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

CONSOLIDATED FINANCIAL STATEMENTS

31 OCTOBER 2017

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

Report on the Consolidated Financial Statements

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 2017, 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 2017, 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.

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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 (60.1 %) of the Group, with a carrying value of KD 50,150,430 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.

Impairment of accounts receivables

As at 31 October 2017, accounts receivable amounting to KD 20,305,444 represent 24.3 % of total assets. The management maintained an estimated allowance for doubtful accounts to reduce the Group's receivables to their carrying amount, which approximates their fair value. Management evaluates the estimated allowance based on specific reviews of customer accounts and the management legal specialists' opinion. Management makes an objective assessment for evidence of impairment and the assessment of the recoverable amount. This process involves significant accounting judgments and estimates as disclosed in Note 2.5 to the consolidated financial statements. We consider, therefore, this matter as a key audit matter.

We collaborated and then evaluated management's assumptions, judgment and estimations. We also obtained the Parent Company's legal specialists opinion used by the management to assess the outcome of the legal cases, for the purpose of recoverability of the receivable balances. We have made inquiries with the management and obtained additional clarification for legal cases from the Parent Company's legal specialists to substantiate the assessment of the recoverability of those accounts receivable balances with most reliable information.

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)
Impairment of accounts receivables (continued)
We considered subsequent settlement when performing analysis of receivables' aging brackets. In addition, we assessed the adequacy of the Group's disclosure regarding allowance for doubtful accounts.

We have considered the objectivity and expertise of the management legal specialists. We also considered the adequacy of the Group's disclosure relating to the impairment provision in Note 13 to the consolidated financial statements.

Projects revenue recognition and related assets
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 2.5 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 Parent Company'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.

Information related to contracts and related revenues and contingencies are disclosed in Note 3 and Note 26 to the consolidated financial statements.

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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)

Significant IT - migration to new system

During the year, the Parent Company has migrated to a new system. We have focused on this migration due to the inherent risk of error and the impact such an error may have on the Parent Company's financial accounting and reporting process. Because of the significance of the event and the potential impact on the Group's financial reporting this has been considered as key audit matter.

In this context, we involved our internal specialists and assessed, amongst other things, the quality of controls in place during the migration of the data to the new IT system; the rigour of the user acceptance testing conducted by the users of the system and the sign off of the accounting department on the closing balances in the legacy system and the sign off on the opening balances in the new system. In addition, we also performed additional substantive procedures on a sample basis on the general ledger data after migration from the legacy IT system to the new IT system to check their completeness and accuracy, including review of the reconciliations between the two systems performed by the management.

Valuation and impairment of financial assets available for sale

As at 31 October 2017, the Group has financial assets available for sale carried at cost less impairment. These financial assets do not have a quoted price in an active market and whose fair values cannot be reliably measured. If the financial assets available for sale witnessed objective evidence, which indicates a decline in value, an impairment loss is recognized in the consolidated statement of income. The assessment whether objective evidence of impairment 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 impairment 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 impairment exists for individual financial assets and the qualitative and quantitative factors used such as the investee's financial performance including dividends, financial condition and operations, its market and economic environment and the management's legal specialist opinion when legal implications exist. In addition, we have considered the objectivity and expertise of the management legal specialists

Finally, we assessed the completeness and accuracy of the disclosures relating to financial assets available for sale in note 9 to the consolidated financial statements.

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)

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 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.

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:

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)

- 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.

- 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.

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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)

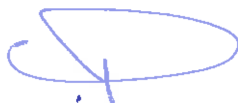
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

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 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
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AL AIBAN, AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN
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AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

6 February 2018
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 October 2017

	Notes	*2017* *KD*	*2016* *KD*
CONTINUING OPERATIONS			
REVENUES			
Revenue from services rendered		**8,433,098**	11,514,305
Revenue from real estate activities		**2,236,383**	2,359,893
Revenue from construction contracts	3	**5,423,612**	11,411,070
		16,093,093	25,285,268
COST OF REVENUES			
Cost of services rendered		**6,649,736**	9,356,450
Cost of real estate activities		**164,727**	188,119
Cost of construction contracts	3	**7,468,035**	14,792,746
		14,282,498	24,337,315
GROSS PROFIT		**1,810,595**	947,953
Provision of write off / down for obsolete and slow moving inventories	10	**-**	(65,392)
Allowance for impairment of doubtful debts	13	**(4,201,769)**	(3,799,290)
Provision for legal claims	21	**-**	(1,830,558)
General and administrative expenses		**(1,625,107)**	(1,568,334)
LOSS FROM OPERATIONS		**(4,016,281)**	(6,315,621)
Share of results of associates	8	**44,813**	25,937
Net investment loss	4	**(3,504,945)**	(1,354,980)
Other income		**81,002**	37,388
Foreign exchange gain		**506**	27,946
Finance costs		**(743,647)**	(813,798)
LOSS FOR THE YEAR FROM CONTINUING OPERATION BEFORE BOARD OF DIRECTORS' REMUNERATION		**(8,138,552)**	(8,393,128)
Board of Directors' remuneration	24	**(12,250)**	-
LOSS FOR THE YEAR FROM CONTINUING OPERATION		**(8,150,802)**	(8,393,128)
DISCONTINUING OPERATION			
Profit (Loss) for the year from discontinuing operation	22	**43,767**	(510,655)
LOSS FOR THE YEAR		**(8,107,035)**	(8,903,783)
BASIC AND DILUTED LOSS PER SHARE	5	**(17.99) fils**	(19.76) fils
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATION	5	**(18.09) fils**	(18.63) 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 2017

	Notes	***2017*** ***KD***	*2016* *KD*
Loss for the year		**(8,107,035)**	(8,903,783)
Other comprehensive loss:			
Items that are or may be reclassified subsequently to consolidated statement of income in subsequent periods:			
- Net unrealized loss on financial assets available for sale		**(1,044,176)**	(945,495)
- Realised gain on sale of financial assets available for sale transferred to consolidated statement of income	4	**(483,116)**	(359,276)
- Impairment loss on financial assets available for sale transferred to consolidated statement of income	4	**1,351,620**	1,253,450
- Exchange differences on translation of foreign operations		**(2,413)**	28,467
- Exchange differences transferred to consolidated statement of income on sale of an associate		**-**	(72,847)
Other comprehensive loss for the year		**(178,085)**	(95,701)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(8,285,120)**	(8,999,484)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

	Notes	*2017* *KD*	*2016* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**416,511**	1,023,167
Investment properties	7	**50,150,430**	53,273,269
Investments in associates	8	**1,609,222**	1,566,822
Financial assets available for sale	9	**4,160,717**	5,929,753
Accounts receivable and other assets	13	**3,013,904**	3,419,017
		59,350,784	65,212,028
Current assets			
Inventories	10	**83,425**	**155,135**
Financial assets at fair value through profit or loss	11	**655,850**	**566,710**
Gross amount due from customers for contract work	12	**2,804,979**	**2,314,754**
Accounts receivable and other assets	13	**17,291,540**	**20,974,975**
Investment deposits	14	**250,000**	**250,000**
Bank balances and cash	15	**702,119**	**554,250**
		21,787,913	24,815,824
Assets classified as held for sale	22	**2,343,338**	2,687,381
		24,131,251	27,503,205
TOTAL ASSETS		**83,482,035**	92,715,233
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**45,053,468**	45,053,468
Share premium		**176,642**	176,642
Statutory reserve	17	**8,384,971**	8,384,971
Voluntary reserve	18	**4,544,599**	4,591,927
Foreign currency translation reserve		**48,411**	50,824
Cumulative changes in fair values reserve		**74,016**	249,688
Accumulated losses		**(9,898,648)**	(1,791,613)
Total equity		**48,383,459**	56,715,907
Non-current liabilities			
Employees' end of service benefits	19	**1,940,036**	1,999,821
Murabaha payables	20	**4,280,718**	2,564,147
Accounts payable and other liabilities	21	**5,997,151**	3,324,924
		12,217,905	7,888,892
Current liabilities			
Gross amount due to customers for contract work	12	**1,198,595**	195,377
Murabaha payables	20	**11,979,434**	14,151,448
Accounts payable and other liabilities	21	**8,411,008**	12,310,049
		21,589,037	26,656,874
Liabilities classified as held for sale	22	**1,291,634**	1,453,560
		22,880,671	28,110,434
Total liabilities		**35,098,576**	35,999,326
TOTAL EQUITY AND LIABILITIES		**83,482,035**	92,715,233

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 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Loss for the year from continuing operation before Board of Directors' remuneration		**(8,138,552)**	(8,393,128)
Profit (Loss) for the year from discontinuing operation		**43,767**	(510,655)
Loss for the year		**(8,094,785)**	(8,903,783)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation	6	**241,515**	959,796
(Gain) loss on disposal of property, plant and equipment		**(58,072)**	59,337
Share of results of associates	8	**(44,813)**	(25,937)
Net investment loss	4	**3,504,945**	1,354,980
Provision of write off / down for obsolete and slow moving inventories	10	**-**	65,392
Allowances for impairment of doubtful debts	13	**4,201,769**	3,799,290
Provision for legal claims	21	**-**	1,830,558
Provision for employees' end of service benefits	19	**429,390**	552,268
Finance costs		**743,647**	813,798
		923,596	505,699
Changes in working capital:			
Inventories		**71,710**	2,927,250
Financial assets at fair value through profit or loss		**(304,812)**	35,455
Gross amount due from/to customers for contract work		**512,993**	6,903,158
Accounts receivable and other assets		**(113,221)**	(5,026,015)
Accounts payable and other liabilities		**(972,155)**	(2,725,929)
Cash flows from operations		**118,111**	2,619,618
Employees' end of service benefits paid	19	**(489,175)**	(290,190)
Net cash flows (used in) from operating activities		**(371,064)**	2,329,428
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(185,557)**	(250,936)
Proceeds from disposal of property, plant and equipment		**608,770**	23,908
Additions to investment properties	7	**(45,802)**	(292,707)
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**	810,761
Investment deposits, net		**-**	300,000
Dividend income received	4	**15,257**	21,757
Profit from investment deposits received	4	**3,787**	719
Assets and labilities classified as held for sale		**182,117**	-
Net cash flows from investing activities		**2,032,260**	613,502
FINANCING ACTIVITIES			
Net movement in murabaha payables		**(648,351)**	(3,173,062)
Finance costs paid		**(550,739)**	(813,798)
Net cash flows used in financing activities		**(1,199,090)**	(3,986,860)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**462,106**	(1,043,930)
Cash and cash equivalents reclassified as held for sale		**-**	6,580
Cash and cash equivalents at 1 November	15	**186,052**	1,223,402
CASH AND CASH EQUIVALENTS AT 31 OCTOBER	15	**648,158**	186,052
Non-cash transaction:			
Addition of an associate		**-**	(1,509,197)
Disposal of an associate		**-**	773,691
Gain on disposal of an associate		**-**	387,004
Disposal of a financial asset available for sale		**-**	315,612
Realised gain on disposal of a financial asset available for sale		**-**	32,208
Amount due from an associate		**-**	682

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 2017

	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) retained earnings KD*	*Total KD*
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 18)	-	-	-	(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**
As at 1 November 2015	45,053,468	176,642	8,384,971	4,692,796	95,204	301,009	7,112,170	65,816,260
Loss for the year	-	-	-	-	-	-	(8,903,783)	(8,903,783)
Other comprehensive loss for the year	-	-	-	-	(44,380)	(51,321)	-	(95,701)
Total comprehensive loss for the year	-	-	-	-	(44,380)	(51,321)	(8,903,783)	(8,999,484)
Zakat (Note 18)	-	-	-	(100,869)	-	-	-	(100,869)
As at 31 October 2016	45,053,468	176,642	8,384,971	4,591,927	50,824	249,688	(1,791,613)	56,715,907

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 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 31 January 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 2016 was held on March 30 2017 and approved the consolidated financial statements for the year ended 31 October 2016.

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

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

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

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 available for sale and financial assets at fair value through profit or loss that have been measured at fair value.

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

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, and the consolidated financial statements provide comparative information in respect to the previous year.

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 cash flow statement.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 October 2017.

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 December are set out below:

Name of company	*Country of incorporation*	*Effective interest in equity*		*Principal activities*
		2017	*2016*	
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 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:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rendering of services

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

Real estate activities

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

Construction contracts

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

Sale of goods

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

Dividend income

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

Investment deposits

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

Operating leases

Group as a lessor

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

Group as a lessee

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

Finance costs

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

Taxation

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

The Parent Company calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 discontinuing operation

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.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Property, plant and equipment
Property, plant and equipment are stated at cost, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

No properties held under operating lease have been classified as investment properties.

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

Under the equity method, the investment in the associate is initially 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
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
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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale (continued)

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.

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).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
(i) Financial assets (continued)
Subsequent measurement (continued)
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.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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.

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

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

Subsequent measurement

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

Murabaha payables

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

Accounts payable

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

Derecognition

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

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

Employees' end of service benefits
The Group provides end of service benefits to its 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.4 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 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and is in the process of assessing the impact.

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

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date and is in the process of assessing the impact. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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).

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Leases (continue)
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. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements. Furthermore the Group plans to adopt the new standard on the required effective date and is in the process of assessing the 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 2014-2016 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2017. 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.

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 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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Changes in accounting policies and disclosures continued
The accounting policies applied are consistent with those used in the previous year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

The Group classifies property as 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.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

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

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

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

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

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

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

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.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of financial assets available for sale

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

Impairment of inventories

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

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

Impairment of accounts receivable

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

3 REVENUE FROM / COST OF CONSTRUCTION CONTRACTS AND DELAY PENALITIES

During the year ended 31 October 2017, the Group has incurred delay penalties amounting KD 1,300,000 (2016: KD Nil), which is recorded as deduction from revenue from construction contracts.

Included in the cost of construction contracts for the year ended 31 October 2017 is an amount of KD 822,045 (2016: KD 664,624) representing expected losses on certain projects as it is probable at the reporting date.

4 NET INVESTMENT LOSS

	2017 *KD*	*2016* *KD*
Gain on sale of investment properties	**(69,932)**	-
Unrealised loss on revaluation of investment properties (Note 7)	**(2,369,881)**	(732,510)
Gain on sale of an investment in an associate (Note 24)	**-**	387,004
Realised gain on sale of financial assets available for sale	**483,116**	359,276
Impairment loss on financial assets available for sale (Note 9)	**(1,351,620)**	(1,253,450)
Realised (loss) gain on sale of financial assets at fair value through profit or loss	**(17,281)**	3,077
Unrealised loss on financial assets at fair value through profit or loss (Note 11)	**(198,391)**	(140,853)
Dividend income	**15,257**	21,757
Profit from investment deposits (Note 24)	**3,787**	719
	(3,504,945)	(1,354,980)

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.

	2017	*2016*
Loss for the year (KD)	**(8,107,035)**	(8,903,783)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted loss per share	**(17.99) fils**	(19.76) fils
Loss for the year from continuing operation (KD)	**(8,150,802)**	(8,393,128)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted loss per share from continuing operation	**(18.09) fils**	(18.63) 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 2016	360,000	194,081	3,009,643	322,135	3,885,859
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	-	**238,382**	**2,001,394**	**272,913**	**2,512,689**
Depreciation:					
As at 1 November 2016	-	49,188	2,504,148	309,356	2,862,692
Charge for the year	-	30,002	204,910	6,603	241,515
Disposals	-	(10,056)	(948,763)	(49,210)	(1,008,029)
As at 31 October 2017	-	**69,134**	**1,760,295**	**266,749**	**2,096,178**
Net book value:					
As at 31 October 2017	-	**169,248**	**241,099**	**6,164**	**416,511**

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

*During the year ended 31 October 2017, the company sold the leasehold land and its related building with a carrying value amounting to 454,670 KD resulting in a gain of KD 65,430.

** During the year ended 31 October 2016, the Board of Directors of the Parent Company has decided to dispose the Group's ready-mix factory business and has an active plan to sell such assets.

Accordingly, property, plant and equipment of the factory with a net book value of KD 1,540,915(2016: KD 1,593,734) have been reclassified as non-current assets held for sale (Note 22).

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

	2017 KD	*2016 KD*
Continuing operations		
Cost of services rendered	**7,033**	22,900
Cost of construction contracts	**177,346**	343,855
General and administrative expenses	**57,136**	28,546
	241,515	395,301
Discontenting operation	-	564,495
	241,515	959,796

7 INVESTMENT PROPERTIES

	2017 KD	*2016 KD*
As at 1 November	**53,273,269**	53,713,072
Additions	**45,802**	292,707
Disposals	**(798,760)**	-
Unrealised loss on revaluation (Note 4)	**(2,369,881)**	(732,510)
As at 31 October	**50,150,430**	53,273,269

7 INVESTMENT PROPERTIES (continued)

As at 31 October, investment properties are categorised into:

	2017 *KD*	*2016* *KD*
Properties under development	**2,280,000**	4,495,000
Developed properties	**47,870,430**	48,778,269
	50,150,430	53,273,269

Properties under development include land and development cost amounting to KD 1,536,000 and KD 744,000 (2016: KD 3,401,521 and KD 1,093,479), respectively.

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

	2017 *KD*	*2016* *KD*
Kuwait	**42,988,000**	44,510,000
Gulf Council Countries	**7,162,430**	8,763,269
	50,150,430	53,273,269

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 29.

For valuation purpose, the Group has selected the lower of those two valuations (2016: the lower of two valuations). Based on those valuations, the Group has recognised an unrealised loss on revaluation of KD 2,369,881 (2016: loss of KD 732,510) in the consolidated statement of income (Note 4).

As at 31 October 2017, investment properties with a carrying value amounting to KD 31,582,000 and KD 7,361,000 (2016: KD 32,463,603 and KD 7,671,000) are pledged as a security against murabaha payables to the Ultimate Parent Company and local financial institutions, respectively (Note 20).

7 INVESTMENT PROPERTIES (continued)

As at 31 October 2017, the Group has developed properties, which generate rental income amounting to KD 40,708,000 (2016: KD 40,813,761). The significant assumptions made relating to valuation of such properties are set out below:

	2017	*2016*
Total area available for rent (sqm)	**17,912**	16,951
Average monthly rent per sqm (KD)	**13**	14
Average yield rate	**7%**	7%
Occupancy rate	**97%**	100%

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

	Changes in significant assumptions	*2017 KD*	*2016 KD*
Average monthly rent per sqm (KD)	+/- 1%	**407,080**	400,150
Average yield rate	+/- 1 BP	**403,050**	396,188

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*
		2017	*2016*	
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:

	2017 KD	*2016 KD*
As at 1 November	**1,566,822**	849,759
Share of results	**44,813**	25,937
Foreign currency translation adjustments	**(2,413)**	(44,380)
Addition of an associate*	-	1,509,197
Disposal of an associate*	-	(773,691)
As at 31 October	**1,609,222**	1,566,822

* The Parent Company had entered into an agreement with related parties to swap its entire 16.5% equity interest in Central Energy Company B.S.C.C. , formerly an associate of the Group and an amount due from the associate, along with its entire 13.3% equity interest in South Bahrain Water Company B.S.C.C., formerly classified as a financial asset available for sale for a 22.5% equity interest in Energy Central Utilities Bahrain South Water Company B.S.C.C. As a result, the Group has recognised the result of sale of the investment in an associate and the financial asset available in the consolidated statement of income during the year ended 31 October 2016.

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

8 INVESTMENTS IN ASSOCIATES (continued)

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

	2017 *KD*	*2016* *KD*
Share of associates' assets and liabilities as at 31 October:		
Non-current assets	**1,148,058**	1,233,860
Current assets	**501,455**	384,907
Non-current liabilities	**-**	-
Current liabilities	**(40,291)**	(51,945)
Net assets	**1,609,222**	1,566,822
Share of associates' revenue and results for the year ended 31 October:		
Revenue	**194,664**	131,328
Results	**44,813**	25,937

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2017 *KD*	*2016* *KD*
Local:		
Quoted equity securities	**1,485**	34,349
Unquoted equity securities	**8,571**	8,571
	10,056	42,920
Foreign:		
Unquoted equity securities	**4,150,661**	5,886,833
	4,150,661	5,886,833
	4,160,717	5,929,753

During the year ended 31 October 2016, an impairment loss amounting to KD 17,462 (Note 4) was recognised in the consolidated statement of income on local quoted equity securities on which there has been a significant or prolonged decline in their value. During the current year, no impairment loss on local quoted securities was recognised.

As at 31 October 2017, unquoted local and foreign equity securities amounting to KD 4,159,232 (2016: KD 5,895,404) are 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 (2016: KD 1,253,450) (Note 4) has been recognised in the consolidated statement of income on these investments. Management is not aware of any circumstances that would indicate further impairment in the value of these investments at the reporting date.

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

10 INVENTORIES

	2017 *KD*	*2016* *KD*
Steel	**-**	25,665
Spare parts and others	**164,997**	211,042
	164,997	236,707
Provision of write off / down for obsolete and slow moving inventories	**(81,572)**	(81,572)
	83,425	155,135

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

	2017 *KD*	*2016* *KD*
As at 1 November	**81,572**	21,180
Charge for the year	**-**	65,392
Relating to transfer to assets held for sale	**-**	(5,000)
As at 31 October	**81,572**	81,572

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *KD*	*2016* *KD*
Held for trading:		
Local quoted equity securities	**316,798**	35,000
Designated at fair value through profit or loss:		
Local unquoted equity securities	**23,935**	150,434
Foreign unquoted equity securities	**315,117**	381,276
	339,052	531,710
	655,850	566,710

As at 31 October 2017, the fair value of unquoted equity securities designated as at fair value through profit or loss is determined based on periodic reports provided by the related investment manager.

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

	2017 *KD*	*2016* *KD*
Held for trading:		
Local quoted equity securities	**(5,732)**	(7,102)
Designated at fair value through profit or loss:		
Local unquoted equity securities	**(126,500)**	(34,414)
Foreign unquoted equity securities	**(66,159)**	(99,337)
	(192,659)	(133,751)
Unrealised loss on financial assets at fair value through profit or loss (Note 4)	**(198,391)**	(140,853)

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

12 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 KD	2016 KD
Accumulated costs and estimated earnings on contracts in progress	**99,169,977**	92,778,343
Progress billings on contracts in progress	**(97,563,593)**	(90,658,966)
	1,606,384	2,119,377

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

	2017 KD	2016 KD
Gross amount due from customers for contract work	**2,804,979**	2,314,754
Gross amount due to customers for contract work	**(1,198,595)**	(195,377)
	1,606,384	2,119,377

Retention receivables or payables relating to contracts in progress are disclosed in Note 13 and Note 21 respectively.

13 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2017 KD	2016 KD
Non-current		
Retention receivables (C)	**3,013,904**	3,419,017
Current		
Trade receivables and amounts due from contract owners, gross	**7,681,410**	8,385,138
Less: Impairment of trade receivables and amounts due from contract owners	**(564,479)**	(631,760)
Trade receivables and amounts due from contract owners, net	**7,116,931**	7,753,378
Amounts due from related parties, gross	**480,462**	461,765
Less: Impairment of amounts due from related parties	**(56,258)**	(56,258)
Amounts due from related parties, net (Note 24)	**424,204**	405,507
Retention receivables (C)	**1,754,208**	1,405,501
Subcontractor debit balances	**12,424,873**	11,024,429
Less: impairment of subcontractor debit balances (A)	**(7,897,932)**	(3,696,164)
Subcontractor debit balances, net	**4,526,941**	7,328,265
Advances to subcontractors	**931,098**	1,216,912
Prepaid expenses and refundable deposits	**838,094**	707,052
Other receivables	**1,700,064**	2,158,360
	3,469,256	4,082,324
Total current	**17,291,540**	20,974,975
	20,305,444	24,393,992

13 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

(A) Impairment of subcontractor debit balances:
As at 31 October 2017, 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 8,304,924 as at 31 October 2017 (2016: KD 6,988,941). Therefore, management of the Parent Company has recorded impairment of doubtful debts amounting to KD 4,107,002 during the year ended 31 October 2017 (2016: KD 3,600,000) against these balance.

(B) Movements in the impairment of doubtful debts during the years ended 31 October were as follows:

	2017 *KD*	*2016* *KD*
As at 1 November	**4,384,182**	1,420,994
Charge for the year	**4,201,769**	3,799,290
Write off during the year	**(67,281)**	-
Relating to transfer to assets held for sale	-	(836,102)
As at 31 October	**8,518,670**	4,384,182

(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*	*Less than 3 months* *KD*	*3 to 6 months* *KD*	*More than 6 months* *KD*
2017	**7,116,931**	**912,969**	**371,215**	**1,929,895**	**3,902,852**
2016	7,753,378	1,612,597	458,849	971,782	4,710,150

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

14 INVESTMENT DEPOSITS

These represent investment deposits denominated in local currency placed with the Ultimate Parent Company (Note 24) amounting to KD 250,000 as at 31 October 2017 (2016: KD 250,000), respectively. Such deposits are valid for one year and are automatically renewable for a similar period. The average rate of profit on these deposits during the year ended 31 October 2017 was 2.2% (2016: 1.9%) 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 25).

15 CASH AND CASH EQUIVALENTS

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

	2017 *KD*	*2016* *KD*
Bank balances and cash	**702,119**	554,250
Bank overdrafts (Note 21)	**(53,961)**	(368,198)
	648,158	186,052

As at 31 October 2017, bank balances and cash include an amount of KD 483,806 (2016: KD 214,883) which represents amounts held with the Ultimate Parent Company (Note 24).

As at 31 October 2017, bank overdrafts include an amount of KD 27,331 (2016: KD 108,589) which represents amounts withdrawn from the Ultimate Parent Company (Note 24).

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

16 SHARE CAPITAL

	Authorised, issued and fully paid	
	2017 *KD*	*2016* *KD*
450,534,680 shares of 100 fils each (fully paid in cash)	**45,053,468**	45,053,468

17 STATUTORY RESERVE

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

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

For the year ended 31 October 2017, no transfer was made to statutory reserve since the Group has incurred losses.

18 VOLUNTARY RESERVE

As required by the Parent Company's Memorandum of Incorporation, 10% of the profit for the year before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly of the Parent Company's shareholders upon recommendation by the Parent Company's Board of Directors.

For the year ended 31 October 2017, no transfer was made to voluntary reserve since the Group has incurred losses.

During the year ended 31 October 2017, an additional Zakat of KD 47,328 (2016: KD 100,869) has been charged to voluntary reserve to be paid under the direction of the Ultimate Parent Company's Fatwa and Sharea'a Supervisory Board in accordance with the Parent Company's internal guidelines.

19 EMPLOYEES' END OF SERVICE BENEFITS

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:

	2017 *KD*	*2016* *KD*
As at 1 November	**1,999,821**	1,896,098
Charge for the year	**429,390**	552,268
Payments made during the year	**(489,175)**	(290,190)
Relating to transfer to liabilities held for sale	**-**	(158,355)
As at 31 October	**1,940,036**	1,999,821

20 MURABAHA PAYABLES

	2017 *KD*	*2016* *KD*
Gross amount	**16,544,853**	17,028,054
Less: deferred profit	**(284,701)**	(312,459)
	16,260,152	16,715,595

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 % (2016: 4% to 6%) per annum.

As at 31 October 2017, murabaha payables amounting to KD 7,070,962 (2016: KD 10,224,114) are granted by the Ultimate Parent Company, respectively (Note 24).

As at 31 October 2017, murabaha payables are secured against pledge of certain investment properties with a carrying value amounting to KD 31,582,000 and KD 7,361,000 (2016: 32,463,603 and KD 7,671,000) to the Ultimate Parent Company and local financial institutions, respectively (Note 7).

21 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2017 *KD*	*2016* *KD*
Non-current		
Retentions payable	**5,997,151**	3,324,924
Current		
Trade payables	**2,035,959**	2,466,650
Advance payment received from contract owners	**830,992**	1,481,150
Deferred income	**90,943**	71,048
Retentions payable	**1,121,998**	3,319,675
Dividend payable	**66,566**	69,659
Bank overdrafts (Note 15)	**53,961**	368,198
Other liabilities	**2,517,182**	1,675,511
Provision for expected losses from contracts and delayed penalties	**1,689,663**	1,027,600
Provision for legal claims*	**3,744**	1,830,558
	8,411,008	12,310,049
	14,408,159	15,634,973

21 ACCOUNTS PAYABLE AND OTHER LIABILITIES (continued)

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

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

The company has paid an amount of KD 1,826,814 during the year ended 31 October 2017.

22 DISCONTINING OPERATION

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

The results of the discontinuing operation for the years ended 31 October are presented below:

	2017 *KD*	*2016* *KD*
Ready-mix factory sales	**2,553,908**	4,116,669
Cost of ready-mix factory sales	**(2,510,141)**	(4,566,639)
Gross loss	**43,767**	(449,970)
Loss on sale of property, plant and equipment	**-**	(60,685)
Loss for the year from discontinuing operation	**43,767**	(510,655)

Basic and diluted loss per share

	2017	*2016*
Profit (Loss) for the year from discontinuing operation (KD)	**43,767**	(510,655)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted earnings (loss) per share from discontinuing operation	**0.10 fils**	(1.13) fils

22 DISCONTINUING OPERATION (continued)

Details of the assets and liabilities of the discontinuing operation which were classified as held for sale as at 31 October 2017 and 31 October 2016 are presented below:

	2017 *KD*	*2016* *KD*
ASSETS		
Property, plant and equipment (Note 6)	**1,540,915**	1,593,734
Inventories	**78,686**	99,373
Accounts receivable and other assets	**682,438**	973,656
Bank balances and cash	**41,299**	20,618
Assets classified as held for sale	**2,343,338**	2,687,381
LIABILITIES		
Employees' end of service benefits	**180,909**	158,355
Accounts payable and other liabilities	**1,110,725**	1,295,205
Liabilities classified as held for sale	**1,291,634**	1,453,560
Net assets directly associated with disposal group	**1,051,704**	1,233,821

The net cash flows incurred by the ready-mix factory business for the years ended 31 October 2017 and 2016 are as follows:

	2017 *KD*	*2016* *KD*
Operating	**182,117**	(126,080)
Cash flows from (used in) operating activities	**182,117**	(126,080)

23 SEGMENT INFORMATION

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

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.

23 SEGMENT INFORMATION (continued)

a) Products and services information (continued)

Segment reporting information is illustrated as follows:

	Manufacturing KD	*Projects and maintenance KD*	*Real estate KD*	*Investments KD*	*Unallocated KD*	*Total KD*
Year ended 31 October 2017						
Segment revenue	**2,553,908**	**6,752,065**	**9,341,028**	**628,481**	**-**	**19,275,482**
Segment results	**43,767**	**(6,189,518)**	**3,982,723**	**(4,105,528)**	**-**	**(6,268,556)**
Depreciation	**-**	**(181,060)**	**(3,319)**	**(16,743)**	**(40,393)**	**(241,515)**
Unallocated expenses, net	**-**	**-**	**-**	**-**	**(1,596,964)**	**(1,596,964)**
profit (Loss) for the year	**43,767**	**(6,370,578)**	**3,979,404**	**(4,122,271)**	**(1,637,357)**	**(8,107,035)**
As at 31 October 2017						
Assets	**2,343,338**	**20,723,012**	**57,537,913**	**2,815,687**	**62,085**	**83,482,035**
Liabilities	**1,291,634**	**15,677,551**	**191,750**	**15,336,010**	**2,601,631**	**35,098,576**
Investment in associates	**-**	**-**	**-**	**1,609,222**	**-**	**1,609,222**
Capital expenditures	**-**	**-**	**45,802**	**95,194**	**90,342**	**231,338**

23 SEGMENT INFORMATION (continued)

a) Products and services information (continued)

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

23 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*	
	2017 KD	*2016 KD*	***2017 KD***	*2016 KD*	***2017 KD***	*2016 KD*	***2017 KD***	*2016 KD*	***2017 KD***	*2016 KD*
Assets	**70,053,344**	75,649,098	**10,810,927**	14,116,457	**123,450**	241,952	**2,494,314**	2,707,726	**83,482,035**	92,715,233
Revenues	**18,971,786**	30,785,851	**44,813**	1,881,286	-	58,070	**258,883**	-	**19,275,482**	32,725,207

24 RELATED PARTY TRANSACTIONS

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

Transactions and balances with related parties included in the consolidated financial statements are as follows:

	Ultimate Parent Company KD	*Total 2017 KD*	*Total 2016 KD*
Consolidated statement of income			
Revenue from services rendered	**2,878,871**	**2,878,871**	3,346,499
Gain on sale of an investment in an associate (Note 4)	-	-	387,004
Realised gain on sale of financial assets available for sale	**232,503**	**232,503**	232,208
Profit from investment deposits (Note 4)	**3,787**	**3,787**	719
Finance costs	**437,399**	**437,399**	607,557

Revenue from services rendered includes KD 427,555 (2016: KD 431,479) which has been earned from trust and fiduciary activities (Note 25).

	Ultimate Parent Company KD	*Total 2017 KD*	*Total 2016 KD*
Consolidated statement of financial position			
Amounts due from related parties (Note 13)	**424,204**	**424,204**	405,507
Investment deposits (Note 14)	**250,000**	**250,000**	250,000
Bank balances and cash (Note 15)	**483,806**	**483,806**	214,883
Murabaha payables (Note 20)	**7,070,962**	**7,070,962**	10,224,114
Bank overdrafts (Note 15 & 21)	**27,331**	**27,331**	108,589

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

As of 31 October 2017, investment deposits and bank balances amounting to KD 2,500,000 and KD 11,291,995 (2016: KD 2,500,000 and KD 10,823,268), respectively, related to fiduciary assets held with the ultimate parent company (Note 25)

	2017 KD	*2016 KD*
Key management compensation		
Salaries and other short-term benefits*	**244,761**	244,192
Employees' end of service benefits	**32,252**	38,600
	277,013	282,792

*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.

25 FIDUCIARY ASSETS

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

The aggregate value of investment deposits and bank balances held in a trust or fiduciary capacity by the Group at 31 October 2017 amounted to KD 2,500,000 and KD 11,680,499, respectively (KD 2,500,000 and 2016: KD 11,225,542, respectively).

As of 31 October 2017 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 11,291,995 (2016: KD 2,500,000 and KD 10,823,268), respectively.

Revenue from services rendered includes KD 691,837 (2016: KD 850,171) arising from trust and fiduciary activities, out of which KD 427,555 (2016: KD 431,479) has been earned from services rendered to the Ultimate Parent Company (Note 24).

26 CONTINGENT LIABILITIES

(a) As at 31 October 2017, the Group has contingent liabilities representing letters of guarantee and letters of credit issued in the ordinary course of business amounting to KD 24,491,495 (2016: KD 26,368,100) from which it is anticipated that no material liability will arise.

(b) Letter of guarantees amounting to KD 14,475,636 related to delayed projects amounting to KD 97,110,242 for which the parent company did not have approved extension on the project completion date.

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

27 FINNACIAL 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 2017 and 31 October 2016. The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarised below.

27.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts as disclosed in Note 13.

Maximum exposure to credit risk

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

The Group's largest five customers account for 50% of the total outstanding receivables as at 31 October 2017 (2016: 62%)

27.2 Liquidity risk

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

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

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

	Less than 3 months KD	*3 to 6 months* KD	*6 to12 months* KD	*Over one year* KD	*Total* KD
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**

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.2 Liquidity risk (continued)

	Less than 3 months KD	*3 to 6 months KD*	*6 to12 months KD*	*Over one year KD*	*Total KD*
2016					
Murabaha payables	11,543,963	923,003	1,846,007	2,715,081	17,028,054
Accounts payable and other liabilities	4,101,528	2,667,139	4,060,232	4,806,074	15,634,973
Total financial liabilities	15,645,491	3,590,142	5,906,239	7,521,155	32,663,027
Contingent liabilities	2,607,243	9,004,668	13,061,476	1,694,713	26,368,100

27.3 Market risk

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

27.3.1 Profit rate risk

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

27.3.2 Foreign currency risk

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

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

	2017		*2016*	
	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	**15,756**	**157,701**	19,064	183,022
Bahraini Dinar	**442,100**	**49,832**	23,397	49,832
Omani Riyal	**-**	**-**	-	61,487
Saudi Riyal	**1,783**	**-**		
	459,638	**207,533**	42,461	294,341

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

27.3.3 Equity price risk

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.3 Market risk (continued)

27.3.3 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:

	2017		*2016*	
	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	**15,840**	**74**	9,272	2,146

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

28 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 October 2017 and 31 October 2016. Capital comprises share capital, share premium, statutory reserve, voluntary reserve and accumulated losses and is measured at KD 48,383,459 as at 31 October 2017 (2016: KD 56,715,907).

29 FAIR VALUE MEASUREMENTS

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

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

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

	Level 1 KD	*Level 2 KD*	*Level 3 KD*	*Total KD*
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**
2016				
Investment properties	-	12,459,508	40,813,761	53,273,269
Financial assets available for sale	34,349	-	-	34,349
Financial assets at fair value through profit or loss	35,000	-	531,710	566,710
	69,349	12,459,508	41,345,471	53,874,328

During the years ended 31 October 2017 and 31 October 2016, there were no transfers between Level 1 and Level 2 fair value measurements and level 3 fair value measurements.

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.

29 FAIR VALUE MEASUREMENTS (continued)

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	*Net losses recorded in the consolidated statement of income* KD	*Net purchases, transfers, sales and settlements* KD	*At the end of the year* KD
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**
31 October 2016				
Investment properties	41,427,580	(613,819)	-	40,813,761
Financial assets at fair value through profit or loss	665,550	(133,751)	(89)	531,710
	42,093,130	(747,570)	(89)	41,345,471

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.