Annual Report 2016

الإنماء
ERESCO

Enmaakw Enmaakw Enmaakw Enmaakw

P.O. Box: 24544 Safat, Kuwait 13160 - CR 53559 Tel.: 1866667 - 22203800 - Fax: 22203966 www.enmaa.com

Authorised and paid-up capital KD 45,053,468
Distributed into 450,534,680 shares
Face Value 100 fils each

His Highness

Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Highness

Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah

Prime Minister

Contents

Board of Directors

Saleh Turki Alkhamees
Chairman

Abdullah Sulaiman Alghareer
Vice Chairman

Waleed Abdulkareem Al-Azzaz
Board Member

Tariq Fahad Al-Shaya
Board Member
(Independent)

Ahmed Abdulmohsen Al-Farhan
Board Member

Riyad Naser Albader
Board Member

Abdullah Abdulmohsen Almeghem
Board Member

Tariq Sulaiman Almudhaf
Board Secretary

Executive Management

ERESCO

Waleed Abdulkareem Al-Azzaz
Chief Executive Officer

Tariq Sulaiman Almudhaf
Assistant Chief Executive Officer
of Financial & Administrative Sector

Sulaiman Shaheen Al-Ghanim
Assistant Chief Executive Officer
of Real Estate Services Sector

Chairman's Message

In the Name of Allah, Most Gracious Most Merciful, and Peace be with Mohammad, the Prophet and all His Family and Companions

Dear shareholders respectfully

First of all, for myself and my brother, board members, I'd like to welcome you all in the annual ordinary general meeting for Al-Enma'a Real Estate Co., and I hereby review the annual report for the financial year ended on 31/10/2016, including company outcomes, financial and administrative status for this year in addition to most important works of the company that were achieved in the light of its operational performance in terms of different activities including most important changes faced by the company during this year.

Dear shareholders:

Out of our keenness for safe financial status of the company and so as to show the financial statements according to real facts and transparency so as to express the real status for its performance according to what is required by applicable accountancy principles, the company management followed the principle of caution by registering cautious provisions with amount of KD 3,600,000 for demands of subcontractors resulting from delay in paying debts related to their works for executing construction agreements, and so other important causes which negative effects appeared on the financial statements for this year are the appearance of losses due to decrease of value of some financial investments due to its reevaluation pursuant to real fair value upon preparing the financial statements as applicable on annual basis.

Out of this principle, and to limit such negative effects and their consequences as much as possible, a plan is set during this year for exclusion of some investments not generating income and so decreasing the debts and decrease of current financial liabilities to overcome these hard economic conditions and recover stability, and this will enable the company to commence its plan toward more development and growth which was one the company most imminent objection upon incorporation and we shall continue develop its real estate services in the local market and maintain the development of its real estate portfolio and increase its share as one of the company most important activities.

Operational activities

The company sought to establish strong basis to achieve efficiency in managing all its operational assets especially in the field of financial investments as some investment in Kuwait and Bahrain were excluded with profit of KD 746,280 in addition to what the company achieved in terms of good revenues from the processes of organizing auctions whereas five auctions were organized from which the company achieved a revenue of KD 344,308 in addition to what the company made during this year in terms of delivering two projects: the public buildings at Sabah Al-Ahmad district – engineering works and supply and establish of buildings for KNPC.

With continuity of the company during 2017 in executing and delivering two projects with value of KD 22,494,566.

Organizational and institutional goals:

The company during the financial year ended on 31/10/2016, took considerable steps in the track of its organizational and administrative performance in many fields, most imminent of which is in the field of information technology where a project is started as to develop and update the program of Oracle to automate the processes of the company and connect thereof in a unified and comprehensive way and this shall enable the company to take better decisions and increase in performance and decrease of costs and it's expected to finish this project during 2017, and so the company continued during this year the improvement of institutional work level in the scope of applying governance laws pursuant to requirements of capital money authority and other control authorities so as to ensure the maintenance of equities and integrity and precision of financial statements to promote the role of internal control at the company, and it's concentrated during this year on compliance with application of policies of decreasing the operational and administrative costs and take guiding procedures to improve rates of cashflow in the company.

Company business results:

The net losses for 2016 reached an amount of KD 8,903,783 compared to achieving profits of KD 4,381,960 for 2015 and so the annual revenue growth rate on capital decreased to be 20%, and so the book value decreased for company share in this year to be 126 fils compared to 146 fils in the previous year.

The company liabilities decreased with percent of 16% to be in 2016 an amount of KD 16,715,595 compared to 2015 of KD 19,888,657. Yet the net shareholders' equity for 2016 reached KD 56,715,907 compared to KD 65,816,260 for 2015 at an decrease of KD 9,100,353 with decrease percent of 14%.

Finally, we thank Allah for his blessing, and we wish from Allah Almighty to grant us success for what He pleases, and to crown our endeavors with continuous success to achieve company objectives and aspirations to the benefit of our dear homeland under the leadership and instuctions of His Highness The Amir of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, and His Highness The Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, May Allah Save Them All.

And so I address thanks and appreciation to the shareholders and my colleagues, board members and personnel at the company who do not save any effort to achieve the interest and pbjectives of the company and shareholders to make progress and advancement.

Peace be upon you,,,

Chairman

Saleh Turki Alkhamees

Report of the Fatwa Authority and Sharia Control

Al-Enma'a Real Estate Co. KSCP

To dear shareholders of Al-Enma'a Real Estate Co., peace be with you, thanks be to Allah, the Lord of the Worlds, and peace be with our Prophet Mohammad and All His Family and Companions:

We have revised and approved the policies, agreements, products, services and activities practiced by Al-Enma'a Real Estate Co. during the financial year 2015/2016 and so we made the due revision to give opinion of how far Al-Enma'a Real Estate Co. adopt principles and provisions of Islamic Sharia on the basis of Fatwas and resolusions and directions we issued, and in the track of achieving this, the authority held during the year four quarterly meeting, during which the agreement forms and contracts made by the company were approved.

And so we obtained all information and clarification we considered necessary, to provide us with plausible and acceptable evidence that Al-Enma'a Real Estate Co. did not violate provisions and rules of Islamic sharia in all transactions provided to us via periodic reports submitted by sharia supervisor.

Via procedures and steps we followed to confirm the compliance of Al-Enma'a Real Estate Co. with provisions of Islamic Sharia, we found the following:

1. Agreements and transactions made by Al-Enma'a Real Estate Co. during the ended financial year, were pursuant to principles of Islamic Sharia.

2. Calculation of Zakat we made pursuant to provisions and principles of Islamic Sharia.

Reverend Dr. Anwar Shuaib Abdulsalam

Authority Director

Reverend Dr. Sayed Mohamed Sayed Abdulrazzaq Altabtabai

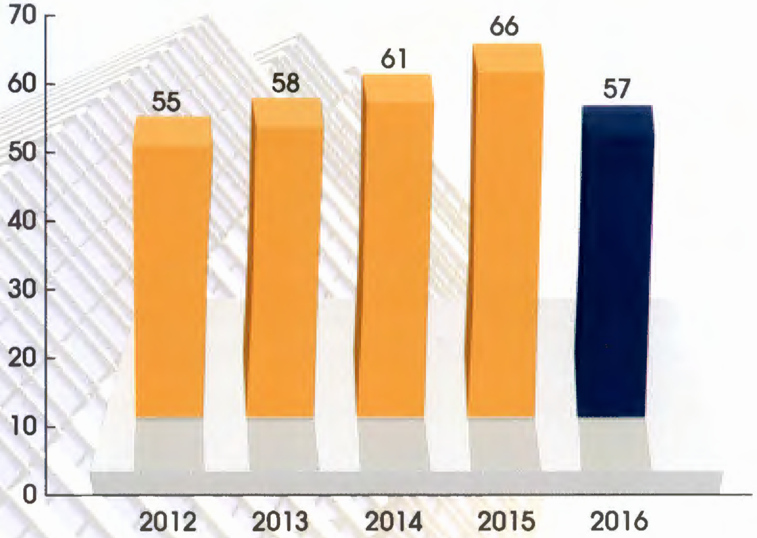
Authority Member

Reverend Dr. Khalid Shugaa Alotaibi

Authority Member

Financial Indicators

Shareholder's Equity Progress



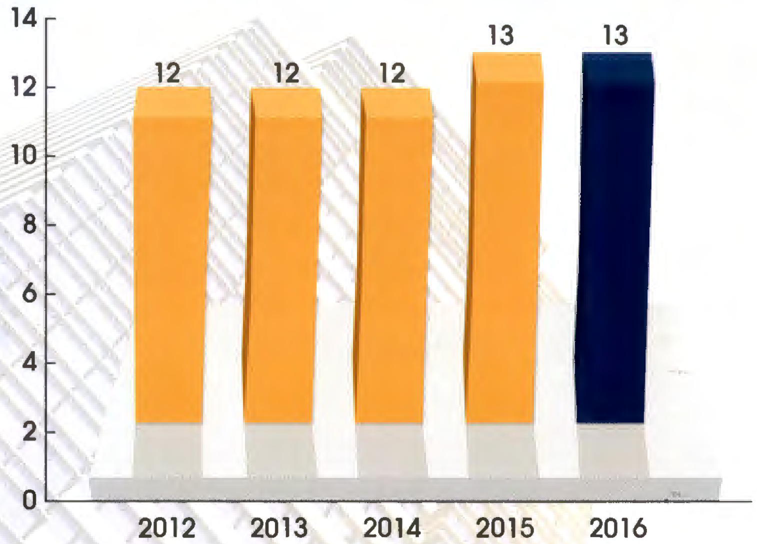
2012	55,227,120
2013	57,861,166
2014	61,088,053
2015	65,816,260
2016	56,715,907

Profit Progress Before Distribution

2012	2,571,269
2013	3,055,710
2014	3,589,900
2015	4,672,835
2016	(8,903,783)

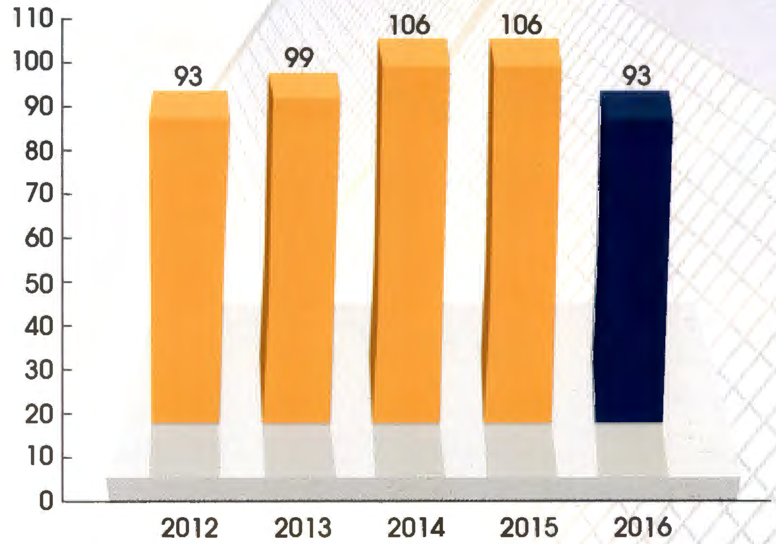
Financial Indicators

Reserves Progress



2012	11,578,611
2013	11,615,280
2014	12,193,167
2015	13,077,767
2016	12,976,898

Assets Progress



2012	93,378,889
2013	99,003,693
2014	106,282,885
2015	105,604,482
2016	92,715,233

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-ENMA'A REAL ESTATE COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al-Enma'a Real Estate Company K.S.C.P. (the "Parent Company") and subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 October 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 October 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 and its executive regulations 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 and its executive regulations, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 October 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

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

MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

29 December 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 October 2016

	Notes	2016 KD	2015 KD
CONTINUING OPERATIONS			
REVENUES			
Revenue from services rendered		12,500,436	16,070,945
Revenue from real estate activities		2,469,333	2,281,490
Revenue from construction contracts		11,411,070	26,955,491
		26,380,839	45,307,926
COST OF REVENUES			
Cost of services rendered		10,393,061	12,861,058
Cost of real estate activities		247,079	232,923
Cost of construction contracts	3	14,792,746	28,361,898
		25,432,886	41,455,879
GROSS PROFIT		947,953	3,852,047
Provision for obsolete and slow moving inventories	10	(65,392)	(6,347)
Provision for doubtful debts	13	(3,799,290)	(14,402)
Provision for legal claims	21	(1,830,558)	-
General and administrative expenses		(1,568,334)	(1,780,827)
(LOSS) PROFIT FROM OPERATIONS		(6,315,621)	2,050,471
Share of results of associates	8	25,937	24,242
Net investment (loss) income	4	(1,354,980)	4,140,223
Other income		37,388	33,656
Foreign exchange gain (loss)		27,946	(312,946)
Finance costs		(813,798)	(913,823)
(loss) PROFIT FROM CONTINUING OPERATIONS BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		(8,393,128)	5,021,823
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(42,056)
National Labour Support Tax (NLST)		-	(112,299)
Zakat		-	(44,920)
Board of Directors' remuneration	24	-	(91,600)
(LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		(8,393,128)	4,730,948
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	22	(510,655)	(348,988)
(LOSS) PROFIT FOR THE YEAR		(8,903,783)	4,381,960
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	5	(19.76) fils	9.73 fils
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS	5	(1 8.63) fils	10.50 fils

The attached notes 1 to 29 form of these consolidated financial statements.

	Notes	2016 KD	2015 KD
(Loss) profit for the year		**(8,903,783)**	4,381,960
Other comprehensive loss:			
Items that are or may be reclassified subsequently to consolidated statement of income in subsequent periods:			
• Net unrealised (loss) gain on revaluation of financial assets available for sale		**(945,495)**	1,564,405
• Realised gain on sale of financial assets available for sale transferred to consolidated statement of income	4	**(359,276)**	(2,313,073)
• Impairment loss on financial assets available for sale transferred to consolidated statement of income	4	**1,253,450**	576,096
• Exchange differences on translation of foreign operations		**28,467**	48,925
• Exchange differences transferred to consolidated statement of income on sale of an associate		**(72,847)**	-
Other comprehensive loss for the year		**(95,701)**	(123,647)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(8,999,484)**	4,258,313

The attached notes 1 to 29 form of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2016

	Notes	2016 KD	2015 KD
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,023,167**	3,409,006
Investment properties	7	**53,273,269**	53,713,072
Investments in associates	8	**1,566,822**	849,759
Financial assets available for sale	9	**5,929,753**	8,033,829
Accounts receivable and other assets	13	**3,419,017**	1,378,672
		65,212,028	67,384,338
Current assets			
Inventories	10	**155,135**	3,247,150
Financial assets at fair value through profit or loss	11	**566,710**	739,941
Gross amount due from customers for contract work	12	**2,314,754**	9,169,463
Accounts receivable and other assets	13	**20,974,975**	22,762,933
Investment deposits	14	**250,000**	550,000
Bank balances and cash	15	**554,250**	1,750,657
		24,815,824	38,220,144
Assets classified as held for sale	22	**2,687,381**	-
		27,503,205	38,220,144
TOTAL ASSETS		**92,715,233**	105,604,482
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**45,053,468**	45,053,468
Share premium		**176,642**	176,642
Statutory reserve	17	**8,384,971**	8,384,971
Voluntary reserve	18	**4,591,927**	4,692,796
Foreign currency translation reserve		**50,824**	95,204
Cumulative changes in fair values reserve		**249,688**	301,009
(Accumulated losses) retained earnings		**(1,791,613)**	7,112,170
Total equity		**56,715,907**	65,816,260
Non-current liabilities			
Employees' end of service benefits	19	**1,999,821**	1,896,098
Murabaha payables	20	**2,564,147**	1,032,666
Accounts payable and other liabilities	21	**3,324,924**	561,222
		7,888,892	3,489,986
Current liabilities			
Gross amount due to customers for contract work	12	**195,377**	146,928
Murabaha payables	20	**14,151,448**	18,856,991
Accounts payable and other liabilities	21	**12,310,049**	17,295,317
		26,656,874	36,298,236
Liabilities classified as held for sale	22	**1,453,560**	-
		28,110,434	36,298,236
Total liabilities		**35,999,326**	39,788,222
TOTAL EQUITY AND LIABILITIES		**92,715,233**	105,604,482

Saleh Turki Saleh Al-Khamis
Chairman

The attached notes 1 to 29 form of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
(Loss) profit for the year from continuing operations before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		(8,393,128)	5,021,823
Loss for the year from discontinued operation		(510,655)	(348,988)
(Loss) profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		(8,903,783)	4,672,835
Non-cash adjustments to reconcile (loss) profit for the year to net cash flows:			
Depreciation	6	959,796	999,673
Loss (gain) on disposal of property, plant and equipment		59,337	(26,346)
Share of results of associates	8	(25,937)	(24,242)
Net investment loss (income)	4	1,354,980	(4,140,223)
Provision for obsolete and slow moving inventories	10	65,392	6,347
Provision for doubtful debts	13	3,799,290	14,402
Provision for legal claims	21	1,830,558	-
Provision for employees' end of service benefits	19	552,268	480,380
Finance costs		813,798	913,823
		505,699	2,896,649
Changes in working capital:			
Inventories		2,927,250	772,341
Financial assets at fair value through profit or loss		35,455	-
Gross amount due from/to customers for contract work		6,903,158	(5,480,574)
Accounts receivable and other assets		(5,026,015)	(1,676,885)
Accounts payable and other liabilities		(2,725,929)	166,610
Cash flows from (used in) operations		2,619,618	(3,321,859)
Employees' end of service benefits paid	19	(290,190)	(682,002)
Net cash flows from (used in) operating activities		2,329,428	(4,003,861)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(250,936)	(459,746)
Proceeds from disposal of property, plant and equipment		23,908	148,450
Additions to investment properties	7	(292,707)	(109,275)
Proceeds from sale of investment properties		-	4,916,631
Proceed from sale of financial assets available for sale		810,761	5,269,072
Proceeds from liquidation of investment deposits		300,000	126,000
Dividend income received	4	21,757	72,242
Profit from investment deposits received	4	719	1,428
Net cash flows from investing activities		613,502	9,964,802
FINANCING ACTIVITIES			
Net movement in murabaha payables		(3,173,062)	(4,698,702)
Finance costs paid		(813,798)	(913,823)
Net cash flows used in financing activities		(3,986,860)	(5,612,525)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,043,930)	348,416
Cash and cash equivalents reclassified as held for sale		6,580	-
Cash and cash equivalents at 1 November	15	1,223,402	874,986
CASH AND CASH EQUIVALENTS AT 31 OCTOBER	15	186,052	1,223,402
Non-cash transaction:			
Addition of an associate	8	(1,509,197)	-
Disposal of an associate	8	773,691	-
Gain on disposal of an associate	8	387,004	-
Disposal of a financial asset available for sale	9	315,612	-
Realised gain on disposal of a financial asset available for sale	9	32,208	-
Amount due from an associate	8	682	-

The attached notes 1 to 29 form of these consolidated financial statements.

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Cumulative changes in fair values reserve	(Accumulated losses) retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 November 2015	45,053,468	176,642	8,384,971	4,692,796	95,204	301,009	7,112,170	65,816,260
Loss for the year	-	-	-	-	-	-	(8,903,783)	(8,903,783)
Other comprehensive loss for the year	-	-	-	-	(44,380)	(51,321)	-	(95,701)
Total comprehensive loss for the year	-	-	-	-	(44,380)	(51,321)	(8,903,783)	(8,999,484)
Zakat (Note 18)	-	-	-	(100,869)	-	-	-	(100,869)
As at 31 October 2016	**45,053,468**	**176,642**	**8,384,971**	**4,591,927**	**50,824**	**249,688**	**(1,791,613)**	**56,715,907**
As at 1 November 2014	45,053,468	176,642	7,917,688	4,275,479	46,279	473,581	3,664,776	61,607,913
Profit for the year	-	-	-	-	-	-	4,381,960	4,381,960
Other comprehensive income (loss) for the year	-	-	-	-	48,925	(172,572)	-	(123,647)
Total comprehensive income (loss) for the year	-	-	-	-	48,925	(172,572)	4,381,960	4,258,313
Transfer to reserves	-	-	467,283	467,283	-	-	(934,566)	-
Zakat (Note 18)	-	-	-	(49,966)	-	-	-	(49,966)
As at 31 October 2015	45,053,468	176,642	8,384,971	4,692,796	95,204	301,009	7,112,170	65,816,260

The attached notes 1 to 29 form of these consolidated financial statements.

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 2016 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 22 December 2016. 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 Annual General Assembly of the shareholders' for the year ended 31 October 2015 was held on 10 March 2016 and approved the consolidated financial statements for the year ended 31 October 2015.

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

The Parent Company is engaged in real estate activities inside and outside Kuwait. The Parent Company's activities in real estate include contracting, management and maintenance of real estate. The Parent Company undertakes contracts to construct buildings and to carry out real estate, commercial, residential, industrial and touristic projects as well as security of public and private real estate, and the transportation of funds and precious metals, in addition to maintenance of mechanical and electrical spare parts and building materials. Surplus funds are invested in direct equity investments, real estate and equity portfolios managed by specialist managers, both local and foreign. All activities are conducted in accordance with Islamic Sharia.

The registered office of the Parent Company is located at Abdullah Mubarak Street, Al-Enma'a Tower, First, Second and Mezzanine Floors, Kuwait.

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

2.1 BASIS OF PREPARATION

Statement of compliance

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").

Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention except for investment properties, financial assets available for sale and financial assets at fair value through profit or loss that have been measured at fair value.

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

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of a new accounting policy related to "Non-current assets held for sale and discontinued operations".

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 becomes effective for annual periods beginning on or after 1 January 2016. IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

These amendments are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38:8 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

Annual Improvements 2012 - 2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures
Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statements of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance.

Other new or amended standards which are issued but not yet effective are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 October 2016.

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.

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 December are set out below:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2016	2015	
Al-Enma'a For Security Services Company K.S.C. (Closed)	Kuwait	**99%**	99%	Security Services
Enma'a Gulf Real Estate Company W.L.L.	Saudi Arabia	**99%**	99%	Real estate activities
Eresco Real Estate Development Company S.P.C.	Bahrain	**100%**	100%	Real estate activities

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognised:

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.

Construction contracts

Revenue and profits from long term construction contracts are calculated based on the percentage of completion achieved. Such contracts generally extend for periods in excess of one year. The amount of revenue and profit from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of actual costs incurred to date to estimated total costs for each contract applied to the estimated contract profit, reduced by the proportion of profit previously recognised. Profit is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. During the early stages of a contract, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable; hence no profits are recognised. Claims and variation orders are only included in the determination of contract profit when negotiations have reached an advanced stage such that it is probable they will be approved by the contract owners and can be reliably measured. Anticipated losses on contracts are recognised in full as soon as they become apparent.

Sale of goods

Revenue from sale of goods including ready-mix is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer, usually on the delivery of the goods.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Investment deposits

Profit from investment deposits is recognised on an accrual basis based on the expected profit distribution rates.

Operating leases

Group as a lessor

Leases in which the lessor does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Group as a lessee

Operating lease payments are recognised as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

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 Parent Company calculates the contribution to KFAS at 1% of profit for the year 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 should be excluded from profit for the year when determining the contribution.

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. Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

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, and paid under the direction of the Ultimate Parent Company's Fatwa and Sharea'a Supervisory Board.

Foreign currencies translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling 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 other 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.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset 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 sale expected within one year from the date of the classification.

Property, plant and equipment are not depreciated 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.

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 recognizing 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, less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

• Buildings	10 to 15 years
• Furniture and equipment	3 to 7 years
• Motor vehicles	3 to 6 years

An item of property 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.

The residual values, useful lives and methods of depreciation of property 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 profit or loss 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 jointly controlled properties is accounted for under the method of proportionate consolidation whereby the Group recognises its interest in liabilities, income and expenses relating to these 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 carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. 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 other 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.

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 additional 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 the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and 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 realizable 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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets on initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets witfhin a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include financial assets available for sale, financial assets at fair value through profit or loss, gross amounts due form customers for contract works, accounts receivable and other assets, investment deposits and bank balances and cash.

At the reporting date, the Group did not have any financial assets held-to-maturity or as derivatives designated as hedging instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets available for sale

Financial assets available for sale include equity and debt securities. Equity and debt investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values reserve and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognised in the consolidated statement of income. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to facilities and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Gross amount due from/to customers for contract work

Gross amount due from/to customers for uncompleted contracts represents costs, which comprises direct materials, direct labour and an appropriate allocation of overheads including depreciation provided on property, plant and equipment, on a consistent basis, plus attributable profit to the extent that it is reasonably certain less provision for contingencies and any losses incurred or foreseen in bringing contracts to completion, and less any amounts received or receivable as progress billings.

Accounts receivable and other assets

Amounts receivable from contract owners and trade accounts receivable are carried at amounts due, net of amounts estimated to be uncollectible. Where the time value of money is material, receivables are carried at amortised cost. An estimate for doubtful accounts is made when there is an objective evidence that the collection of the full amount is no longer probable. Bad debts are written off when the probability of recovery is assessed as being remote. The Group's terms of contracts require amounts to be paid within 90 days of the date of approval of the payment certificate by the contractor, except for the retentions which are normally paid upon final completion of contracts.

Investment deposits

Investment deposits are stated at the balance invested and do not include related accrued profit (which is included in accounts receivable and other assets).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, net of outstanding bank overdrafts.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liablity are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, and in case of loans and borrowings, net of directly attributable transactions costs.

The Group's financial liabilities include murabaha payables, gross amounts due to customers for contract works and accounts payable and other liabilities.

At the reporting date, the Group did not have any financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

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

Liabilities are recognised for amounts to be paid in the future for subcontracting work and goods or services received, whether or not billed to the Group.

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.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the consolidated statement of income.

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.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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 expatriate 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.

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.

2.5 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 trading property if it is principally acquired or developed for sale in the ordinary course of business.

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.

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 "available for sale".

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 available for sale.

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.

Recognition of construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Profit on uncompleted contracts

Profit on uncompleted contracts is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. This requires the Group's management to determine the level at which reasonable estimates can be reached.

Accumulated costs and estimated earnings on uncompleted contracts

Revenue from fixed price construction contracts is measured by reference to the percentage of actual costs incurred to date to the estimated total costs for each contract applied to the estimated contract revenue, and reduced by the proportion of revenue previously recognised. This requires the Group to use judgment in the estimation of the total cost expected to complete each project.

Useful lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; or
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

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 recommended by the International Valuation Standards Committee. Developed investment properties which generate rental income are valued using the income capitalization approach; whereas, the fair value of developed investment properties which do not generate rental income is determined using 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. The fair value of investment properties under development is determined using a combination of the market approach for the land and cost approach for the construction work.

Impairment of investment in associates

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

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.

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

Impairment of financial assets available for sale

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

3 COST OF CONSTRUCTION CONTRACTS

Included in the cost of construction contracts for the year ended 31 October 2016 is an amount of KD Nil (2015: KD 482,303) representing expected losses on certain projects as it is probable at the reporting date.

4 NET INVESTMENT (LOSS) INCOME

	2016	2015
	KD	KD
Gain on sale of investment properties	**-**	1,358,008
Unrealised (loss) gain on revaluation of investment properties (Note 7)	**(732,510)**	999,358
Gain on sale of an investment in an associate (Note 8 & 24)	**387,004**	-
Realised gain on sale of financial assets available for sale (Note 9)	**359,276**	2,313,073
Impairment loss on financial assets available for sale (Note 9)	**(1,253,450)**	(576,096)
Realised gain on sale of financial assets at fair value through profit or loss	**3,077**	-
Unrealised loss on financial assets at fair value through profit or loss (Note 11)	**(140,853)**	(27,790)
Dividend income	**21,757**	72,242
Profit from investment deposits	**719**	1,428
	(1,354,980)	4,140,223

5 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share are calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted (loss) earnings per share are calculated by dividing the (loss) 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.

	2016	2015
(Loss) profit for the year (KD)	**(8,903,783)**	4,381,960
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted (loss) earnings per share	**(19.76) fils**	9.73 fils
(Loss) profit for the year from continuing operations (KD)	**(8,393,128)**	4,730,948
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted (loss) earnings per share from continuing operations	**(18.63) fils**	10.50 fils

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Lands*	Buildings	Furniture and equipment	Motor vehicles	Total
	KD	KD	KD	KD	KD
Cost:					
As at 1 November 2015	450,900	826,050	5,835,710	2,623,819	9,736,479
Additions	-	-	196,292	54,644	250,936
Disposals	-	(100,969)	(627,021)	(77,538)	(805,528)
Transfer to assets held for sale**	(90,900)	(531,000)	(2,395,338)	(2,278,790)	(5,296,028)
As at 31 October 2016	**360,000**	**194,081**	**3,009,643**	**322,135**	**3,885,859**
Depreciation:					
As at 1 November 2015	-	412,440	4,128,362	1,786,671	6,327,473
Charge for the year	-	63,389	524,754	371,653	959,796
Relating to disposals	-	(40,255)	(617,163)	(64,865)	(722,283)
Relating to transfer to assets held for sale**	-	(386,386)	(1,531,805)	(1,784,103)	(3,702,294)
As at 31 October 2016	**-**	**49,188**	**2,504,148**	**309,356**	**2,862,692**
Net carrying amount:					
As at 31 October 2016	**360,000**	**144,893**	**505,495**	**12,779**	**1,023,167**

	Leasehold lands*	Buildings	Furniture and equipment	Motor vehicles	Total
	KD	KD	KD	KD	KD
Cost:					
As at 1 November 2014	450,900	807,036	5,857,228	2,689,965	9,805,129
Additions	-	28,150	410,792	20,804	459,746
Disposals	-	(9,136)	(432,310)	(86,950)	(528,396)
As at 31 October 2015	450,900	826,050	5,835,710	2,623,819	9,736,479
Depreciation:					
As at 1 November 2014	-	356,489	3,853,908	1,523,695	5,734,092
Charge for the year	-	65,086	594,522	340,065	999,673
Relating to disposals	-	(9,135)	(320,068)	(77,089)	(406,292)
As at 31 October 2015	-	412,440	4,128,362	1,786,671	6,327,473
Net carrying amount:					
As at 31 October 2015	450,900	413,610	1,707,348	837,148	3,409,006

* Notwithstanding the contractual term of the land leases, management considers that the agreements of the leasehold lands are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the leases and, consequently, as is common practice in Kuwait, these leases have been accounted for as freehold lands with indefinite useful lives.

** During the year ended 31 October 2016, the Board of Directors of the Parent Company has decided to dispose the Group's ready-mix factory business and has an active plan to sell such assets within one year. Accordingly, property, plant and equipment of the factory with a net book value of KD 1,593,734 have been reclassified as non-current assets held for sale (Note 22).

Depreciation charge for the year has been charged to the consolidated statement of income as follows:

	2016 KD	2015 KD
Continuing operations		
Cost of services rendered	**22,900**	35,821
Cost of construction contracts	**343,855**	353,707
General and administrative expenses	**28,546**	28,028
	395,301	417,556
Discontinued operation	**564,495**	582,117
	959,796	999,673

7 INVESTMENT PROPERTIES

	2016 KD	2015 KD
As at 1 November	**53,713,072**	56,163,062
Additions	**292,707**	109,275
Disposals	**-**	(3,558,623)
Unrealised (loss) gain on revaluation (Note 4)	**(732,510)**	999,358
As at 31 October	**53,273,269**	53,713,072

As at 31 October, investment properties are categorised into:

	2016 KD	2015 KD
Properties under development	**4,495,000**	4,165,000
Developed properties	**48,778,269**	49,548,072
	53,273,269	53,713,072

Properties under development include land and development cost amounting to KD 3,401,521 and KD 1,093,479 (2015: KD 3,355,642 and KD 809,358), respectively.

As at 31 October, the Group's investment properties are geographically located as follows:

	2016	2015
	KD	KD
Kuwait	**44,510,000**	44,727,274
Gulf Council Countries	**8,763,269**	8,985,798
	53,273,269	53,713,072

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

- Developed properties which generate rental Income have been valued using the income capitalisation approach assuming full capacity of the property;
- Developed properties which do not generate rental income 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;
- Properties under development have been valued using the combination of the market approach for the land and the cost approach for the construction works.

Description of the above valuation methods is provided in details in Note 29.

For valuation purpose, the Group has selected the lower of those two valuations (2015: the lower of two valuations). Based on those valuations, the Group has recognised an unrealised loss on revaluation of KD 732,510 (2015: gain of KD 999,358) in the consolidated statement of income (Note 4).

As at 31 October 2016, an investment property with a carrying value of KD 2,924,481 (2015: KD 2,388,869) represents the Group's interest in a jointly controlled property which is located in Bahrain. The fair value of this property has been valued by an independent registered professional real estate valuer in Bahrain.

As at 31 October 2016, investment properties with a carrying value amounting to KD 32,463,603 and KD 7,671,000 (2015: 39,153,362 and KD 9,615,000) are pledged as a security against murabaha payables to the Ultimate Parent Company and local financial institutions, respectively (Note 20).

As at 31 October 2016, the Group has developed properties which generate rental income amounting to KD 40,015,000 (2015: KD 40,562,274). The significant assumptions made relating to valuation of such properties are set out below:

	2016	2015
Total area available for rent (sqm)	**16,951**	16,951
Average monthly rent per sqm (KD)	**14**	14
Average yield rate	**7%**	7%
Occupancy rate	**100%**	100%

Sensitivity analysis

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

	Changes in significant assumptions	2016 KD	2015 KD
Average monthly rent per sqm (KD)	+/- 5 %	**2,000,750**	2,028,114
Average yield rate	+/- 5 BP	**1,905,476**	1,931,537

8 INVESTMENTS IN ASSOCIATES

Details of the Group's associates as at 31 October are set out below:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2016	2015	
Energy Central Utilities Bahrain South Water Company B.S.C.C.	Bahrain	**22.5%**	-	Energy supply and related activities
Central Energy Company B.S.C.C.	Bahrain	-	16.5%	Energy supply and related activities
The Kingdom Towers Real Estate Company W.L.L.	Bahrain	**25.0%**	25.0%	Real estate activities

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.

2.5 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 trading property if it is principally acquired or developed for sale in the ordinary course of business.

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.

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 "available for sale".

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 available for sale.

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.

Recognition of construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Profit on uncompleted contracts

Profit on uncompleted contracts is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. This requires the Group's management to determine the level at which reasonable estimates can be reached.

Accumulated costs and estimated earnings on uncompleted contracts

Revenue from fixed price construction contracts is measured by reference to the percentage of actual costs incurred to date to the estimated total costs for each contract applied to the estimated contract revenue, and reduced by the proportion of revenue previously recognised. This requires the Group to use judgment in the estimation of the total cost expected to complete each project.

Useful lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; or
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

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 recommended by the International Valuation Standards Committee. Developed investment properties which generate rental income are valued using the income capitalization approach; whereas, the fair value of developed investment properties which do not generate rental income is determined using 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. The fair value of investment properties under development is determined using a combination of the market approach for the land and cost approach for the construction work.

Impairment of investment in associates

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

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.

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

Impairment of financial assets available for sale

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

3 COST OF CONSTRUCTION CONTRACTS

Included in the cost of construction contracts for the year ended 31 October 2016 is an amount of KD Nil (2015: KD 482,303) representing expected losses on certain projects as it is probable at the reporting date.

4 NET INVESTMENT (LOSS) INCOME

	2016	2015
	KD	KD
Gain on sale of investment properties	**-**	1,358,008
Unrealised (loss) gain on revaluation of investment properties (Note 7)	**(732,510)**	999,358
Gain on sale of an investment in an associate (Note 8 & 24)	**387,004**	-
Realised gain on sale of financial assets available for sale (Note 9)	**359,276**	2,313,073
Impairment loss on financial assets available for sale (Note 9)	**(1,253,450)**	(576,096)
Realised gain on sale of financial assets at fair value through profit or loss	**3,077**	-
Unrealised loss on financial assets at fair value through profit or loss (Note 11)	**(140,853)**	(27,790)
Dividend income	**21,757**	72,242
Profit from investment deposits	**719**	1,428
	(1,354,980)	4,140,223

5 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share are calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted (loss) earnings per share are calculated by dividing the (loss) 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.

	2016	2015
(Loss) profit for the year (KD)	**(8,903,783)**	4,381,960
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted (loss) earnings per share	**(19.76) fils**	9.73 fils
(Loss) profit for the year from continuing operations (KD)	**(8,393,128)**	4,730,948
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted (loss) earnings per share from continuing operations	**(18.63) fils**	10.50 fils

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Lands*	Buildings	Furniture and equipment	Motor vehicles	Total
	KD	KD	KD	KD	KD
Cost:					
As at 1 November 2015	450,900	826,050	5,835,710	2,623,819	9,736,479
Additions	-	-	196,292	54,644	250,936
Disposals	-	(100,969)	(627,021)	(77,538)	(805,528)
Transfer to assets held for sale**	(90,900)	(531,000)	(2,395,338)	(2,278,790)	(5,296,028)
As at 31 October 2016	**360,000**	**194,081**	**3,009,643**	**322,135**	**3,885,859**
Depreciation:					
As at 1 November 2015	-	412,440	4,128,362	1,786,671	6,327,473
Charge for the year	-	63,389	524,754	371,653	959,796
Relating to disposals	-	(40,255)	(617,163)	(64,865)	(722,283)
Relating to transfer to assets held for sale**	-	(386,386)	(1,531,805)	(1,784,103)	(3,702,294)
As at 31 October 2016	**-**	**49,188**	**2,504,148**	**309,356**	**2,862,692**
Net carrying amount:					
As at 31 October 2016	**360,000**	**144,893**	**505,495**	**12,779**	**1,023,167**

	Leasehold lands*	Buildings	Furniture and equipment	Motor vehicles	Total
	KD	KD	KD	KD	KD
Cost:					
As at 1 November 2014	450,900	807,036	5,857,228	2,689,965	9,805,129
Additions	-	28,150	410,792	20,804	459,746
Disposals	-	(9,136)	(432,310)	(86,950)	(528,396)
As at 31 October 2015	450,900	826,050	5,835,710	2,623,819	9,736,479
Depreciation:					
As at 1 November 2014	-	356,489	3,853,908	1,523,695	5,734,092
Charge for the year	-	65,086	594,522	340,065	999,673
Relating to disposals	-	(9,135)	(320,068)	(77,089)	(406,292)
As at 31 October 2015	-	412,440	4,128,362	1,786,671	6,327,473
Net carrying amount:					
As at 31 October 2015	450,900	413,610	1,707,348	837,148	3,409,006

* Notwithstanding the contractual term of the land leases, management considers that the agreements of the leasehold lands are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the leases and, consequently, as is common practice in Kuwait, these leases have been accounted for as freehold lands with indefinite useful lives.

** During the year ended 31 October 2016, the Board of Directors of the Parent Company has decided to dispose the Group's ready-mix factory business and has an active plan to sell such assets within one year. Accordingly, property, plant and equipment of the factory with a net book value of KD 1,593,734 have been reclassified as non-current assets held for sale (Note 22).

Depreciation charge for the year has been charged to the consolidated statement of income as follows:

	2016 KD	2015 KD
Continuing operations		
Cost of services rendered	**22,900**	35,821
Cost of construction contracts	**343,855**	353,707
General and administrative expenses	**28,546**	28,028
	395,301	417,556
Discontinued operation	**564,495**	582,117
	959,796	999,673

7 INVESTMENT PROPERTIES

	2016 KD	2015 KD
As at 1 November	**53,713,072**	56,163,062
Additions	**292,707**	109,275
Disposals	**-**	(3,558,623)
Unrealised (loss) gain on revaluation (Note 4)	**(732,510)**	999,358
As at 31 October	**53,273,269**	53,713,072

As at 31 October, investment properties are categorised into:

	2016 KD	2015 KD
Properties under development	**4,495,000**	4,165,000
Developed properties	**48,778,269**	49,548,072
	53,273,269	53,713,072

Properties under development include land and development cost amounting to KD 3,401,521 and KD 1,093,479 (2015: KD 3,355,642 and KD 809,358), respectively.

As at 31 October, the Group's investment properties are geographically located as follows:

	2016	2015
	KD	KD
Kuwait	**44,510,000**	44,727,274
Gulf Council Countries	**8,763,269**	8,985,798
	53,273,269	53,713,072

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

- Developed properties which generate rental income have been valued using the income capitalisation approach assuming full capacity of the property;
- Developed properties which do not generate rental income 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;
- Properties under development have been valued using the combination of the market approach for the land and the cost approach for the construction works.

Description of the above valuation methods is provided in details in Note 29.

For valuation purpose, the Group has selected the lower of those two valuations (2015: the lower of two valuations). Based on those valuations, the Group has recognised an unrealised loss on revaluation of KD 732,510 (2015: gain of KD 999,358) in the consolidated statement of income (Note 4).

As at 31 October 2016, an investment property with a carrying value of KD 2,924,481 (2015: KD 2,388,869) represents the Group's interest in a jointly controlled property which is located in Bahrain. The fair value of this property has been valued by an independent registered professional real estate valuer in Bahrain.

As at 31 October 2016, investment properties with a carrying value amounting to KD 32,463,603 and KD 7,671,000 (2015: 39,153,362 and KD 9,615,000) are pledged as a security against murabaha payables to the Ultimate Parent Company and local financial institutions, respectively (Note 20).

As at 31 October 2016, the Group has developed properties which generate rental income amounting to KD 40,015,000 (2015: KD 40,562,274). The significant assumptions made relating to valuation of such properties are set out below:

	2016	2015
Total area available for rent (sqm)	**16,951**	16,951
Average monthly rent per sqm (KD)	**14**	14
Average yield rate	**7%**	7%
Occupancy rate	**100%**	100%

Sensitivity analysis

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

	Changes in significant assumptions	**2016** **KD**	2015 KD
Average monthly rent per sqm (KD)	+/- 5 %	**2,000,750**	2,028,114
Average yield rate	+/- 5 BP	**1,905,476**	1,931,537

8 INVESTMENTS IN ASSOCIATES

Details of the Group's associates as at 31 October are set out below:

Name of company	**Country of incorporation**	**Effective interest in equity**		**Principal activities**
		2016	2015	
Energy Central Utilities Bahrain South Water Company B.S.C.C.	Bahrain	**22.5%**	-	Energy supply and related activities
Central Energy Company B.S.C.C.	Bahrain	-	16.5%	Energy supply and related activities
The Kingdom Towers Real Estate Company W.L.L.	Bahrain	**25.0%**	25.0%	Real estate activities

Movement of investment in associates during the year is as follows:

	2016 KD	2015 KD
As at 1 November	**849,759**	776,592
Share of results	**25,937**	24,242
Foreign currency translation adjustments	**(44,380)**	48,925
Addition of an associate*	**1,509,197**	-
Disposal of an associate*	**(773,691)**	-
As at 31 October	**1,566,822**	849,759

* On 4 October 2016, the Parent Company has entered into an agreement with related parties to swap its entire 16.5% equity interest in Central Energy Company B.S.C.C., an associate of the Group with a carrying value amounting to KD 773,691 and an amount due from the associate of KD 682, along with its entire 13.3% equity interest in South Bahrain Water Company B.S.C.C. classified as a financial asset available for sale with a carrying value amounting to KD 315,612 (Note 9), for a 22.5% equity interest in Energy Central Utilities Bahrain South Water Company B.S.C.C. with a value of KD 1,509,197. As a result, the Group has regognised gain on sale of an investment in an associate amounting to KD 387,004 (Note 4 & 24) and a realised gain on sale of financial asset available for sale amounting to KD 32,208 in the consolidated statement of income (Note 9 & 24).

As at the reporting date, the legal formalities of transferring the equity ownership of the investment in an associate to the Parent Company were under process.

The following table illustrates summarised financial information of investment in associates:

	2016 KD	2015 KD
Share of associates' assets and liabilities as at 31 October:		
Non-current assets	**1,233,860**	773,465
Current assets	**384,907**	117,404
Non-current liabilities	**-**	(2,896)
Current liabilities	**(51,945)**	(38,214)
Net assets	**1,566,822**	849,759
Share of associates' revenue and results for the year ended 31 October:		
Revenue	**131,328**	124,746
Results	**25,937**	24,242

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2016	2015
	KD	KD
Local:		
Quoted equity securities	34,349	66,064
Unquoted equity securities	8,571	3,483
	42,920	69,547
Foreign:		
Quoted equity securities	-	8,272
Unquoted equity securities	5,886,833	7,956,010
	5,886,833	7,964,282
	5,929,753	8,033,829

During the year ended 31 October 2016, an impairment loss amounting to KD 17,462 (2015: KD 25,276) has been recognised in the consolidated statement of income on local quoted equity securities on which there has been a significant or prolonged decline in their value.

As at 31 October 2016, unquoted local and foreign equity securities amounting to KD 5,895,404 (2015: KD 7,959,493) are carried at cost less impairment losses for which information is restricted to periodic investment performance reports provided by investment managers. At 31 October 2016, management has reviewed these investments to assess whether impairment has occurred in their value; and accordingly, an impairment loss amounting to KD 1,235,988 (2015: KD 550,820) has been recognised in the consolidated statement of income on these investments. Management is not aware of any circumstances that would indicate further impairment in the value of these investments at the reporting date.

During the year ended 31 October 2016, the Group has disposed a certain foreign financial asset available for sale with a carrying value amounted to KD 315,612 in a swap transaction with related parties to acquire an investment in an associate, resulted in a realised gain of KD 32,208 recognised into the consolidated statement of income (Note 8 & 24).

Fair value hierarchy disclosures for financial assets available for sale are provided in Note 29.

10 INVENTORIES

	2016 KD	2015 KD
Steel	**25,665**	2,748,165
Others	**211,042**	520,165
	236,707	3,268,330
Provision for obsolete and slow moving inventories	**(81,572)**	(21,180)
	155,135	3,247,150

Movements in the provision for obsolete and slow moving inventories during the years ended 31 October were as follows:

	2016 KD	2015 KD
As at 1 November	**21,180**	14,833
Charge for the year	**65,392**	6,347
Relating to transfer to assets held for sale	**(5,000)**	-
As at 31 October	**81,572**	21,180

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 KD	2015 KD
Held for trading:		
Local quoted equity securities	**35,000**	74,391
Designated as at fair value through profit or loss:		
Local unquoted equity securities	**150,434**	184,939
Foreign unquoted equity securities	**381,276**	480,611
	531,710	665,550
	566,710	739,941

As at 31 October 2016, the fair value of unquoted equity securities designated as at fair value through profit or loss is determined based on periodic reports provided by the related investment manager.

Unrealised loss on financial assets at fair value through profit or loss included in consolidated statement of income comprises the following:

	2016 KD	2015 KD
Held for trading:		
Local quoted equity securities	**(7,102)**	(90,533)
Designated as at fair value through profit or loss:		
Local unquoted equity securities	**(34,414)**	(11,148)
Foreign unquoted equity securities	**(99,337)**	73,891
	(133,751)	62,743
Unrealised loss on financial assets at fair value through profit or loss (Note 4)	**(140,853)**	(27,790)

Fair value hierarchy disclosures for financial assets at fair value through profit or loss are provided in Note 29.

12 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2016 KD	2015 KD
Accumulated costs and estimated earnings on contracts in progress	**92,778,343**	82,032,318
Progress billings on contracts in progress	**(90,658,966)**	(73,009,783)
	2,119,377	9,022,535

Gross amounts due from/to customers for contract work are disclosed on the consolidated statement of financial position as follows:

	2016 KD	2015 KD
Gross amount due from customers for contract work	**2,314,754**	9,169,463
Gross amount due to customers for contract work	**(195,377)**	(146,928)
	2,119,377	9,022,535

13 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2016 KD	2015 KD
Non-current		
Retention receivables	**3,419,017**	1,378,672
Current		
Trade receivables and amounts due from contract owners, gross	**8,385,138**	10,137,883
Less: provision for trade receivables and amounts due from contract owners	**(560,058)**	(1,251,300)
Trade receivables and amounts due from contract owners, net	**7,825,080**	8,886,583
Amounts due from related parties, gross	**461,765**	653,808
Less: provision for amounts due from related parties	**(54,430)**	-
Amounts due from related parties, net (Note 24)	**407,335**	653,808
Retention receivables	**1,405,501**	4,131,758
Subcontractor debit balances	**11,024,429**	4,402,861
Less: provision for subcontractor debit balances*	**(3,600,000)**	-
Subcontractor debit balances, net	**7,424,429**	4,402,861
Advances to subcontractors	**1,216,912**	1,990,050
Prepaid expenses and refundable deposits	**537,358**	417,765
Other receivables	**2,158,360**	2,280,108
	20,974,975	22,762,933
	24,393,992	24,141,605

* As at 31 October 2016, the Parent Company has a legal dispute against foreign subcontractors on the ground of the non-fulfillment of their subcontract obligations relating to one of the construction contracts undertaken by the Parent Company for which the court is yet to pronounce its verdict.

In the opinion of external legal counsel of the Parent Company, there is an uncertainty regarding the possible financial impact of this lawsuit which in turn indicates an uncertainty regarding the recoverability of amounts due from such subcontractors amounting to KD 6,988,941 as at 31 October 2016 (2015: KD 3,516,278). Therefore, management of the Parent Company has recorded a provision for doubtful debts amounting to KD 3,600,000 during the year ended 31 October 2016 (2015: KD Nil) against this balance.

Movements in the provision for doubtful debts during the years ended 31 October were as follows:

	2016 KD	2015 KD
As at 1 November	**1,251,300**	1,236,898
Charge for the year	**3,799,290**	14,402
Relating to transfer to assets held for sale	**(836,102)**	-
As at 31 October	**4,214,488**	1,251,300

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

	Total	Neither past due nor impaired	Past due but not impaired		
			Less than 3 months	3 to 6 months	6 to 12 months
	KD	KD	KD	KD	KD
2016	**7,825,080**	**1,516,433**	**458,849**	**971,782**	**4,878,016**
2015	8,886,583	905,135	3,817,876	2,004,718	2,158,854

Unimpaired trade receivables and amounts due from contract owners are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collaterals over trade receivables and amounts due from contract owners.

14 INVESTMENT DEPOSITS

These represent investment deposits denominated in local currency placed with the Ultimate Parent Company (Note 24) and local financial institutions amounting to KD 250,000 and KD Nil as at 31 October 2016 (2015: KD 250,000 and KD 300,000), respectively. Such deposits are valid for one year and are automatically renewable for a similar period. The average rate of profit on these deposits during the year ended 31 October 2016 was 1.9% (2015: 1.9%) per annum.

15 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:

	2016	2015
	KD	KD
Bank balances and cash	**554,250**	1,750,657
Bank overdrafts (Note 21)	**(368,198)**	(527,255)
	186,052	1,223,402

As at 31 October 2016, bank balances and cash include an amount of KD 214,883 and KD Nil (2015: KD 1,278,784 and KD 152,311) which represents amounts held with the Ultimate Parent Company and an entity under common control (Note 24).

As at 31 October 2016, bank overdrafts include an amount of KD 108,589 (2015: KD 78,116) which represents amounts withdrawn from the Ultimate Parent Company (Note 24).

The Parent Company manages, on behalf of the Ultimate Parent Company, a portfolio of real estate assets. These real estate assets and the bank balances relating to these fiduciary accounts are not included in these consolidated financial statements (Note 25).

16 SHARE CAPITAL

	Authorised, issued and fully paid	
	2016	2015
	KD	KD
450,534,680 shares of 100 fils each (fully paid in cash)	**45,053,468**	45,053,468

17 STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation, 10% of the profit for the year before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

For the year ended 31 October 2016, no transfer was made to statutory reserve since the Group has incurred losses.

18 VOLUNTARY RESERVE

As required by the Parent Company's Memorandum of Incorporation, 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 General Assembly of the Parent Company's shareholders upon recommendation by the Parent Company's Board of Directors.

For the year ended 31 October 2016, no transfer was made to voluntary reserve since the Group has incurred losses.

During the year ended 31 October 2016, an additional Zakat of KD 100,869 (2015: KD 49,966) has been charged to voluntary reserve to be paid under the direction of the Ultimate Parent Company's Fatwa and Sharea'a Supervisory Board in accordance with the Parent Company's internal guidelines.

19 EMPLOYEES' END OF SERVICE BENEFITS

In accordance with the Kuwait Labor Law, the Parent Company provides for end of service benefits for its expatriate employees. 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:

	2016 KD	2015 KD
As at 1 November	**1,896,098**	2,097,720
Charge for the year	**552,268**	480,380
Payments made during the year	**(290,190)**	(682,002)
Relating to transfer to liabilities held for sale (Note 22)	**(158,355)**	-
As at 31 October	**1,999,821**	1,896,098

20 MURABAHA PAYABLES

	2016 KD	2015 KD
Gross amount	**17,028,054**	20,385,770
Less: deferred profit	**(312,459)**	(497,113)
	16,715,595	19,888,657

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 4% to 6% (2015: 4% to 6%) per annum.

As at 31 October 2016, murabaha payables amounting to KD 10,224,114 and KD Nil (2015: KD 9,488,725 and KD 3,999,515) are granted by the Ultimate Parent Company and an entity under common control, respectively (Note 24).

As at 31 October 2016, murabaha payables are secured against pledge of certain investment properties with a carrying value amounting to KD 32,463,603 and KD 7,671,000 (2015: KD 39,153,362 and KD 9,615,000) to the Ultimate Parent Company and local financial institutions, respectively (Note 7).

21 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2016	2015
	KD	KD
Non-current		
Retentions payable	**3,324,924**	561,222
Current		
Trade payables	**2,466,650**	4,280,653
Advance payment received from contract owners	**1,481,150**	3,311,489
Deferred income	**71,048**	71,828
Retentions payable	**3,319,675**	5,261,394
Dividend payable	**69,659**	72,834
Bank overdrafts (Note 15 & 24)	**368,198**	527,255
Other liabilities	**1,675,511**	2,732,964
Provision for expected losses from contracts	**1,027,600**	1,036,900
Provision for legal claims*	**1,830,558**	-
	12,310,049	17,295,317
	15,634,973	17,856,539

* In 2008, the Group lost steel shipment in transit with a carrying amount of KD 1,830,558 which was fully insured. This amount was recorded as insurance claim receivable and was fully provided for in prior years as the Group initiated a lawsuit against the insurance company to recover the entitled insurance claim proceeds. During prior years, the court issued a verdict in favor of the Group, and the amount was settled by the insurance company, resulting in the Group recognition of the amount as other income in the consolidated statement of income.

The insurance company has appealed this verdict in the court of appeal, which has pronounced its verdict during the current year against the Group and granted the insurance company the right for the original amount of the claim amounting to KD 1,830,558. Accordingly, management of the Parent Company has recorded a provision for legal claims of such amount in the consolidated statement of income for the year then ended.

22 DISCONTINUED OPERATION

During the year ended 31 October 2016, the Board of Directors of the Parent Company has decided to dispose the Group's ready-mix factory business and its related assets and liabilities. Accordingly, the ready-mix factory business has been classified and accounted for at 1 November 2015 as a disposal group and disclosed as a discontinued operation in accordance with the requirements of "IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5").

The results of the discontinued operation for the years ended 31 October 2016 and 2015 are presented below:

	2016	2015
	KD	KD
Ready-mix factory sales	**4,116,669**	4,477,611
Cost of ready-mix factory sales	**(4,566,639)**	(4,826,599)
Gross loss	**(449,970)**	(348,988)
Loss on sale of property, plant and equipment	**(60,685)**	-
Loss for the year from discontinued operation	**(510,655)**	(348,988)

Details of the assets and liabilities of the discontinued operation which were classified as held for sale as at 31 October 2016 are presented below:

	2016
	KD
ASSETS	
Property, plant and equipment (Note 6)	**1,593,734**
Inventories	**99,373**
Accounts receivable and other assets	**973,656**
Bank balances and cash	**20,618**
Assets classified as held for sale	**2,687,381**
LIABILITIES	
Employees' end of service benefits (Note 19)	**158,355**
Accounts payable and other liabilities	**1,295,205**
Liabilities classified as held for sale	**1,453,560**
Net assets directly associated with disposal group	**1,233,821**

The net cash flows incurred by the ready-mix factory business for the years ended 31 October 2016 and 2015 are as follows:

	2016	2015
	KD	KD
Operating	**(126,080)**	(814,339)
Cash flows used in operating activities	**(126,080)**	(814,339)

Basic and diluted loss per share

	2016	2015
Loss for the year from discontinued operation (KD)	**(510,655)**	(348,988)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted loss per share from discontinued operation	**(1.13) fils**	(0.77) fils

23 SEGMENT INFORMATION

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

a) Products and services information

Manufacturing: production and distribution of ready-mix.

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

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

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the 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 Group profit or loss.

There are no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

Segment reporting information is illustrated as follows:

	Manufacturing	Projects & maintenance	Real estate	Investments	Unallocated	Total
	KD	KD	KD	KD	KD	KD
Year ended 31 October 2016						
Segment revenue	4,116,669	16,067,815	10,350,412	2,190,311	-	32,725,207
Segment results	53,840	(8,176,283)	3,856,435	(2,132,291)	-	(6,398,299)
Depreciation	(564,495)	(359,222)	(7,533)	(5,902)	(22,644)	(959,796)
Unallocated expenses, net	-	-	-	-	(1,545,688)	(1,545,688)
(Loss) profit for the year	(510,655)	(8,535,505)	3,848,902	(2,138,193)	(1,568,332)	(8,903,783)
As at 31 October 2016						
Assets	2,687,381	27,470,797	53,273,269	8,313,285	970,501	92,715,233
Liabilities	1,453,560	15,406,295	38,673	16,362,575	2,738,223	35,999,326
Investment in associates	-	-	-	1,566,822	-	1,566,822
Capital expenditures	34,690	187,760	292,956	443	27,794	543,643

	Manufacturing	Projects & maintenance	Real estate	Investments	Unallocated	Total
	KD	KD	KD	KD	KD	KD
Year ended 31 October 2015						
Segment revenue	4,477,611	34,791,305	10,550,277	4,164,465	-	53,983,658
Segment results	233,129	(498,156)	4,774,803	2,915,532	-	7,425,308
Depreciation	(582,117)	(371,480)	(15,970)	(2,078)	(28,028)	(999,673)
Unallocated expenses, net	-	-	-	-	(2,043,675)	(2,043,675)
(Loss) profit for the year	(348,988)	(869,636)	4,758,833	2,913,454	(2,071,703)	4,381,960
As at 31 October 2015						
Assets	3,715,745	35,788,273	53,713,073	10,173,529	2,213,862	105,604,482
Liabilities	1,183,536	14,899,988	44,317	20,181,212	3,479,169	39,788,222
Investment in associates	-	-	-	849,759	-	849,759
Capital expenditures	129,674	294,056	145,291	-	-	569,021

b) Geographical segment

The Group operates in four geographical markets, the domestic market in Kuwait, the regional market in the Gulf Countries and overseas in USA and Europe and other countries. The following table shows the distribution of the Group's segment assets and revenues by geographical markets.

	Kuwait		Gulf council countries		USA and Europe		Other countries		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	KD	KD	**KD**	KD	**KD**	KD	**KD**	KD	**KD**	KD
Assets	**75,649,098**	87,133,390	**14,116,457**	15,074,783	**241,952**	688,583	**2,707,726**	2,707,726	**92,715,233**	105,604,482
Revenues	**30,785,851**	49,098,789	**1,881,286**	4,884,869	**58,070**	-	**-**	-	**32,725,207**	53,983,658

24 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:

	Ultimate Parent Company	**Entity under common control**	**Total 2016**	Total 2015
	KD	**KD**	**KD**	KD
Consolidated statement of income				
Revenue from services rendered	**3,346,499**	**-**	**3,346,499**	2,793,512
Gain on sale of an investment in an associate (Note 4 & 8)	**-**	**387,004**	**387,004**	-
Realised gain on sale of financial assets available for sale (Note 9)	**200,000**	**32,208**	**232,208**	2,180,000
Finance costs	**474,404**	**133,153**	**607,557**	742,504

Revenue from services rendered includes KD 431,479 (2015: KD 495,295) which has been earned from trust and fiduciary activities (Note 25).

	Ultimate Parent Company	Total 2016	Total 2015
	KD	KD	KD
Consolidated statement of financial position			
Amounts due from related parties (Note 13)	407,335	407,335	653,808
Investment deposits (Note 14)	250,000	250,000	250,000
Bank balances and cash (Note 15)	214,883	214,883	1,431,095
Murabaha payables (Note 20)	10,224,114	10,224,114	13,488,240
Bank overdrafts (Note 15 & 21)	108,589	108,589	78,116

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

	2016	2015
	KD	KD
Key management compensation		
Salaries and other short-term benefits	244,192	234,984
Employees' end of service benefits	38,600	37,021
Board of Directors' remuneration	-	91,600
	282,792	363,605

25 FIDUCIARY ASSETS

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

The aggregate value of bank balances held in a trust or fiduciary capacity by the Group at 31 October 2016 amounted to KD 13,725,569 (2015: KD 15,021,565).

Revenue from services rendered includes KD 850,171 (2015: KD 870,881) arising from trust and fiduciary activities, out of which KD 431,479 (2015: 495,295) has been earned from services rendered to the Ultimate Parent Company (Note 24).

26 CONTINGENT LIABILITIES

As at 31 October 2016, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 26,368,100 (2015: KD 29,787,108) from which it is anticipated that no material liability will arise.

27 RISK MANAGEMENT

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 his or her 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 2016 and 31 October 2015. The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarised below.

27.1 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 by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts as disclosed in Note 13.

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 maximum exposure is the carrying amount as described in the consolidated statement of financial position.

The Group's largest five customers account for 62% of the total outstanding receivables as at 31 October 2016 (2015: 66%)

27.2 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 days of the date of rendering of service. Trade payables are normally settled within 60 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:

	Less than 3 months KD	3 to 6 months KD	6 to12 months KD	Over one year KD	Total KD
2016					
Murabaha payables	11,543,963	923,003	1,846,007	2,715,081	17,028,054
Accounts payable and other liabilities	4,101,528	2,667,139	4,060,232	3,324,924	14,153,823
Total financial liabilities	15,645,491	3,590,142	5,906,239	6,040,005	31,181,877
Contingent liabilities	2,607,243	9,004,668	13,061,476	1,694,713	26,368,100

	Less than 3 months KD	3 to 6 months KD	6 to12 months KD	Over one year KD	Total KD
2015					
Murabaha payables	11,565,135	3,675,064	3,908,704	1,236,867	20,385,770
Accounts payable and other liabilities	6,699,710	6,101,932	1,182,186	561,222	14,545,050
Total financial liabilities	18,264,845	9,776,996	5,090,890	1,798,089	34,930,820
Contingent liabilities	9,838,135	5,268,977	8,186,227	6,493,769	29,787,108

27.3 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.

27.3.1 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.

27.3.2 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.

	2016		2015	
	Effect on results for the year	Effect on other comprehensive income	Effect on results for the year	Effect on other comprehensive income
	KD	KD	KD	KD
Currency				
US Dollar	19,064	183,022	24,031	213,813
EURO	-	-	-	10,851
GBP	-	-	-	8,007
Bahraini Dinar	23,397	49,832	(190,444)	65,636
Omani Riyal	-	61,487	-	99,494
	42,461	294,341	(166,413)	397,801

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.

27.3.3 Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk though diversification of investments in terms of geographical distribution and industry concentration.

The effect on the Group's results and other comprehensive income (as a result of a change in the fair value of financial assets) due to a 5% change in market indices, with all other variables held constant, is as follows:

	2016		2015	
	Effect on results for the year	Effect on other comprehensive income	Effect on results for the year	Effect on other comprehensive income
	KD	KD	KD	KD
Market indices				
Kuwait	9,272	2,146	9,813	3,477

The effect on the Group's results and other comprehensive income (as a result of a change in the fair value of financial assets) due to a 5% change in foreign market indices, with all other variables held constant, is not significant.

28 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 makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 October 2016 and 31 October 2015. Capital comprises share capital, share premium, statutory reserve, voluntary reserve and accumulated losses and is measured at KD 56,415,395 as at 31 October 2016 (2015: KD 65,420,047).

29 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.

The fair values of financial assets, with the exception of certain financial assets available for sale are carried at cost (Note 9), are not materially different from their carrying values.

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy at 31 October:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
2016				
Investment properties	**-**	**12,459,508**	**40,813,761**	**53,273,269**
Financial assets available for sale	**34,349**	**-**	**-**	**34,349**
Financial assets at fair value through profit or loss	**35,000**	**-**	**531,710**	**566,710**
	69,349	**12,459,508**	**41,345,471**	**53,874,328**
2015				
Investment properties	-	12,285,492	41,427,580	53,713,072
Financial assets available for sale	74,336	-	-	74,336
Financial assets at fair value through profit or loss	74,391	-	665,550	739,941
	148,727	12,285,492	42,093,130	54,527,349

During the years ended 31 October 2016 and 31 October 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

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

	At the beginning of the year	Net (losses) gains recorded in the consolidated statement of income	Net purchases, transfers, sales and settlements	At the end of the year
	KD	KD	KD	KD
31 October 2016				
Investment properties	**41,427,580**	**(613,819)**	**-**	**40,813,761**
Financial assets at fair value through profit or loss	**665,550**	**(133,751)**	**(89)**	**531,710**
	42,093,130	**(747,570)**	**(89)**	**41,345,471**
31 October 2015				
Investment properties	33,849,605	1,614,062	5,963,913	41,427,580
Financial assets at fair value through profit or loss	602,807	62,743	-	665,550
	34,452,412	1,676,805	5,963,913	42,093,130

Description of significant unobservable inputs to valuation of financial assets:

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

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

Developed properties which generate rental income

These properties are valued using the income capitalisation approach assuming full capacity of the property. Income capitalisation approach is based on capitalisation of the discounted annual cash flows from the property which is calculated by discounting rental income generated annually by the property, assuming full capacity, using the current market discount rate.

Developed properties which do not generate rental income

These properties are valued using the market approach. Market approach is based on a comparison of active market prices for similar properties and recent arm's length market transactions, adjusted for difference in the nature, location or condition of the specific property.

Properties under development

Properties under development are valued using the combination of the market approach, as described above, for the land and the cost approach for the construction works. Cost approach is based on a comparison of the cost of constructing a similar property taking into consideration depreciation of the construction costs and fair value of the land, adjusted for difference in the nature, location or condition of the specific property.