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

CONSOLIDATED FINANCIAL STATEMENTS

31 OCTOBER 2018

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al-Enma'a Real Estate Company K.S.C.P. (the "Parent Company") and subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 October 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to consolidated financial statements , including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 October 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Report on the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Valuation of investment properties
The investment properties represent a significant part of the total assets (65%) of the Group, with a carrying value of KD 48,071,038 at the reporting date.

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

We have challenged the assumptions and estimates made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations. We performed additional procedures for areas of higher risk and estimation. This included, where relevant, comparison of judgements made to current and emerging market practices and challenging the valuations on a sample basis. Further, we have considered the objectivity and expertise of the external real estate appraisers. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 7 to the consolidated financial statements.

Debt instruments subject to provision of expected credit losses
As at 31 October 2018, debt instruments subject to provision of expected credit losses amounting to KD 17,004,495 represent 23% of total assets. The management used significant accounting judgments and estimates to estimate the provision for expected credit losses of debt instrument. Management evaluated the estimated provision based on specific reviews of customer accounts. This process involves significant accounting judgments and estimates as disclosed in Note 2.6 to the consolidated financial statements. We consider, therefore, this matter as a key audit matter.

The management estimated the provision for expected credit losses by taking into consideration the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

We evaluated management's assumptions, judgment and estimations for the purpose of recoverability of the debt instruments balances.

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

Report on the Consolidated Financial Statements (continued)

Key Audit Matters (continued)
Debt instruments subject to provision of expected credit losses (continued)
We considered subsequent settlement when performing analysis of receivables' aging brackets. We also considered the adequacy of the Group's disclosure relating to the provision of expected credit losses in Note 11 and Note 12 to the consolidated financial statements.

Projects revenue recognition and estimated costs to complete
The Parent Company is involved in projects for which it applies the percentage of completion method. The amount of revenue and profit (or loss) recognised in a year is dependent on the actual cost accounted for, the assessment of the percentage of completion, and the forecasted results of each project. Furthermore, the amount of revenue and profit (or loss) is affected by the valuation of work in progress, variation orders and claims. The complexity of this process means that the ongoing assessment may have significant impact of the results of the Group in any given fiscal year. This process contains significant management estimates and assumptions, to which reference is made on Note 2.6 to the consolidated financial statements. Therefore, we considered this matter as a key audit matter.

In our audit, we have performed specific substantive audit procedures on a sample basis to determine that: (a) the expected revenue has been appropriately reconciled to the signed contracts and variation orders, (b) the correct cost categories have been included in work in progress, and (c) the variation orders and claims, have been properly taken into account when determining the valuation of work in progress and the resulting estimated cumulative results on the contracts. We also discussed with the relevant Group's personnel about the appropriateness of the estimates made for significant projects and whether or not these estimates showed evidence of management bias. This includes substantiating those estimates with underlying documents such as contracts, variation orders, correspondence on claims and disputes, legal opinions and agreements with sub-contractors. Furthermore, we also challenged the achievability of the forecasted results including the effect contingencies.

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

Report on the Consolidated Financial Statements (continued)

Key Audit Matters (continued)
Valuation of financial assets at fair value through other comprehensive income
These financial assets do not have a quoted price in an active market and the measurements of whose fair values used estimates and judgements. If the financial assets at fair value through other comprehensive income witnessed objective evidence, which indicates a change in value which allows to record the changes in fair value in the caption of the shareholders' equity ("Cumulative change in fair value"). The assessment whether objective evidence of change in fair value exists for individual financial assets can be subjective in nature and involve various assumptions considering the qualitative and quantitative factors.

The assessment whether objective evidence of change in fair value exists for individual financial assets, this is considered a key audit matter.

We also evaluated the Group's assessment on a sample basis whether objective evidence of change in fair value exists for individual financial assets and the qualitative and quantitative factors used such as the net asset value of the investee reflecting the fair value of the underlying assets, the adjusted market value of those financial assets by applying the related economic market conditions specific to those financial assets' sectors , and the latest offering price received by the Group to sell those financial assets.

Finally, we assessed the completeness and accuracy of the disclosures relating to financial assets at fair value through other comprehensive income in Note 9 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

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

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

Report on the Consolidated Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Report on the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 October 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

30 December 2018
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 October 2018

	Notes	*2018* *KD*	*2017* *KD*
CONTINUING OPERATIONS			
REVENUES			
Revenue from services rendered		**8,528,823**	8,433,098
Revenue from real estate activities		**2,559,262**	2,236,383
Revenue from construction contracts	3	**8,198,176**	5,423,612
		19,286,261	16,093,093
COST OF REVENUES			
Cost of services rendered		**6,826,318**	6,649,736
Cost of real estate activities		**203,788**	164,727
Cost of construction contracts	3 & 29	**8,499,424**	7,468,035
		15,529,530	14,282,498
GROSS PROFIT		**3,756,731**	1,810,595
Allowance for impairment of doubtful debts	12	**-**	(4,201,769)
Allowance for expected credit losses	11 & 12	**(514,521)**	-
General and administrative expenses		**(1,466,359)**	(1,625,107)
PROFIT (LOSS) FROM OPERATIONS		**1,775,851**	(4,016,281)
Share of results of associates	8	**57,098**	44,813
Net investment loss	4	**(2,050,851)**	(3,504,945)
Other income		**34,373**	81,002
Foreign exchange gain		**144**	506
Finance costs		**(701,439)**	(743,647)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE BOARD OF DIRECTORS' REMUNERATION		**(884,824)**	(8,138,552)
Board of Directors' remuneration	23	**-**	(12,250)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(884,824)**	(8,150,802)
DISCONTINUED OPERATIONS			
(Loss) profit for the year from discontinued operations	21	**(206,150)**	43,767
LOSS FOR THE YEAR		**(1,090,974)**	(8,107,035)
BASIC AND DILUTED LOSS PER SHARE	5	**(2.42) fils**	(17.99) fils
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS	5	**(1.96) fils**	(18.09) fils

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

CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME

For the year ended 31 October 2018

	2018 *KD*	*2017* *KD*
Loss for the year	**(1,090,974)**	(8,107,035)
Other comprehensive loss:		
Items that are or may be reclassified subsequently to the consolidated statement of income:		
- Net unrealized loss on financial assets available for sale	-	(1,044,176)
- Realised gain on sale of financial assets available for sale transferred to consolidated statement of income	-	(483,116)
- Impairment loss on financial assets available for sale transferred to consolidated statement of income	-	1,351,620
- Exchange differences on translation of foreign operations	**9,528**	(2,413)
	9,528	(178,085)
Items that will not be reclassified subsequently to the consolidated statement of income:		
Change in fair value of financial assets at fair value through other comprehensive income	**(1,352,185)**	-
	(1,352,185)	-
Other comprehensive loss for the year	**(1,342,657)**	(178,085)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(2,433,631)**	(8,285,120)

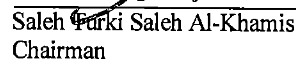
The attached notes 1 to 29 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2018

	Notes	*2018* *KD*	*2017* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**713,342**	416,511
Investment properties	7	**48,071,038**	50,150,430
Investments in associates	8	**1,675,848**	1,609,222
Financial assets at fair value through other comprehensive income	9	**2,547,808**	-
Financial assets available for sale	9	**-**	4,160,717
Accounts receivable and other assets	12	**92,636**	3,013,904
		53,100,672	59,350,784
Current assets			
Inventories	10	**126,639**	83,425
Financial assets at fair value through profit or loss	9	**2,478**	655,850
Gross amount due from customers for contract work	11	**4,072,993**	2,804,979
Accounts receivable and other assets	12	**14,280,898**	17,291,540
Investment deposits	13	**200,000**	250,000
Bank balances and cash	14	**2,334,262**	702,119
		21,017,270	21,787,913
Assets classified as held for sale	21	**-**	2,343,338
		21,017,270	24,131,251
TOTAL ASSETS		**74,117,942**	83,482,035
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**45,053,468**	45,053,468
Share premium		**176,642**	176,642
Statutory reserve	16	**8,384,971**	8,384,971
Voluntary reserve	17	**4,491,560**	4,544,599
Foreign currency translation reserve		**57,939**	48,411
Cumulative changes in fair values reserve		**(1,798,366)**	74,016
Accumulated losses		**(12,596,086)**	(9,898,648)
Total equity		**43,770,128**	48,383,459
Non-current liabilities			
Employees' end of service benefits	18	**1,965,552**	1,940,036
Murabaha payables	19	**2,427,745**	4,280,718
Accounts payable and other liabilities	20	**5,033,805**	7,382,227
		9,427,102	13,602,981
Current liabilities			
Gross amount due to customers for contract work	11	**310,503**	1,198,595
Murabaha payables	19	**12,885,564**	11,979,434
Accounts payable and other liabilities	20	**7,724,645**	7,025,932
		20,920,712	20,203,961
Liabilities classified as held for sale	21	**-**	1,291,634
		20,920,712	21,495,595
Total liabilities		**30,347,814**	35,098,576
TOTAL EQUITY AND LIABILITIES		**74,117,942**	83,482,035



Saleh Turki Saleh Al-Khamis
Chairman

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Loss for the year from continuing operations before Board of Directors' remuneration		(884,824)	(8,138,552)
(Loss) profit for the year from discontinued operations		(206,150)	43,767
Loss for the year		(1,090,974)	(8,094,785)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation	6	138,617	241,515
Gain on disposal of property, plant and equipment		(9,062)	(58,073)
Share of results of associates	8	(57,098)	(44,813)
Net investment loss	4	2,050,851	3,504,945
Allowance for impairment of doubtful debts	12	-	4,201,769
Allowance for expected credit losses	11 & 12	514,521	-
Provision for employees' end of service benefits	18	309,071	429,390
Finance costs		701,439	743,647
		2,557,365	923,595
Changes in working capital:			
Inventories		(90,181)	71,710
Financial assets at fair value through profit or loss		301,464	(304,812)
Gross amount due from/to customers for contract work		(2,556,817)	512,993
Accounts receivable and other assets		3,865,521	(113,220)
Accounts payable and other liabilities		(2,785,699)	(972,155)
Cash flows from operations		1,291,653	118,111
Employees' end of service benefits paid	18	(467,362)	(489,175)
Net cash flows from (used in) operating activities		824,291	(371,064)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(531,854)	(185,557)
Proceeds from disposal of property, plant and equipment		105,468	608,770
Additions to investment properties	7	(248)	(45,802)
Proceeds from sale of investment properties		-	728,828
Additions to financial assets available for sale		-	(17,250)
Proceed from sale of financial assets available for sale		-	742,110
Proceed from sale of financial assets at fair value through other comprehensive Income		117,536	-
Investment deposits, net		50,000	-
Dividend income received	4	43,130	15,257
Profit from investment deposits received	4		3,787
Assets and labilities classified as held for sale	21	655,787	182,117
Proceeds from sale of assets classified as held for sale	21	1,600,000	-
Net cash flows from investing activities		2,039,819	2,032,260
FINANCING ACTIVITIES			
Net movement in murabaha payables		(1,076,265)	(648,351)
Finance costs paid		(572,017)	(550,739)
Net cash flows used in financing activities		(1,648,282)	(1,199,090)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,215,828	462,106
Cash and cash equivalents at 1 November	14	648,158	186,052
CASH AND CASH EQUIVALENTS AT 31 OCTOBER	14	1,863,986	648,158

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2018

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign Currency translation reserve KD*	*Cumulative changes in fair values reserve KD*	*Accumulated losses KD*	*Total KD*
As at 1 November 2017	45,053,468	176,642	8,384,971	4,544,599	48,411	74,016	(9,898,648)	48,383,459
Transition adjustment on adoption of IFRS 9 at 1 November 2017 (Note 2.3.1)	-	-	-	-	-	(480,755)	(1,645,906)	(2,126,661)
Restated balance as at 1 November 2017	45,053,468	176,642	8,384,971	4,544,599	48,411	(406,739)	(11,544,554)	46,256,798
Loss for the year	-	-	-	-	-	-	(1,090,974)	(1,090,974)
Other comprehensive profit (loss) for the year	-	-	-	-	9,528	(1,352,185)	-	(1,342,657)
Total comprehensive profit (loss) for the year	-	-	-	-	9,528	(1,352,185)	(1,090,974)	(2,433,631)
Net realised gain transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(39,442)	39,442	-
Zakat (Note 17)	-	-	-	(53,039)	-	-	-	(53,039)
As at 31 October 2018	**45,053,468**	**176,642**	**8,384,971**	**4,491,560**	**57,939**	**(1,798,366)**	**(12,596,086)**	**43,770,128**
As at 1 November 2016	45,053,468	176,642	8,384,971	4,591,927	50,824	249,688	(1,791,613)	56,715,907
Loss for the year	-	-	-	-	-	-	(8,107,035)	(8,107,035)
Other comprehensive loss for the year	-	-	-	-	(2,413)	(175,672)	-	(178,085)
Total comprehensive loss for the year	-	-	-	-	(2,413)	(175,672)	(8,107,035)	(8,285,120)
Zakat (Note 17)	-	-	-	(47,328)	-	-	-	(47,328)
As at 31 October 2017	45,053,468	176,642	8,384,971	4,544,599	48,411	74,016	(9,898,648)	48,383,459

The attached notes 1 to 29 form part 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 2018 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 26 December 2018. 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 2017 was held on 30 March 2018 and approved the consolidated financial statements for the year ended 31 October 2017.

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

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.

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 basis except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value.

The 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/early adoption of new standards during the year as detailed in Note 2.3.

Further, certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were made in order to more appropriately present certain items of consolidated statement of income, and disclosures. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the year, nor materially affect the consolidated statement of cash flows.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 October 2018.

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.

2.2 BASIS OF CONSOLIDATION (continued)

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 October are set out below:

Name of company	*Country of incorporation*	*Effective interest in equity*		*Principal activities*
		2018	***2017***	
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.

2.3 CHANGES IN ACCOUNTING POLICIES

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 November 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective except for early adopting *IFRS 9 – Financial Instruments.*

The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The application of this amendment does not have a significant impact on the consolidated statement of cash flows.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements Cycle - 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities:
The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale. During 2017 and 2016, the Group had no interests classified as such, and therefore these amendments did not affect the Group's consolidated financial statements.

2.3.1 Early Adoption of IFRS 9- Financial instruments ("IFRS 9")
The Group has applied IFRS 9 and related consequential amendment to other IFRS in advance of their effective date. The date of initial application (i.e. the date on which the Group has assessed its existing financial assets) is 1 November 2017. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 November 2017 and has not applied the requirements to instruments that have already been derecognised as at 1 November 2017.

IFRS 9 introduces new requirements for a) the classification and measurement of financial assets, b) impairment for financial assets and c) general hedge accounting. Details of these new requirement as well as their impact on the Group's consolidated financial statements are described below. The Group has not entered into any derivative transactions during the year and not have any outstanding derivative as at date of initial application, hence no related disclosure are included below.

- As per the transition requirements, the IFRS 9 has been applied retrospectively. However, the management has not considered to restate the comparatives, as allowed by the standard. Hence, the date of initial application has been determined as 1 November 2017. Therefore, difference arising from classification and measurement of financial assets resulting from adoption of IFRS 9 are recognised in accumulated losses and cumulative changes in fair values reserve as at 1 November 2017. Accordingly, the information presented in the consolidated financial statements as at and for the year ended 31 October 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented in the consolidated financial statements as at and for the year ended 31 October 2018 under IFRS 9.

- The following assessments have been made on the basis of facts and circumstances that existed at the date of initial application:

  - The determination of the business model within which a financial asset is held;
  - Revocation of previous designation of financial assets measured at fair value through profit or loss (FVTPL) and re-designation as at fair value through other comprehensive income (FVOCI) for certain assets.
  - Revocation of previous designation of financial assets available for sale (AFS) and re-designation as at fair value through other comprehensive income (FVOCI) for certain assets.
  - Revocation of previous designation of financial assets available for sale (AFS) and re-designation as financial assets measured at fair value through profit or loss (FVTPL) for certain assets.

The Group have reviewed and assessed the Group's existing financial assets as at 1 November 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets in regards to their classification and measurement as given below.

Classification and measurement of financial assets
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets such as accounts receivable, amount due from related parties and cash and cash equivalents that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and yield on the principal amount outstanding, are subsequently measured at amortised cost;
- Certain financial assets like equity investments are subsequently measured at fair value through other comprehensive income (FVOCI) as the Group has made irrevocable election/designation at initial application date to present subsequent changes in fair value of an equity investment that is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.
- Certain financial assets like equity investments are subsequently measured at fair value through profit or loss as they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

2.3.1 Early Adoption of IFRS 9- Financial instruments ("IFRS 9") (continued)

Impairment of financial assets

IFRS 9 requires an Expected Credit Loss (ECL) model as opposed to an incurred credit loss model under IAS 39. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on accounts receivable subsequently measured at amortised cost. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL as per simplified approach for accounts receivable.

As at 1 November 2017, the Group reviewed and assessed the Group's accounts receivable for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine ECL as at 1 November 2017 and 31 October 2018. The Group will monitor the reasonableness of the information, assumptions, estimates and judgements used for determining ECL and will update the ECL for latest and enhanced information that may be available without undue cost or effort at every reporting period end.

Impact of initial application of IFRS 9 on equity

The impact of this change in accounting policy relating to classification and measurement of financial assets as at 1 November 2017 has resulted in the increase in accumulated losses by KD 1,645,906 and decrease in the cumulative changes in fair value reserve by KD 480,755 as given below:

	Accumulated losses KD	*Cumulative changes in fair value reserve KD*
Closing balance under IAS 39 as at 31 October 2017 (as originally stated)	(9,898,648)	74,016
Impact on reclassification and remeasurement:		
Change in fair value of equity investments reclassified from AFS - previously carried at cost less impairment - to FVOCI	-	(384,942)
Change in fair value of equity investments reclassified from FVTPL to FVOCI	-	(95,813)
Allowance for impairment of trade receivables based on Expected Credit losses (ECL)	(1,645,906)	-
Opening balance under IFRS 9 on date of initial application of 1 November 2017 (restated)	(11,544,554)	(406,739)

i) Net investment loss for the year is more by KD 39,442 as there is no longer any reclassification of accumulated amounts from cumulative changes in fair values reserve to consolidated statement of income on disposal of these investments. This amount is disclosed in the consolidated statement of changes in equity as a transfer within equity from cumulative changes in fair values reserve to accumulated losses.

ii) Fair value of the investments disposed during the year was KD 117,536.

No significant changes were noted in financial liabilities as the Group classified all its financial liabilities at amortised cost under IAS 39 and the same classification has been carried forward under IFRS 9 based on their business model.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

2.3.2 Classification of financial assets on the date of initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39:

1 November 2017	*Original measurement under IAS 39*	*New measurement under IFRS 9*	*Original carrying amount under IAS 39*	*Additional loss allowance recognised under IFRS 9*	*Change in fair value*	*New carrying amount under IFRS 9*
			KD	*KD*	*KD*	*KD*
Financial assets:						
Bank balances and cash	*Amortised cost*	*Amortised cost*	702,119	-	-	702,119
Investment deposits	*Amortised cost*	*Amortised cost*	250,000	-	-	250,000
Accounts receivable and other assets	*Amortised cost*	*Amortised cost*	16,407,281	(1,256,463)	-	15,150,818
Gross amount due from customers for contract work	*Amortised cost*	*Amortised cost*	2,804,979	(389,443)	-	2,415,536
Equity securities	*FVTPL*	*FVOCI**	627,250	-	(95,813)	531,437
Equity securities	*FVTPL*	*FVTPL*	28,600	-	-	28,600
Equity securities	*AFS*	*FVOCI**	4,159,232	-	(384,942)	3,774,290
Equity securities	*AFS*	*FVTPL*	1,485	-	-	1,485
Total financial assets			24,980,946	(1,645,906)	(480,755)	22,854,285

* Based on facts and circumstances that existed at the date of initial application, management determined that investment in equity instruments were not held for purposes of trading and were held for medium to long term strategic purposes. Accordingly, management have elected to designate these investments in equity instruments as FVOCI as they believe that recognising short term fluctuations in the fair value of investments in profit or loss would not be consistent with the Group's strategy of holding these investments for medium to long purposes and realising their performance potential in the long run.

2.4 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 these standards when they become effective.

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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date but does not expect any significant impact of this standard on its consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Group does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements 2014-2017 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2018. They include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements 2014-2017 Cycle (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after: (i) the beginning of the reporting period in which the entity first applies the interpretation Or (ii) the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12
The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

2.5 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 by the Group's entities at their respective functional currency spot rates at the date of the transaction that first qualifies for recognition.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies translation (continued)

Transactions and balances (continued)

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 may extend the period to complete the sale beyond one year, if the delay beyond the Parent Company's control and there is sufficient evidence that the Parent Company remains committed to its plan to sell the assets.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- 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 consolidated statement of income in the year in which they arise.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

Under the equity method, the investment in the associate is initially recognized at cost in the consolidated statement of financial position. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of 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 impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the amount in the consolidated statement of income.

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

Inventories

Inventory items are intended to be used partially in the Group's contracts, and are stated at the lower of cost and net 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 – Initial recognition and subsequent measurement - accounting policies applied from 1 November 2017

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied from 1 November 2017 (continued)

Financial assets (continued)

Classification of financial assets
Financial assets at amortised cost
Financial assets such as gross amount due from customers for contract work, accounts receivable and other assets, investment deposits, and cash and cash equivalents that meet the following conditions are subsequently measured at amortised cost:

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

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

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

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

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

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

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

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of the equity investments, instead, they will be transferred to accumulated losses.

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of IFRS 9 (Note 2.3.1).

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied from 1 November 2017 (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied from 1 November 2017 (continued)

Derecognition (continued)

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

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

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

The Group's financial liabilities include bank overdrafts, murabaha payables, accounts payable and other liabilities, and gross amount due to customers for contract work.

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

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

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

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

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

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied up to 31 October 2017
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, financing receivables 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied up to 31 October 2017 (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)

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 or financing receivables.

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 that 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 financing receivables and receivables is permitted when the financial assets meet the definition of financing receivables and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

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 the consolidated statement of income 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied up to 31 October 2017 (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

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 primarily 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 liability 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied up to 31 October 2017 (continued)

(i) Financial assets (continued)

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 yield 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.

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.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. finance receivables 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 finance receivables and borrowings, net of directly attributable transactions costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement - accounting policies applied up to 31 October 2017 (continued)

(ii) Financial liabilities (continued)

Initial recognition and measurement (continued)

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 and other liabilities
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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Employees' end of service benefits

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

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

Provisions

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

Fiduciary assets

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

Contingencies

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

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

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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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.

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.
- Net assets value "NAV" when the underlying assets are measured in fair value.

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

Impairment of financial assets available for sale – policy applicable before 1 November 2017
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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 – policy applicable before 1 November 2017

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, and the legal feedback obtained from the management legal counsels in case there are legal cases against the parties from whom the balances are receivables.

Impairment of financial assets at amortised cost – policy applicable from 1 November 2017

The impairment provisions for financial assets disclosed in Note 11 and Note 12 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3 REVENUE FROM / COST OF CONSTRUCTION CONTRACTS AND DELAY PENALITIES

During the prior year ended 31 October 2017, the Group has incurred delay penalties amounting KD 1,300,000, which was recorded as deduction from revenue from construction contracts.

Included in the cost of construction contracts for the year ended 31 October 2018 is an amount of KD Nil (2017: KD 822,045) representing expected losses on certain projects as it is probable at the reporting date.

4 NET INVESTMENT LOSS

	2018 KD	*2017 KD*
Loss on sale of investment properties	-	(69,932)
Unrealised loss on revaluation of investment properties (Note 7)	**(2,079,640)**	(2,369,881)
Realised gain on sale of financial assets available for sale	-	483,116
Impairment loss on financial assets available for sale (Note 9)	-	(1,351,620)
Realised loss on sale of financial assets at fair value through profit or loss	**(26,686)**	(17,281)
Unrealised gain on financial assets at fair value through profit or loss	**12,345**	(198,391)
Dividend income	**43,130**	15,257
Profit from investment deposits (Note 23)	-	3,787
	(2,050,851)	(3,504,945)

5 BASIC AND DILUTED LOSS PER SHARE

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

	2018	*2017*
Loss for the year (KD)	**(1,090,974)**	(8,107,035)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted loss per share	**(2.42) fils**	(17.99) fils
Loss for the year from continuing operation (KD)	**(884,824)**	(8,150,802)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted loss per share from continuing operation	**(1.96) fils**	(18.09) fils

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands KD	*Buildings KD*	*Furniture And Equipment KD*	*Motor vehicles KD*	*Total KD*
Cost:					
As at 1 November 2017	-	237,997	1,939,894	279,648	2,457,539
Additions	-	-	531,854	-	531,854
Disposals	-	-	(564,382)	(31,737)	(596,119)
As at 31 October 2018	-	**237,997**	**1,907,366**	**247,911**	**2,393,274**
Depreciation:					
As at 1 November 2017	-	69,134	1,697,929	273,965	2,041,028
Charge for the year	-	30,717	104,570	3,330	138,617
Disposals	-	-	(467,985)	(31,728)	(499,713)
As at 31 October 2018	-	**99,851**	**1,334,514**	**245,567**	**1,679,932**
Net book value:					
As at 31 October 2018	-	**138,146**	**572,852**	**2,344**	**713,342**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold lands *KD*	*Buildings* *KD*	*Furniture And equipment* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:					
As at 1 November 2016	360,000	193,696	2,948,143	328,870	3,830,709
Additions	-	167,021	18,536	-	185,557
Disposals	(360,000)	(122,720)	(1,026,785)	(49,222)	(1,558,727)
As at 31 October 2017	-	237,997	1,939,894	279,648	2,457,539
Depreciation:					
As at 1 November 2016	-	49,188	2,441,783	316,572	2,807,543
Charge for the year	-	30,002	204,910	6,603	241,515
Disposals	-	(10,056)	(948,764)	(49,210)	(1,008,030)
As at 31 October 2017	-	69,134	1,697,929	273,965	2,041,028
Net book value:					
As at 31 October 2017	-	168,863	241,965	5,683	416,511

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

	2018 ***KD***	*2017* *KD*
Continuing operations		
Cost of services rendered	**10,105**	7,033
Cost of construction contracts	**54,291**	177,346
General and administrative expenses	**74,221**	57,136
	138,617	241,515

7 INVESTMENT PROPERTIES

	2018 ***KD***	*2017* *KD*
As at 1 November	**50,150,430**	53,273,269
Additions	**248**	45,802
Disposals	-	(798,760)
Unrealised loss on revaluation (Note 4)	**(2,079,640)**	(2,369,881)
As at 31 October	**48,071,038**	50,150,430

7 INVESTMENT PROPERTIES (continued)

As at 31 October, investment properties are categorised into:

	2018 *KD*	*2017* *KD*
Properties under development	-	2,280,000
Developed properties	**48,071,038**	47,870,430
	48,071,038	50,150,430

During the year ended 31 October 2017, properties under development included land and development cost amounting to KD 1,536,000 and KD 744,000, respectively. The development of those properties has been completed during the year ended 31 October 2018 and accordingly, the amounts relating to those properties has been transferred to developed properties.

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

	2018 *KD*	*2017* *KD*
Kuwait	**41,012,000**	42,988,000
Gulf Council Countries	**7,059,038**	7,162,430
	48,071,038	50,150,430

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:

- Some developed properties have been valued using the income capitalisation approach assuming full capacity of the property;
- Other developed properties 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 28.

For valuation purpose, the Group has selected the lower of those two valuations (2017: the lower of two valuations). Based on those valuations, the Group has recognised an unrealised loss on revaluation of KD 2,079,640 (2017: loss of KD 2,369,881) in the consolidated statement of income (Note 4).

As at 31 October 2018, investment properties with a carrying value amounting to KD 25,851,000 and KD 11,129,000 (2017: KD 31,582,000 and KD 7,361,000) are pledged as a security against murabaha payables to the Ultimate Parent Company and local financial institutions, respectively (Note 19).

7 INVESTMENT PROPERTIES (continued)

As at 31 October 2018, the Group has developed properties, which generate rental income amounting to KD 41,012,000 (2017: KD 40,708,000). The significant assumptions made relating to valuation of such properties are set out below:

	2018	*2017*
Total area available for rent (sqm)	**49,449**	47,049
Average monthly rent per sqm (KD)	**5**	5
Average yield rate	**7.5%**	7%
Occupancy rate	**95%**	97%

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	*2018 KD*	*2017 KD*
Average monthly rent per sqm (KD)	+/- 1%	**410,120**	407,080
Average yield rate	+/- 1 BP	**406,059**	403,050

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*
		2018	*2017*	
Energy Central Utilities Bahrain South Water Company B.S.C.C.	Bahrain	**22.5%**	22.5%	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:

	2018 KD	*2017 KD*
As at 1 November	**1,609,222**	1,566,822
Share of results	**57,098**	44,813
Foreign currency translation adjustments	**9,528**	(2,413)
As at 31 October	**1,675,848**	1,609,222

As at the reporting date, the legal formalities of transferring the equity interest ownership in Energy Central Utilities Bahrain South Water Company B.S.C.C. to the Parent Company has been initiated and the transfer process will be completed within the following year.

8 INVESTMENTS IN ASSOCIATES (continued)

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

	2018 *KD*	*2017* *KD*
Share of associates' assets and liabilities as at 31 October:		
Non-current assets	**1,080,539**	1,148,058
Current assets	**630,463**	501,455
Current liabilities	**(35,154)**	(40,291)
Net assets	**1,675,848**	1,609,222
Share of associates' revenue and results for the year ended 31 October:		
Revenue	**165,034**	194,664
Results	**57,098**	44,813

9 OTHER FINANCIAL ASSETS

	2018 *KD*	*2017* *KD*
Financial assets at fair value through profit or loss (FVTPL)		
Local quoted equity securities	**2,478**	316,798
Local unquoted equity securities	-	23,935
Foreign unquoted equity securities	-	315,117
	2,478	655,850
Financial assets available for sale (AFS)		
Local quoted equity securities	-	1,485
Local unquoted equity securities	-	8,571
Foreign unquoted equity securities	-	4,150,661
	-	4,160,717
Financial assets at fair value through other comprehensive income (FVOCI)		
Local unquoted equity securities	**32,506**	-
Foreign unquoted equity securities	**2,515,302**	-
	2,547,808	-
Total other financial assets	**2,550,286**	4,816,567

On 1 November 2017 on initial application of IFRS 9 (Note 2.3.1), the Group's management classified its financial assets at fair value through profit or loss with a carrying value of KD 627,250 and its financial assets available for sale with a carrying value of KD 4,159,232 as financial assets at fair value through other comprehensive income. Furthermore, the Group's management classified its financial assets available for sale with a carrying value of KD 1,485 as financial assets at fair value through profit or loss. The effects resulting from early adoption of IFRS 9 have been disclosed in Note 2.3.1.

9 OTHER FINANCIAL ASSETS (continued)

As at 31 October 2017, unquoted local and foreign equity securities amounting to KD 4,159,232 were carried at cost less impairment losses for which information is restricted to periodic investment performance reports provided by investment managers. At 31 October 2017, management has reviewed these investments to assess whether impairment has occurred in their value; and accordingly, an impairment loss amounting to KD 1,351,620 (Note 4) has been recognised in the consolidated statement of income on these investments. Management was not aware of any circumstances that would indicate further impairment in the value of these investments at the reporting date.

Fair value hierarchy disclosures for other financial assets are provided in Note 28.

10 INVENTORIES

	2018 *KD*	*2017* *KD*
Spare parts and others	**213,211**	164,997
	213,211	164,997
Provision of write off / down for obsolete and slow moving inventories	**(86,572)**	(81,572)
	126,639	83,425

Movements in the provision of write off / down for obsolete and slow moving inventories during the years ended 31 October were as follows:

	2018 *KD*	*2017* *KD*
As at 1 November	**81,572**	81,572
Relating to assets held for sale	**5,000**	-
As at 31 October	**86,572**	81,572

11 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 *KD*	*2017* *KD*
Accumulated costs and estimated earnings on contracts in progress	**87,104,107**	99,169,977
Progress billings on contracts in progress	**(82,940,906)**	(97,563,593)
	4,163,201	1,606,384
Less: allowance for expected credit losses	**(400,711)**	-
	3,762,490	1,606,384

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

	2018 *KD*	*2017* *KD*
Gross amount due from customers for contract work, net	**4,072,993**	2,804,979
Gross amount due to customers for contract work	**(310,503)**	(1,198,595)
	3,762,490	1,606,384

11 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK (continued)

Retention receivables or payables relating to contracts in progress are disclosed in Note 12 and Note 20 respectively.

Movements in the allowance for expected credit losses of gross amounts due from customers for contract work were as follows:

	2018 ***KD***	*2017* *KD*
Opening balance	-	-
Opening balance adjustment based on lifetime ECL (Note 2.3.1)	**389,443**	-
Charge for the year based on lifetime ECL	**11,268**	-
	400,711	-

The following table shows lifetime ECL that has been recognised for gross amounts due from customers for contract work in accordance with the simplified approach set out in IFRS 9.

	Lifetime ECL- not credit impaired *KD*	*Lifetime ECL- credit impaired* *KD*	*Total* *KD*
31 October 2018			
Expected credit loss rate	9%*	100%	
Estimated total gross carrying amount	4,473,704	-	**4,473,704**
Lifetime ECL	(400,711)	-	**(400,711)**
As at 31 October			**4,072,993**

* represents average expected credit loss rate

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2018 *KD*	*2017* *KD*
Non-current		
Retention receivables, gross (C)	**95,054**	3,013,904
Less: Allowance for expected credit losses of retention receivables	**(2,418)**	-
Retention receivables, net	**92,636**	3,013,904
Current		
Trade receivables and amounts due from contract owners, gross	**7,252,462**	7,041,581
Less: Impairment of trade receivables and amounts due from contract owners	**-**	(568,283)
Less: Allowance for expected credit losses of trade receivables and amounts due from contract owners	**(2,428,387)**	-
Trade receivables and amounts due from contract owners, net	**4,824,075**	6,473,298
Amounts due from related parties, gross	**461,210**	480,462
Less: Impairment of amounts due from related parties	**(78,602)**	(39,708)
Amounts due from related parties, net (Note 23)	**382,608**	440,754
Retention receivables, gross (C)	**4,681,251**	1,754,209
Less: Allowance for expected credit losses of retention receivables	**(408,510)**	-
Retention receivables, net	**4,272,741**	1,754,209
Subcontractor debit balances	**10,055,916**	12,623,048
Less: impairment of subcontractor debit balances (A)	**(8,184,223)**	(7,897,932)
Subcontractor debit balances, net	**1,871,693**	4,725,116
Advances to subcontractors	**684,908**	1,329,823
Prepaid expenses and refundable deposits	**905,992**	838,092
Other receivables	**1,338,881**	1,730,248
	2,929,781	3,898,163
Total current	**14,280,898**	17,291,540
	14,373,534	20,305,444

(A) Impairment of subcontractor debit balances:
As at 31 October 2018, 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 7,691,998 as at 31 October 2018 (2017: KD 8,304,924). Therefore, management of the Parent Company has recorded impairment of doubtful debts amounting to KD Nil during the year ended 31 October 2018 (2017: KD 4,107,002) against these balance.

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

(B) Movements in the allowance for expected credit losses/ allowance for impairment of doubtful debts during the years ended 31 October were as follows:

	2018 *KD*	*2017* *KD*
Opening balance	**8,505,923**	4,371,435
Opening balance adjustment based on lifetime ECL (Note 2.3.1)	**1,256,463**	-
Charge for the year	**672,678**	4,201,769
Reversal based on lifetime ECL	**(169,425)**	-
Write off during the year	-	(67,281)
Relating to assets held for sale	**836,501**	-
	11,102,140	8,505,923

The following table shows lifetime ECL that has been recognised for retention receivables, trade receivables and amounts due from contract owners, and subcontractor debit balances in accordance with the simplified approach set out in IFRS 9.

	Lifetime ECL- not credit impaired *KD*	*Lifetime ECL- credit impaired* *KD*	*Total* *KD*
31 October 2018			
Expected credit loss rate	8.7%*	100%	
Estimated total gross carrying amount	12,530,791	10,015,102	**22,545,893**
Lifetime ECL	(1,087,038)	(10,015,102)	**(11,102,140)**
As at 31 October			**11,443,753**

* represents average expected credit loss rate

Receivables which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(C) Retention receivables amounting to KD 2,837,579 relate to projects that have been already delivered to customers for which final payments certificate amounting to KD 2,237,124 are yet to be billed pending the final agreement with the parent company's subcontractors.

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

			Past due but not impaired	
	Total *KD*	*Neither past due nor impaired* *KD*	*3 to 6 Months* *KD*	*More than 6 months* *KD*
2018	**4,824,075**	**478,654**	**96,495**	**4,248,926**
2017	6,473,298	2,282,580	51,883	4,138,835

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.

13 INVESTMENT DEPOSITS

Investment deposits denominated in local currency KD 200,000 are placed with a local Islamic Bank, have an original maturity of six months, and are automatically renewable for a similar period.

Investment deposits placed with the Ultimate Parent Company (Note 23) amount to KD Nil as at 31 October 2018 (2017: KD 250,000). 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 2018 was 2.375% (2017: 2.2%) per annum.

The Parent Company manages, on behalf of the Ultimate Parent Company, a portfolio of real estate assets. These real estate assets and the investment deposits relating to these fiduciary accounts are not included in the consolidated statement of financial position, but disclosed as part of the fiduciary assets (Note 24).

14 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:

	2018 ***KD***	*2017* *KD*
Bank balances and cash	**2,334,262**	702,119
Bank overdrafts (Note 20)	**(470,276)**	(53,961)
	1,863,986	648,158

As at 31 October 2018, bank balances and cash include an amount of KD 1,872,909 (2017: KD 483,806) which represents amounts held with the Ultimate Parent Company (Note 23).

As at 31 October 2018, bank overdrafts include an amount of KD 41,520 (2017: KD 27,331) which represents amounts withdrawn from the Ultimate Parent Company (Note 23).

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 the consolidated statements financial position, hence disclosed as part of the fiduciary assets (Note 24).

15 SHARE CAPITAL

	Authorised, issued and fully paid	
	2018 ***KD***	*2017* *KD*
450,534,680 shares of 100 fils each (fully paid in cash)	**45,053,468**	45,053,468

16 STATUTORY RESERVE

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

For the year ended 31 October 2018, no transfer was made to statutory reserve since the Group has incurred losses.

17 VOLUNTARY RESERVE

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

For the year ended 31 October 2018, no transfer was made to voluntary reserve since the Group has incurred losses.

During the year ended 31 October 2018, an additional Zakat of KD 53,039 (2017: KD 47,328) 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.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2018 *KD*	*2017* *KD*
As at 1 November	**1,940,036**	1,999,821
Charge for the year	**309,071**	429,390
Payments made during the year	**(467,362)**	(489,175)
Relating to assets held for sale	**183,807**	-
As at 31 October	**1,965,552**	1,940,036

19 MURABAHA PAYABLES

	2018 *KD*	*2017* *KD*
Gross amount	**15,468,835**	16,544,853
Less: deferred profit	**(155,526)**	(284,701)
	15,313,309	16,260,152

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 5.25% (2017: 4% to 5.25%) per annum.

As at 31 October 2018, murabaha payables amounting to KD 4,351,293 (2017: KD 7,070,962) are granted by the Ultimate Parent Company (Note 23).

As at 31 October 2018, murabaha payables are secured against pledge of certain investment properties with a carrying value amounting to KD 25,851,000 and KD 11,129,000 (2017: KD 31,582,000 and KD 7,361,000) to the Ultimate Parent Company and local financial institutions, respectively (Note 7).

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2018 KD	2017 KD
Non-current		
Retentions payable	**3,434,374**	5,997,151
Other liabilities	**1,599,431**	1,385,076
	5,033,805	7,382,227
Current		
Trade payables	**2,713,974**	2,035,959
Advance payment received from contract owners	**656,139**	830,992
Deferred income	**159,899**	90,943
Retentions payable	**636,504**	1,121,998
Dividend payable	**64,779**	66,566
Bank overdrafts (Note 14)	**470,276**	53,961
Other liabilities	**1,392,124**	1,132,106
Provision for expected losses from contracts and delayed penalties	**1,627,206**	1,689,663
Provision for legal claims	**3,744**	3,744
	7,724,645	7,025,932
	12,758,450	14,408,159

21 DISCONTINUED OPERATIONS

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, as a disposal group and disclosed as a discontinued operations in accordance with the requirements of "IFRS 5 – Non-current Assets Held for Sale and Discontinued operations" ("IFRS 5").

During the year ended 31 October 2018, the Group sold its interest in the ready-mix factory business (a subsidiary of the Group), for a total consideration amounting to KD 1,600,000.

The results of the discontinued operations for the years ended 31 October are presented below:

	2018 KD	2017 KD
Ready-mix factory sales	**921,780**	2,553,908
Cost of ready-mix factory sales	**(1,133,347)**	(2,510,141)
Gross (loss) profit	**(211,567)**	43,767
Gain on sale of property, plant and equipment	**5,417**	-
(Loss) profit for the year from discontinued operations	**(206,150)**	43,767

Basic and diluted loss per share

	2018	2017
(Loss) profit for the year from discontinuing operation (KD)	**(206,150)**	43,767
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted (loss) earnings per share from discontinued operations	**(0.46) fils**	0.10 fils

21 DISCONTINUED OPERATIONS (continued)

Details of the assets and liabilities of the discontinued operations which were classified as held for sale as at 31 October 2018 and 31 October 2017 are presented below:

	2018 KD	*2017 KD*
ASSETS		
Property, plant and equipment	-	1,540,915
Inventories	-	78,686
Accounts receivable and other assets	-	682,438
Bank balances and cash	-	41,299
Assets classified as held for sale	-	2,343,338
LIABILITIES		
Employees' end of service benefits	-	180,909
Accounts payable and other liabilities	-	1,110,725
Liabilities classified as held for sale	-	1,291,634
Net assets directly associated with disposal group	-	1,051,704

The net cash flows incurred by the ready-mix factory business for the years ended 31 October 2018 and 2017 are as follows:

	2018 KD	*2017 KD*
Operating	**655,787**	182,117
Cash flows from operating activities	**655,787**	182,117

	2018 KD
Assets directly associated with the discontinued operations	**1,608,887**
Liabilities directly associated with the discontinued operations	-
Net assets relating to discontinued operations	**1,608,887**
Consideration received	**1,600,000**
Realised loss on disposal	**(8,887)**
Consideration received	**1,600,000**
Less:- Bank balances and cash	-
Net cash flows arising on disposal of a subsidiary	**1,600,000**

22 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:

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 of the Parent Company 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.

22 SEGMENT INFORMATION (continued)

a) Products and services information (continued)

Segment reporting information is illustrated as follows:

	Manufacturing KD	*Construction projects KD*	*Services rendered KD*	*Real Estate KD*	*Investments KD*	*Unallocated KD*	*Total KD*
31 October 2018							
Segment revenues	**927,197**	**8,198,176**	**8,528,823**	**2,559,262**	**112,717**	**34,373**	**20,360,548**
Operating and administrative expenses	**1,133,347**	**8,445,133**	**6,816,212**	**203,788**	**2,106,326**	**2,608,099**	**21,312,905**
Depreciation	**-**	**54,291**	**10,106**	**-**	**14,626**	**59,594**	**138,617**
Segment costs	**1,133,347**	**8,499,424**	**6,826,318**	**203,788**	**2,120,952**	**2,667,693**	**21,451,522**
(Loss) profit for the year	**(206,150)**	**(301,248)**	**1,702,505**	**2,355,474**	**(2,008,235)**	**(2,633,320)**	**(1,090,974)**
As at 31 October 2018							
Assets	**-**	**11,792,264**	**6,130,850**	**41,212,029**	**13,496,085**	**1,486,714**	**74,117,942**
Liabilities	**-**	**9,773,013**	**1,550,022**	**2,576,271**	**12,795,987**	**3,652,521**	**30,347,814**
Capital expenditures and commitments	**-**	**-**	**-**	**-**	**532,102**	**-**	**532,102**

22 SEGMENT INFORMATION (continued)

a) Products and services information (continued)

	Manufacturing KD*	*Construction projects KD*	*Services rendered KD*	*Real Estate KD*	*Investments KD*	*Unallocated KD*	*Total KD*
31 October 2017							
Segment revenues	2,553,908	5,423,612	8,433,098	2,236,383	547,479	81,002	19,275,482
Operating and administrative expenses	2,510,141	7,290,689	6,642,703	164,727	4,007,105	6,525,637	27,141,002
Depreciation	-	177,346	7,033	-	16,746	40,390	241,515
Segment costs	2,510,141	7,468,035	6,649,736	164,727	4,023,851	6,566,027	27,382,517
Profit (loss) for the year	43,767	(2,044,423)	1,783,362	2,071,656	(3,476,372)	(6,485,025)	(8,107,035)
As at 31 October 2017							
Assets	2,343,338	14,979,032	7,505,533	43,365,760	14,506,117	782,255	83,482,035
Liabilities	1,291,634	12,741,343	1,851,892	2,730,123	13,578,395	2,905,189	35,098,576
Capital expenditures and commitments	-	-	-	45,802	95,194	90,363	231,359

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

22 SEGMENT INFORMATION (continued)

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*	
	2018 KD	*2017 KD*	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*
Assets	**62,795,945**	70,053,344	**10,055,191**	10,810,927	**54,488**	123,450	**1,212,318**	2,494,314	**74,117,942**	83,482,035
Revenues	**20,303,450**	18,971,786	**57,098**	44,813	**-**	-	**-**	258,883	**20,360,548**	19,275,482

23 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 KD	*Total 2018 KD*	*Total 2017 KD*
Consolidated statement of income			
Revenue from services rendered	**3,124,535**	**3,124,535**	2,878,871
Realised gain on sale of financial assets available for sale	**-**	**-**	232,503
Profit from investment deposits (Note 4)	**-**	**-**	3,787
Finance costs	**308,425**	**308,425**	437,399

Revenue from services rendered includes KD 295,018 (2017: KD 427,555) which has been earned from trust and fiduciary activities rendered to the Ultimate Parent Company (Note 24).

	Ultimate Parent Company KD	*Total 2018 KD*	*Total 2017 KD*
Consolidated statement of financial position			
Amounts due from related parties (Note 12)	**382,608**	**382,608**	440,754
Investment deposits (Note 13)	**-**	**-**	250,000
Bank balances and cash (Note 14)	**1,872,909**	**1,872,909**	483,806
Murabaha payables (Note 19)	**4,351,293**	**4,351,293**	7,070,962
Bank overdrafts (Note 14)	**41,520**	**41,520**	27,331

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

As of 31 October 2018, investment deposits and bank balances amounting to KD 2,500,000 and KD 5,081,148 (2017: KD 2,500,000 and KD 11,291,995), respectively, related to fiduciary assets held with the Ultimate Parent Company (Note 24)

	2018 KD	*2017 KD*
Key management compensation		
Salaries and other short-term benefits	**243,838**	354,751*
Employees' end of service benefits	**29,863**	32,252
	273,701	387,003

*Salaries and other short-term benefits include remuneration for a board member amounting to KD 12,250 proposed by the Board of Directors and subject to the approval of shareholders annual general assembly meeting.

24 FIDUCIARY ASSETS

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

The aggregate value of investment deposits and bank balances held in a trust or fiduciary capacity by the Group at 31 October 2018 amounted to KD 2,500,000 and KD 5,958,618, respectively (2017: KD 2,500,000 and KD 11,680,499, respectively).

As of 31 October 2018, investment deposits and bank balances relating to fiduciary assets (part of the above balance) related to the Ultimate Parent Company amounting to KD 2,500,000 and KD 5,081,148, respectively (2017: KD 2,500,000 and KD 11,291,995, respectively).

Revenue from services rendered includes KD 595,685 (2017: KD 691,837) arising from trust and fiduciary activities, out of which KD 295,018 (2017: KD 427,555) has been earned from services rendered to the Ultimate Parent Company (Note 23).

25 CONTINGENT LIABILITIES

(a) As at 31 October 2018, the Group has contingent liabilities representing letters of guarantee and letters of credit issued in the ordinary course of business amounting to KD 18,500,282 (2017: KD 24,491,495) from which it is anticipated that no material liability will arise.

(b) Letter of guarantees amounting to KD 12,744,410 (2017: KD 14,475,636) related to delayed projects amounting to KD 97,110,242 (2017: 97,110,242) for which the Parent Company did not have approved extension on the project completion date.

(c) The Parent Company has legal cases filed by subcontractors and the management of the Parent Company does not expect probable obligation from those legal cases.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to 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 2018 and 31 October 2017. The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarised below.

26.1 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 12.

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 60% of the total outstanding receivables as at 31 October 2018 (2017: 50%)

26.2 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 to 12 months KD*	*Over one year KD*	*Total KD*
2018					
Murabaha payables	**11,312,015**	**561,561**	**1,123,122**	**2,472,137**	**15,468,835**
Accounts payable and other liabilities	**1,032,328**	**1,872,006**	**2,640,098**	**7,214,018**	**12,758,450**
Total financial liabilities	**12,344,343**	**2,433,567**	**3,763,220**	**9,686,155**	**28,227,285**
Contingent liabilities	**837,500**	**3,020,990**	**4,939,651**	**9,702,141**	**18,500,282**

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 Liquidity risk (continued)

	Less than 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
2017					
Murabaha payables	7,841,579	3,217,761	1,107,134	4,378,379	16,544,853
Accounts payable and other liabilities	359,782	588,519	329,534	13,130,324	14,408,159
Total financial liabilities	8,201,361	3,806,280	1,436,668	17,508,703	30,953,012
Contingent liabilities	13,421,675	1,020,500	10,034,612	14,708	24,491,495

26.3 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.

26.3.1 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.

26.3.2 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.

	2018		*2017*	
	Effect on results for the year KD	***Effect on other comprehensive income KD***	*Effect on results for the year KD*	*Effect on other comprehensive income KD*
Currency				
US Dollar	**16,025**	**171,493**	15,756	157,701
Bahraini Dinar	**494,478**	**54,599**	442,100	49,832
Saudi Riyal	**2,018**	**-**	1,782	-
	512,521	**226,092**	459,638	207,533

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.

26.3.3 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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.3 Market risk (continued)
26.3.3 Equity price risk (continued)
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:

	2018		2017	
	Effect on results for the year KD	**Effect on other comprehensive income KD**	Effect on results for the year KD	Effect on other comprehensive income KD
Market indices				
Kuwait	**1,329**	**-**	15,840	74

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.

27 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 2018 and 31 October 2017. Capital comprises share capital, share premium, statutory reserve, voluntary reserve, foreign currency translation reserve, cumulative changes in fair values reserve, and accumulated losses and is measured at KD 43,770,128 as at 31 October 2018 (2017: KD 48,383,459).

28 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
2018				
Investment properties	**-**	**7,059,038**	**41,012,000**	**48,071,038**
Financial assets at fair value through profit or loss	**2,478**	**-**	**-**	**2,478**
Financial assets at fair value through other comprehensive income	**-**	**-**	**2,547,808**	**2,547,808**
	2,478	**7,059,038**	**43,559,808**	**50,621,324**
2017				
Investment properties	-	9,442,430	40,708,000	50,150,430
Financial assets available for sale	1,485	-	-	1,485
Financial assets at fair value through profit or loss	316,798	-	339,052	655,850
	318,283	9,442,430	41,047,052	50,807,765

During the years ended 31 October 2018 and 31 October 2017, there were no transfers between Level 1 and Level 2 fair value measurements and level 3 fair value measurements.

28 FAIR VALUE MEASUREMENTS (continued)

During the year ended 31 October 2017, a transfer of one property with a carrying value of K.D 2,118,000 from level 3 fair value measurements to level 2 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 *KD*	*Transferred from financial assets available for sale* *KD*	*Transition adjustment on adoption of IFRS 9 at 1 November 2017* *KD*	*Transferred from buildings and land under developments* *KD*	*Net losses recorded in the consolidated statement of income* *KD*	*Net losses recorded in the consolidated statement of comprehensive income* *KD*	*Net purchases, transfers, sales and settlements* *KD*	*At the end of the year* *KD*
31 October 2018								
Investment properties	40,708,000	-	-	2,280,000	(1,976,248)	-	248	41,012,000
Financial assets at fair value through other comprehensive income	339,052	4,159,232	(480,755)	-	-	(1,352,185)	(117,536)	2,547,808
	41,047,052	**4,159,232**	**(480,755)**	**2,280,000**	**(1,976,248)**	**(1,352,185)**	**(117,288)**	**43,559,808**
31 October 2017								
Investment properties	40,813,761	-	-	-	(1,462,233)	-	1,356,472	40,708,000
Financial assets at fair value through profit or loss	531,710	-	-	-	(192,658)	-	-	339,052
	41,345,471	-	-	-	(1,654,891)	-	1,356,472	41,047,052

Description of significant unobservable inputs to valuation of financial assets:
Unquoted equity securities are valued based on net assets book value when the underlying assets represents the fair value.

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

Developed properties

- 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.

- 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.

29 COST OF CONSTRUCTION CONTRACTS

The cost of construction contracts includes the cost deduction of KD 447,015 associated with the subcontractor's final payment certificates signed during the current year which relates to projects preliminary delivered to customers in prior years.