 - *Supplier Finance Arrangements***

The amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* 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 are not expected to have a material impact on the Group's consolidated financial statements.

**Amendments to IAS 21 - *Lack of exchangeability***

In August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

**2.5 Material accounting policy information**

The material accounting policies adopted in the preparation of the consolidated financial statements are set out below:

**Revenue recognition**

*Revenues from construction contracts*

Revenue from construction contracts is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group has determined that the customer controls all of the work in progress for the contracts being executed. This is because under those contracts, the final product is made to customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

Revenue is recognised over time based on the input method using cost incurred relative to the total costs to complete the contract as the measure of progress. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the consolidated statement of income. The related costs are recognised in the consolidated statement of income when they are incurred and are reduced by any incidental income that is not included in contract revenue. Invoices are issued according to contractual terms and are usually payable within 30 to 90 days. Excess billings are presented as contract liabilities and un invoiced amounts are presented as contract assets.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Revenue recognition (continued)**

*Revenues from construction contracts (continued)*

Contract revenue includes the initial amount of revenue agreed in the contract and any variation in contract value, claims and incentives to the extent that it is approved either written, oral or implied by customer business practices. Contract costs to fulfil the performance obligation includes costs that relate directly to the contract or to an anticipated contract that can be specifically identified and are expected to be recovered. Costs of obtaining a contract are generally expensed as the period of amortisation is less than a year. Contract revenues and costs relating to contracts on which the work performed to the consolidated statement of financial position date is insignificant are recognised to the extent of cost incurred, and accordingly no profit is recognised.

▶ *Variable consideration*

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group at the reporting date is not entitled to any variable consideration.

▶ *Significant financing component*

The Group also receives long-term advances from its construction contracts with customers. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

*Rendering of services*

Revenue from services rendered represents revenue from managing properties, security services and maintenance services provided for others. Revenue from services rendered is recognised when earned.

*Real estate activities*

Revenue and profits from real estate activities represents revenue from managing real estate for others and renting properties. Real estate rental income arising from operating leases on investment properties is recognised in the consolidated statement of income on a straight-line basis over the lease terms.

**Finance costs**

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other finance costs are expensed in the period they occur. Finance costs consist of profit and other costs that an entity incurs in connection with the borrowing of funds.

**Taxation**

*Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)*

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, and transfer to statutory reserve, until the reserve reaches 50% of share capital, should be excluded from profit for the year when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

*National Labour Support Tax (NLST)*

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year. Cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year to determine the taxable profit.

*Zakat*

Zakat is calculated at 1% of the profit for the year in accordance with the requirements of the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

In addition, in accordance with its internal guidelines, the Parent Company is calculating additional Zakat at 2.577% of the net assets that are subject to Zakat at the end of the year. Such amount is charged to voluntary reserve/ retained earnings, and paid under the direction of the Ultimate Parent Company's Fatwa and Sharea'a Supervisory Board.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Foreign currencies**

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date of the transaction that first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

*Group companies*

As at the reporting date, the assets and liabilities of foreign operations are translated into the Parent Company's presentation currency at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised directly in the consolidated statement of comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

**Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated losses, if any. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

- ▶ Furniture and equipment 3 to 5 years
- ▶ Motor vehicles 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Property, plant and equipment (continued)**

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

**Investment properties**

Investment properties comprise properties under development and developed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services, commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property would result in either gains or losses on the retirement or disposal of the investment property. Any gains or losses are recognised in the consolidated statement of income in the period of derecognition. No properties held under operating lease have been classified as investment properties.

**Investment in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group's investment in its associates is accounted for using the equity method of accounting.

Under the equity method, the investment in the associate is initially recognised at cost in the consolidated statement of financial position. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Investment in associates (continued)**

The share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and minority interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group and in case of different reporting date of associate, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

**Inventories**

Inventory items are intended to be used partially in the Group's contracts, and are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition, determined on a weighted average basis.

Net realisable value is determined based on the estimated costs to purchase or replace a similar item including any expenses to be incurred in bringing such item to its present location and condition, determined on a weighted average basis.

**Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Lease liabilities (continued)**

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Financial instruments – Initial recognition and subsequent measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue of financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of income.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of financial assets**

*Financial assets at amortised cost*

Financial assets such as contract assets, accounts receivable and other assets, investment deposits, and cash and cash equivalents that meet the following conditions are subsequently measured at amortised cost:

- ▶ the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ▶ the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and yield on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss except for equity instruments when the Group may make an irrevocable election/designation at initial recognition to recognise fair value in other comprehensive income.

*Amortised cost and effective yield method*

The effective yield method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period.

For financial instruments at amortised cost, the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective yield method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Financial instruments – Initial recognition and subsequent measurement (continued)**

***Financial assets (continued)***

***Classification of financial assets (continued)***

***Amortised cost and effective yield method (continued)***

Profit income is recognised using the effective yield method for debt instruments measured subsequently at amortised cost. Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective profit rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

***Financial assets at FVOCI***

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of the equity investments, instead, they will be transferred to retained earnings. The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends is established in accordance with IFRS 15: *Revenue from contracts with customers*, unless the dividends clearly represent a recovery of part of the cost of the investment.

***Fair Value Through Profit and Loss (FVTPL)***

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

The Group classifies financial assets fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

***Impairment of financial assets***

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Financial instruments – Initial recognition and subsequent measurement (continued)**

*Financial assets (continued)*

*Impairment of financial assets (continued)*

The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

*Credit-impaired financial assets at amortised cost*

A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- ▶ significant financial difficulty of the issuer or the borrower;
- ▶ a breach of contract, such as a default or past due event;
- ▶ the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- ▶ it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- ▶ the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off of financial assets at amortised cost*

The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in the consolidated statement of income.

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective profit rate.

The Group recognises an impairment loss in consolidated statement of income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

***Derecognition***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

From 1 November 2017, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Financial instruments – Initial recognition and subsequent measurement (continued)**

*Financial assets (continued)*

*Derecognition (continued)*

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective yield method.

The Group's financial liabilities include murabaha payables, accounts payable and other liabilities, and contract liabilities, and lease liabilities.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as described below:

*Murabaha payables*

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

*Accounts payable and other liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Fair value measurement (continued)**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ 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.
- ▶ Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Employees' end of service benefits**

The Group provides end of service benefits to its employees in accordance with Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made.

**Fiduciary assets**

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

**Contingencies**

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.5 Material accounting policy information (continued)**

**Segment information**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

**Contract balances**

*Contract assets*

A Contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before the payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**2.6 Significant accounting judgments, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Judgments**

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Classification of real estate properties*

Management decides on acquisition of a real estate property whether it should be classified as trading or investment property.

The Group classifies property as an investment property if it is acquired, developed or is in the process of development to principally generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies property as trading property if it is principally acquired or developed for sale in the ordinary course of business, if any.

*Classification of financial instruments*

Management decides on acquisition of a financial instrument whether it should be classified as "at fair value through profit or loss" or "at fair value through other comprehensive income".

Classification of financial instruments as "at fair value through profit or loss" depends on how management monitors the performance of these financial instruments. When they have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as "at fair value through profit or loss".

The Group classifies all other financial instruments as financial assets at fair value through other comprehensive income.

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.6 Significant accounting judgments, estimates and assumptions (continued)**

**Judgments (continued)**

*Determining the lease term of contracts with renewal and termination options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Valuation of investment properties*

The fair value of developed investment properties is determined based on valuation performed annually by independent professional real estate valuation experts using recognised valuation techniques. Developed investment properties are valued using the income capitalisation approach; or, the market approach based on recent transactions for properties with characteristics and location similar to those of the Group's properties.

The fair value of investment properties under development is also determined based on valuation performed annually by independent professional real estate valuation experts using recognised valuation techniques recommended by the International Valuation Standards Committee, except if such values cannot be reliably determined.

*Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- ▶ recent arm's length market transactions;
- ▶ current fair value of another instrument that is substantially the same;
- ▶ the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- ▶ Other valuation models.
- ▶ Net assets value "NAV" when the underlying assets are measured in fair value.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

*Impairment of financial assets at amortised cost*

The allowance for expected credit losses for financial assets disclosed in Note 7 and Note 8 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**2 BASIS OF PREPERATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.6 Significant accounting judgments, estimates and assumptions (continued)**

**Estimates and assumptions (continued)**

*Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**3 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year 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 October, the Parent Company had no outstanding dilutive potential shares.

	<i>2024</i>	<i>2023</i>
Profit for the year attributable to equity holders of the Parent Company (KD):		
▶ From continuing operations (KD)	<b>1,883,170</b>	900,366
▶ From discontinued operations (KD)	<b>129,637</b>	109,950
Profit for the year attributable to equity holders of the Parent Company (KD)	<b>2,012,807</b>	1,010,316
Weighted average number of shares outstanding during the year	<b>450,534,680</b>	450,534,680
<b>Basic and diluted earnings per share attributable to equity holders of the Parent Company:</b>		
▶ From continuing operations	<b>4.18 fils</b>	2.00 fils
▶ From discontinued operations	<b>0.29 fils</b>	0.24 fils
<b>Basic and diluted earnings per share</b>	<b>4.47 fils</b>	2.24 fils

There have been no transactions involving ordinary shares between the reporting date and the date of authorization of this consolidated financial statements which would require the restatement of earnings per share.

**4 INVESTMENT PROPERTIES**

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
As at 1 November	<b>40,707,847</b>	40,901,816
Additions*	-	2,878,500
Disposals**	<b>(6,371,239)</b>	(2,830,319)
Unrealised loss on revaluation	<b>(160,992)</b>	(242,150)
As at 31 October	<b>34,175,616</b>	40,707,847

\* During the prior year, the Parent Company acquired an investment property from the Ultimate Parent Company for a total consideration of KD 2,878,500.

\*\* During the year ended 31 October 2024, the Parent Company sold certain investment properties to non-related parties for a total consideration of KD 7,287,942 (2023: KD 3,178,936). As a result, the Group realised a gain on sale of KD 916,703 (2023: KD 348,617) in the consolidated statements of income.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 4 INVESTMENT PROPERTIES (continued)

As at 31 October, investment properties are categorised into:

	<i>Geographical allocation</i>	<i>2024 KD</i>	<i>2023 KD</i>
Developed properties	State of Kuwait	<b>29,360,000</b>	35,165,000
Pieces of land	Kingdom of Bahrain	<b>4,815,616</b>	5,542,847
		<b><u>34,175,616</u></b>	<b><u>40,707,847</u></b>

The fair value of investment properties has been determined based on the lower of two valuations performed by independent professional real estate valuation experts who are specialised in valuing such type of properties. Both valuers have used the following methods:

- ▶ Developed properties have been valued using the income capitalisation approach.
- ▶ Land have been valued using the market approach based on recent transactions for properties with characteristics and location similar to those of the Group's properties.

Description of the above valuation methods is provided in detail in (Note 23).

Based on those valuations, the Group has recognised an unrealised loss of KD 160,992 (2023: KD 242,150) in the consolidated statement of income.

The significant assumptions made relating to valuation of developed properties are set out below:

	<i>2024</i>	<i>2023</i>
<b><i>Income capitalization approach (level 3)</i></b>		
Total area available for rent (sqm)	<b>11,501</b>	15,154
Average monthly rent per sqm (KD)	<b>14</b>	11
Average yield rate (%)	<b>5.9%</b>	5.9%
<b><i>Market comparison approach (level 2)</i></b>		
Price per sqm (KD)	<b>150 to 615</b>	150 to 615

As at 31 October 2024, investment properties with a carrying value of KD 16,360,000, KD Nil and KD Nil, (2023: KD 15,293,000 and KD 4,720,000 and KD 3,793,000) 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 (Note 15).

#### *Sensitivity analysis*

The table below presents the sensitivity of the valuation to changes in the significant assumptions underlying the valuation of the investment properties:

	<i>Changes in significant assumptions</i>	<i>Sensitivity of the input to fair value KD</i>
Average monthly rent (per sqm)	KD 10	A 1% (2023: 1%) increase in the average monthly rent per sqm would increase the fair value by KD 293,600 (2023: KD 347,290)
Average yield rate	4% to 8%	A 1% (2023: 1%) increase in the average yield rate would decrease the fair value by KD 290,693 (2023: KD 343,851)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 5 LEASES

Set out below are the carrying amounts and movement during the year of right-of-use assets and lease liabilities:

	<i>Right-of-use assets</i>		<i>Lease liabilities</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 November	<b>961,936</b>	2,549,303	<b>711,357</b>	1,393,629
Depreciation expense	<b>(577,162)</b>	(1,587,367)	-	-
Finance costs	-	-	<b>20,643</b>	54,422
Payments of lease liabilities	-	-	<b>(732,000)</b>	(736,694)
As at 31 October	<b>384,774</b>	961,936	-	711,357

The Group discounted its lease payments using an incremental borrowing rate of 5% (2023: 5%) per annum.

Set out below, are the amounts recognised in consolidated statement of income related to leases:

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Depreciation expense of right-of-use assets (recorded under cost of services rendered)	<b>577,162</b>	1,587,367
Finance costs	<b>20,643</b>	54,422
As at 31 October	<b>597,805</b>	1,641,789

### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Foreign unquoted equity securities	<b>259,056</b>	340,380

Fair value hierarchy disclosures are provided in (Note 23).

### 7 CONTRACT ASSETS/CONTRACT LIABILITIES

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Accumulated costs and estimated earnings on contracts in progress	<b>20,663,534</b>	26,490,147
Progress billings on contracts in progress	<b>(20,663,534)</b>	(26,356,982)
	-	133,165
Less: allowance for expected credit losses	-	(9,980)
	-	123,185

Contract assets/contract liabilities are presented in the consolidated statement of financial position as follows:

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Contract assets, net	-	123,185
Contract liabilities	-	-
	-	123,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**7 CONTRACT ASSETS/CONTRACT LIABILITIES (continued)**

Retention receivables/payables relating to contracts in progress are disclosed in (Note 8) and (Note 16), respectively. The movements in the allowance for expected credit losses of contract assets is as follows:

	<b>2024</b>	<b>2023</b>
	<b>KD</b>	<b>KD</b>
At 1 November	<b>9,980</b>	104,231
Reversal of allowance for ECL during the year	<b>(9,980)</b>	(94,251)
At 31 October	<b>-</b>	9,980

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>Non-current</i>		<i>Current</i>						<i>Total</i> KD
	<i>Non-current Retention receivables (Note 8.1)</i> KD	<i>Current Retention receivables (Note 8.1)</i> KD	<i>Trade receivables and amounts due from contract owners (Note 8.2)</i> KD	<i>Amounts due from related parties (Note 8.3)</i> KD	<i>Subcontractors' debit balances (Note 8.4)</i> KD	<i>Advances to subcontractors</i> KD	<i>Prepaid expenses and refundable deposits</i> KD	<i>Other receivables (Note 8.5)</i> KD	
<b>2024</b>									
Gross balance	883,732	2,671,503	5,075,423	9,237	7,552,890	15,845	250,962	735,868	17,195,460
Less: Allowance for ECL	(99,810)	(316,113)	(3,044,710)	(919)	(7,480,365)	-	-	(325,637)	(11,267,554)
Receivables, net	<u>783,922</u>	<u>2,355,390</u>	<u>2,030,713</u>	<u>8,318</u>	<u>72,525</u>	<u>15,845</u>	<u>250,962</u>	<u>410,231</u>	<u>5,927,906</u>
<b>2023</b>									
Gross balance	881,447	2,671,503	5,925,654	580,094	7,748,140	71,681	236,398	737,650	18,852,567
Less: Allowance for ECL	(99,552)	(274,043)	(3,476,002)	(919)	(7,468,775)	-	-	(321,274)	(11,640,565)
Receivables, net	<u>781,895</u>	<u>2,397,460</u>	<u>2,449,652</u>	<u>579,175</u>	<u>279,365</u>	<u>71,681</u>	<u>236,398</u>	<u>416,376</u>	<u>7,212,002</u>

The movements in the allowance for ECL during the years ended 31 October is as follows:

	<b>2024</b> KD	2023 KD
At 1 November	11,640,565	11,446,188
ECL charge for the year	45,393	436,197
Reversal of allowance for ECL during the year	(101,692)	(241,820)
Allowance for ECL written-off during the year	(410,856)	-
Transfer from provision for expected losses from contracts and delayed penalties	94,144	-
At 31 October	<u>11,267,554</u>	<u>11,640,565</u>



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 8 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

#### 8.1 Retention receivables

Retention receivables include certain balances of KD 3,347,363 (2023: KD 3,345,078) related to completed projects.

#### 8.2 Trade receivables and amounts due from contract owners

As at 31 October, the ageing analysis of trade receivables and amounts due from contract owners is as follows:

	<i>Not past due</i>	<i>Past due</i>		<i>Total</i> KD
	<i>Less than 3 months KD</i>	<i>3 to 6 months KD</i>	<i>More than 6 months KD</i>	
<b>2024</b>				
Total gross carrying amount at default	<b>493,224</b>	<b>30,773</b>	<b>4,551,426</b>	<b>5,075,423</b>
Expected credit loss	<b>(37,169)</b>	<b>(24,311)</b>	<b>(2,983,230)</b>	<b>(3,044,710)</b>
Expected credit loss rate	<b>8%</b>	<b>79%</b>	<b>66%</b>	<b>60%</b>
<b>2023</b>				
Total gross carrying amount at default	390,767	126,452	5,408,435	5,925,654
Expected credit loss	(52,669)	(46,209)	(3,377,124)	(3,476,002)
Expected credit loss rate	13%	37%	62%	59%

Trade receivables and receivables from contract owners are non-interest bearing and are generally on terms of 30 to 90 days.

It is not the practice of the Group to obtain collaterals over trade receivables and amounts due from contract owners.

#### 8.3 Amounts due from related parties

Terms and conditions relating to related party receivables are provided in (Note 18).

#### 8.4 Subcontractor debit balances

In previous years, the Parent Company initiated legal actions against foreign subcontractor for failing to meet the contractual obligations of certain construction contracts. The court has not yet delivered its verdict on these cases. According to the Parent Company's external legal counsel, there is significant uncertainty regarding the expected outcome of these legal proceedings. Consequently, the Group's management had fully impaired the outstanding balance due from the subcontractors, amounting to KD 7,435,105 (2023: KD 7,435,105).

#### 8.5 Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

### 9 INVESTMENT DEPOSITS

Investment deposits of KD 15,950,000 (2023: KD 8,155,774) are placed with local Islamic banks and are denominated in Kuwaiti Dinars. The average rate of profit on these deposits during the year ended 31 October 2024 was 4.2 % (2023: 3.67%) per annum. Investment deposits have an original maturity of three months or less and are automatically renewable for a similar period.

The Group had pledged investment deposits with a carrying value of KD 1,200,000 (2023: KD 5,532,666) to the Ultimate Parent Company against Murabaha payables to fulfil collateral requirements (Note 15).

Investment deposits amounting to KD 1,200,000 (2023: KD 5,605,774) are placed with the Ultimate Parent Company (Note 18).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 10 CASH AND CASH EQUIVALENTS

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

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Investment deposits (Note 9)	<b>15,950,000</b>	8,155,774
Bank balances and cash	<b>200,701</b>	4,390,863
Cash and cash equivalents at 31 October	<b><u>16,150,701</u></b>	<u>12,546,637</u>

Bank balances and cash amounting to KD 178,202 and KD Nil (2023: KD 233,851 and KD 82,153) are held with the Ultimate Parent Company and other related parties (Note 18).

The Group holds certain investment deposits and bank balances with a related party entity in its capacity as fiduciary assets as disclosed in Note 19. These assets are not included in the consolidated statement of financial position.

### 11 SHARE CAPITAL

	<i>Authorised, issued and fully paid</i>	
	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
450,534,680 shares of 100 fils each (fully paid in cash)	<b><u>45,053,468</u></b>	<u>45,053,468</u>

### 12 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation, a minimum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration shall be transferred to statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

### 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.

### 14 EMPLOYEES' END OF SERVICE BENEFITS

The movement of the provision for employees' end of service benefits recognised in the consolidated statement of financial position as at 31 October is as follows:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
As at 1 November	<b>1,141,850</b>	1,128,617
Charge for the year	<b>247,789</b>	203,238
Payments made during the year	<b>(222,317)</b>	(190,005)
Transferred to discontinued operations	<b>(92,254)</b>	-
As at 31 October	<b><u>1,075,068</u></b>	<u>1,141,850</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 15 MURABAHA PAYABLES

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Gross amount	<b>7,304,852</b>	12,133,541
Less: deferred profit	<b>(29,071)</b>	(146,704)
	<b><u>7,275,781</u></b>	<u>11,986,837</u>
Current	<b>485,252</b>	4,730,041
Non-current	<b>6,790,529</b>	7,256,796
	<b><u>7,275,781</u></b>	<u>11,986,837</u>

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under Islamic financing arrangements. Murabaha payables carry profit at a rate ranging from 5% to 6.50% (2023: 5.25% to 6.50%) per annum.

As at 31 October 2024, murabaha payables with carrying values of KD 7,275,781, KD Nil, KD Nil (2023: KD 4,803,291, KD 2,879,245 and KD 4,304,301) were granted by the Ultimate Parent Company, related local financial institution and other local financial institutions, respectively (Note 18).

As at 31 October 2024, murabaha payables are secured by certain pledged investment deposits, to the Ultimate Parent Company, with a carrying value of KD 1,200,000 (2023: KD 5,532,666) (Note 9). In addition, murabaha payables are secured, to the Ultimate Parent Company, other related parties and local financial institutions by certain investment properties with a carrying value of KD 16,360,000, KD Nil and KD Nil, respectively (2023: KD 15,293,000, KD 4,720,000 and KD 3,793,000, respectively) (Note 4).

### 16 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Trade payables	<b>205,364</b>	852,623
Advance payments received from contract owners	<b>180,684</b>	148,846
Deferred income	<b>25,293</b>	30,678
Retention payables	<b>361,213</b>	1,351,428
Dividend payable	<b>54,216</b>	57,295
Staff leave provision	<b>205,188</b>	251,460
Refundable deposits received from tenants	<b>294,279</b>	290,581
Accrued expenses	<b>281,404</b>	194,405
KFAS, NLST and Zakat payable	<b>91,971</b>	51,206
Other liabilities	<b>693,015</b>	891,157
Provision for legal claims	<b>1,982,281</b>	1,922,439
	<b><u>4,374,908</u></b>	<u>6,042,118</u>
Current	<b>2,078,870</b>	2,800,319
Non-current	<b>2,296,038</b>	3,241,799
	<b><u>4,374,908</u></b>	<u>6,042,118</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**17 SEGMENT INFORMATION**

For management purposes, the Group is organised into business units, based on their products and services, in order to manage its various lines of business. For segment reporting, the Group has five 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 consolidated financial statements.

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 years ended 31 October 2024 and 31 October 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 CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

**17 SEGMENT INFORMATION (continued)**

Segment information as at and for the year ended 31 October is as follows:

	<i>Services rendered*</i> KD	<i>Real estate</i> KD	<i>Construction projects</i> KD	<i>Investments</i> KD	<i>Unallocated</i> KD	<i>Total</i> KD
<b>31 October 2024</b>						
Segment revenues	6,071,468	2,017,020	-	1,253,814	149,605	9,491,907
Segment operating costs	(4,292,358)	(712,104)	(941,698)	-	-	(5,946,160)
Reversal of expected credit losses, net	41,823	18,384	6,072	-	-	66,279
Finance costs on murabaha payables and lease liabilities	(20,643)	-	-	(311,434)	-	(332,077)
Segment results	<u>1,800,290</u>	<u>1,323,300</u>	<u>(935,626)</u>	<u>942,380</u>	<u>149,605</u>	<u>3,279,949</u>
Other operating expenses KFAS, NLST and Zakat					(1,175,171)	(1,175,171)
					(91,971)	(91,971)
<b>Profit for the year</b>						<u><u>2,012,807</u></u>
<b>31 October 2023</b>						
Segment revenues	6,257,497	1,846,551	13,724	453,283	100,223	8,671,278
Segment operating costs	(4,300,148)	(668,802)	(663,826)	-	-	(5,632,776)
Reversal of (allowance for) expected credit losses, net	66,454	(93,789)	224,733	-	(297,524)	(100,126)
Finance costs on murabaha payables and lease liabilities	(54,422)	-	-	(524,074)	-	(578,496)
Segment results	<u>1,969,381</u>	<u>1,083,960</u>	<u>(425,369)</u>	<u>(70,791)</u>	<u>(197,301)</u>	<u>2,359,880</u>
Other operating expenses KFAS, NLST and Zakat					(1,299,929)	(1,299,929)
					(49,635)	(49,635)
<b>Profit for the year</b>						<u><u>1,010,316</u></u>

\* Services rendered includes the operational results of Eresco which is classified as discontinued operations as at 31 October 2024 and 31 October 2023 (Note 26).

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

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At 31 October 2024

17 SEGMENT INFORMATION (continued)

	<i>Construction projects KD</i>	<i>Services rendered KD</i>	<i>Real estate KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>31 October 2024</i>						
<b>Assets</b>	<b>4,574,817</b>	<b>999,554</b>	<b>29,483,270</b>	<b>21,604,027</b>	<b>307,389</b>	<b>56,969,057</b>
<b>Liabilities</b>	<b>2,444,433</b>	<b>1,123,919</b>	<b>21,641</b>	<b>7,278,361</b>	<b>1,857,403</b>	<b>12,725,757</b>
<i>31 October 2023</i>						
Assets	5,241,247	2,064,947	35,259,339	19,038,013	408,689	62,012,235
Liabilities	3,692,663	2,239,180	5,829	12,002,384	1,942,106	19,882,162

*Geographical segment*

The Group operates in primarily in the domestic market in Kuwait and the regional market in the Gulf Countries. The following table shows the distribution of the Group's segment assets and revenues by geographical markets.

	<i>Kuwait</i>		<i>Gulf council countries</i>		<i>Total</i>	
	<i>2024 KD</i>	<i>2023 KD</i>	<i>2024 KD</i>	<i>2023 KD</i>	<i>2024 KD</i>	<i>2023 KD</i>
Non-current assets	<b>30,599,701</b>	37,007,161	<b>5,074,671</b>	5,895,080	<b>35,674,372</b>	42,902,241
Revenues*	<b>9,203,965</b>	8,107,693	<b>287,942</b>	563,585	<b>9,491,907</b>	6,640,276

\* Includes revenues of Eresco which is classified as discontinued operations as at 31 October 2024 and 31 October 2023 (Note 26).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 18 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 consolidated financial statements are as follows:

	<i>Other related parties** KD</i>	<i>Ultimate Parent Company KD</i>	<i>Total 2024 KD</i>	<i>Total 2023 KD</i>
<i>Consolidated statement of income</i>				
Revenue from services rendered*	1,030	1,114,931	1,115,961	1,355,157
Revenue from real estate activities	-	48,000	48,000	8,000
Profit on investment deposits	-	139,597	139,597	205,700
Cost of real estate activities	6,522	150,035	156,557	106,762
Cost of services rendered	20,824	2,505	23,329	43,509
Cost of construction contracts	4,645	31,400	36,045	93,491
General and administrative expenses	24,859	96	24,955	13,419
Finance costs on murabaha payables	-	267,820	267,820	300,222

\* Revenue from services rendered includes KD 1,016,320 (2023: KD 714,227) arising from trust and fiduciary activities, out of which, KD119,920 (2023: KD 118,690) has been earned from services rendered to the Ultimate Parent Company (Note 19).

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

During the prior year, the Parent Company acquired an investment property from the Ultimate Parent Company for a total consideration of KD 2,878,500 (Note 4).

During the year, the Parent company sold its entire equity interest in its wholly owned subsidiary, ERESCO Security Company K.S.C. (Closed) ("Eresco") to a related party for a total consideration of KD 550,000. As a result, the Group realised a gain on sale of KD 123,923 in the consolidated statements of income (Note 26).

	<i>Other related parties KD</i>	<i>Ultimate Parent Company KD</i>	<i>Total 2024 KD</i>	<i>Total 2023 KD</i>
<i>Consolidated statement of financial position</i>				
Amounts due from related parties, net (Note 8)	-	8,318	8,318	579,175
Investment deposits (Note 9)	-	1,200,000	1,200,000	5,605,774
Bank balances and cash (Note 10)	-	178,202	178,202	316,004
Murabaha payables (Note 15)	-	7,275,781	7,275,781	7,682,536
Accounts payable and other liabilities saCF updated	-	8,000	8,000	19,653

As of 31 October 2024, bank balances amounting to KD Nil (31 October 2023: KD 2,959,012, are related to fiduciary assets held with the Ultimate Parent Company (Note 19).

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

	<i>2024 KD</i>	<i>2023 KD</i>
<i>Key management compensation</i>		
Salaries and other short-term benefits	357,520	350,690
Employees' end of service benefits	38,528	38,677
	<u>396,048</u>	<u>389,367</u>

## 19 FIDUCIARY ASSETS

The Group manages rented real estate portfolios on behalf of the Ultimate Parent Company and other third parties. The collected rental income is deposited in fiduciary bank accounts.

The aggregate value of bank balances held in a trust or fiduciary capacity by the Group at 31 October 2024 amounted to KD 2,776,452, (2023: KD 3,041,165), out of which, bank balances related to the Ultimate Parent Company amounting to KD Nil (2023: KD 2,959,012).

Revenue from services rendered includes KD 1,016,320 (2023: KD 714,227) arising from trust and fiduciary activities, out of which, KD119,920 (2023: KD 118,690) has been earned from services rendered to the Ultimate Parent Company (Note 18).

## 20 CONTINGENT LIABILITIES

- (a) As at 31 October 2024, the Group has contingent liabilities representing letters of guarantee and letters of credit issued in the ordinary course of business amounting to KD 8,153,164 (2023: KD 16,034,188), from which, it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 4,944,822 (2023: KD 10,065,688) related to delayed projects amounting to KD Nil (2023: KD 26,602,684) for which the Parent Company did not have approved extension on the project completion date.
- (c) The Parent Company is engaged in a number of legal cases. The management of the Group does not expect probable obligation from those legal cases (Note 24).

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to its responsibilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 October 2024 and 31 October 2023. The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarised below:

### 21.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss. The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group limits its credit risk with regard to bank balances and investment deposits by dealing with reputable banks and financial institutions. In addition, receivable balances are monitored on an ongoing basis.

The Group's exposure to expected credit losses is disclosed in Notes 7 and 8.

#### Maximum exposure to credit risk

The Group's exposure to credit risk from bank balances and accounts receivable arises from default of the counterparty. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The Group's gross maximum exposure to credit risk is described below:

	<b>2024</b>	<b>2023</b>
	<b>KD</b>	<b>KD</b>
Accounts receivable and other assets (excluding prepayments and advances)	<b>16,928,653</b>	18,544,488
Contract assets	-	133,165
Investment deposits	<b>15,950,000</b>	8,155,774
Bank balances (excluding cash in hand)	<b>200,701</b>	4,390,863
	<b>33,079,354</b>	31,224,290



**21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**21.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The risk is managed by the Group by ensuring bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments.

The Group limits its liquidity risk by ensuring adequate credit facilities are available. The Group terms of service require amounts to be paid within 60-90 days of the date of rendering of service. Trade payables are normally settled within 60-90 days of the date of purchase.

The following table summarises the maturities of the Group's undiscounted financial liabilities as at 31 October, based on contractual payment dates and current market profit rates:

	<i>Less than 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
<b>2024</b>					
Murabaha payables	100,009	95,487	571,127	6,819,600	7,586,223
Accounts payable and other liabilities*	277,741	161,656	1,639,473	2,296,038	4,374,908
<b>Total financial liabilities</b>	<b>377,750</b>	<b>257,143</b>	<b>2,210,600</b>	<b>9,115,638</b>	<b>11,961,131</b>
Contingent liabilities	276,600	3,634,021	1,663,463	2,579,080	8,153,164
	<i>Less than 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 Months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
<b>2023</b>					
Murabaha payables	230,426	216,493	4,069,845	7,554,842	12,071,606
Accounts payable and other liabilities*	268,695	240,794	2,111,306	3,241,799	5,862,594
Lease liabilities	-	-	732,000	-	732,000
<b>Total financial liabilities</b>	<b>499,121</b>	<b>457,287</b>	<b>6,913,151</b>	<b>10,796,641</b>	<b>18,666,200</b>
Contingent liabilities	1,851,377	2,713,884	1,979,204	9,278,723	15,823,188

\* Excluding deferred income and advance payments from contract owners.

**21.3 Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market.

**21.3.1 Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to significant profit rate risk since its borrowings are from Islamic financial institutions at fixed profit rates.

**21.3.2 Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The following table demonstrates the sensitivity of the Group's results and other comprehensive income (due to changes in the fair value of financial assets and liabilities) to a 5% possible change in the exchange rates, with all other variables held constant:

**21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**21.3 Market risk (continued)**

**21.3.2 Foreign currency risk (continued)**

	<i>Effect on results for the year</i>	
	<b>2024</b>	<b>2023</b>
	<b>KD</b>	<b>KD</b>
<i>Currency</i>		
Bahraini Dinar	-	23,947

Management believes that there is a limited risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposure.

**22 CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and adjusts it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 October 2024 and 31 October 2023. Capital comprises share capital, statutory reserve, voluntary reserve, cumulative changes in fair values reserve, and retained earnings and is measured at KD 44,243,300 as at 31 October 2024 (2023: KD 42,130,073).

**23 FAIR VALUE MEASUREMENTS**

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

**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 at 31 October:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>2024</b>				
Investment properties	-	4,815,616	29,360,000	34,175,616
Financial assets at fair value through other comprehensive income	-	-	259,056	259,056
	-	4,815,616	29,619,056	34,434,672
<b>2023</b>				
Investment properties	-	5,542,847	35,165,000	40,707,847
Financial assets at fair value through other comprehensive income	-	-	340,380	340,380
	-	5,542,847	35,505,380	41,048,227

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**23 FAIR VALUE MEASUREMENTS (continued)**

**Fair value hierarchy (continued)**

There were no transfers between fair value hierarchies during the years ended 31 October 2024 and 31 October 2023.

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

	<i>At the beginning of the year KD</i>	<i>Net gain recorded in the consolidated statement of income KD</i>	<i>Net gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the year KD</i>
<b>31 October 2024</b>					
Investment properties	35,165,000	275,000	-	(6,080,000)	29,360,000
Financial assets at fair value through other comprehensive income	340,380	-	100,420	(181,744)	259,056
	<u>35,505,380</u>	<u>275,000</u>	<u>100,420</u>	<u>(6,261,744)</u>	<u>29,619,056</u>
	<i>At the beginning of the year KD</i>	<i>Net loss recorded in the consolidated statement of income KD</i>	<i>Net losses recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the year KD</i>
<b>31 October 2023</b>					
Investment properties	34,851,000	(157,500)	-	471,500	35,165,000
Financial assets at fair value through other comprehensive income	373,025	-	(5,270)	(27,375)	340,380
	<u>35,224,025</u>	<u>(157,500)</u>	<u>(5,270)</u>	<u>444,125</u>	<u>35,505,380</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 capitalisation approach. Income capitalisation approach is based on capitalisation of the discounted annual cash flows from the property, which is calculated by discounting rental income generated annually by the property, 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's length market transactions, adjusted for difference in the nature, location or condition of the specific property.

## 24 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 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 year ended 31 October 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, and 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 has not been set up to the date of approval of these 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 main contractor and the Parent Company appealed against the ruling 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 Cassation's verdict adjusted the Court of Appeal's verdict and obligated the Parent Company to pay the contractor an amount of KD 85,176. The verdict was executed during the year ended 31 October 2024.

## 25 ANNUAL GENERAL ASSEMBLY MEETING (AGM)

The Board of Directors of the Parent Company has proposed a board remuneration to the independent members of the Board of Directors amounting to KD 30,000 for the year ended 31 October 2024 (2023: KD 15,000). This proposal is subject to the approval of the shareholders' at the annual general assembly meeting.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2024

### 25 ANNUAL GENERAL ASSEMBLY MEETING (AGM)

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 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.

### 26 DISCONTINUED OPERATIONS

The Group signed a sale agreement ("the agreement") to sell its entire equity interest in its wholly owned subsidiary, ERESKO Security Company K.S.C. (Closed) ("Eresco") to a related party for a total consideration of KD 550,000. The sale of Eresco was approved by the Parent Company's Board of Directors on 30 May 2024. The sale of subsidiary was executed on 7 August 2024. Accordingly, results of Eresco are presented as discontinued operations in the consolidated statement of income.

Based on the contractual terms of the Agreement, the sale consideration will be collected through 12 monthly post-dated cheques of KD 25,000 in addition to an advance payment of KD 250,000 upon signing the agreement. Following the execution of the agreement, the transferred shares will be secured by a first-degree mortgage in favor of the Parent Company as collateral until successful fulfilment of the deferred instalments.

The results of Eresco for the year are presented below:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Revenue from services rendered	<b>1,113,804</b>	1,458,412
Cost of services rendered	<b>(984,322)</b>	(1,185,819)
General and administrative expenses	<b>(136,644)</b>	(181,727)
Profit on investment deposits	<b>7,536</b>	12,991
Other income	<b>5,340</b>	6,093
Profit for the year from discontinued operations	<b>5,714</b>	109,950

The realised gain on disposal of Eresco is as follows:

	<i>2024</i> <i>KD</i>
Total consideration	<b>550,000</b>
Carrying value of net assets disposed off	<b>(426,077)</b>
<b>Gain on sale</b>	<b>123,923</b>

Set out below, are the amounts recognised in consolidated statement of income related to discontinued operations:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Results for the year	<b>5,714</b>	109,950
Gain on sale	<b>123,923</b>	-
As at 31 October	<b>129,637</b>	109,950

**26 DISCONTINUED OPERATIONS (continued)**

The net cash flow activities by the Eresco classified as held for sale are, as follows:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Cash flows used in operating activities	<b>(118,861)</b>	(59,989)
Cash flows from investing activities	<b>73,271</b>	25,754
Cash flows used in financing activities	-	(4,800)
<b>Net cash outflow</b>	<b>(45,590)</b>	(39,035)

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