الانماء
ERESCO

شركة الانماء العقارية ش.م.ك.ع
AlEnma`a Real Estate Co. K.S.C.P.

His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

His Highness Sheikh

Sabah Al-Khalid Al-Hamad Al-Sabah

The Prime Minister of the State of Kuwait

الانماء
ERESCO

شركة الانماء العقارية ش.م.ك.ع
AlEnma`a Real Estate Co. K.S.C.P.

Authorised and paid-up capital KD 45,053,468

Distributed into 450,534,680 shares

Face Value 100 fils each

Mourqab - Abdullah Al-Mubarak St. Enmaa Tower - Opposite Scientific Museum

Enmaakw Enmaakw

P.O. Box: 24544 Safat, Kuwait 13160 - CR: 53559

Tel: 1866667 - Fax: 22203966

www.enmaa.com

Contents

Board of Directors

Saleh Turki Alkhamees
Chairman

Abdullah Sulaiman Alghurair
Vice Chairman

Tareq Fahad Alshaya
Board Member (Independent)

Abdullah Abdulmohsen Almejhem
Board Member

Ahmad Abdulmohsen Alfarhan
Board Member

Reiad Naser Albader
Board Member

Mohammad Musalam Almusalam
Board Member

Abdullah Saif Alsaif
Board Secretary

Executive Management

Abdulaziz Mutlaq Alosaimi
Chief Executive Officer

Tariq Sulaiman Almudhaf
Assistant Chief Executive Officer
of Support Services Sector

Sulaiman Shaheen Alghanim
Assistant Chief Executive Officer
of Real Estate Services Sector

Board of Directors Report

Board Report

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

Dear shareholders of Enmaa Real Estate Co.

Peace be with you

First of all, I'd like to thank you all for responding to our invitation to attend the annual ordinary general meeting for Enmaa Real Estate Co., on my behalf and on behalf of the executive and directors board members, I'm glad to welcome you as best as it should be, and we hereby submit to you the annual report encompassing the results of company works and its financial and administrative status for the financial year ending on 31/10/2019, in addition to most important achievements of the company in the light of its operational performance for its different businesses encompassing most important variables that faced the company during this year.

Dear shareholders:

By the benevolence of Allah, Enmaa Real Estate Co. managed to keep and continue provision of its services in the required way in state of Kuwait, and this is via preserving the development of its operational business, and providing best services for its clients, the company continued its positive results as it enjoys a comprehensive teamwork of administrators and technical cadres of high experience as they provide best services and consultations, as they provide best services and consultations that help reverend clients to acquire best services.

And so I send to our dear clients deep appreciation for their support and trust and we ensure them continuous work to achieve company objects in the future for more success.

And so Enmaa Real Estate Co. continued its efforts to promote its status at the real estate market and develop the company and improve its performance via concentrating on real estate business and making auctions and limit losses of contracting projects and this has a positive effect on financial statements for this year and achieve profits of 1,704,380 KD, as the company continued in establishing policies that focus on legalizing operational and administrative costs via applying rational procedures.

And we will continue to develop our real estate services in the local market and preserve development of our real estate portfolio and increase our business volume for the next years to achieve better revenue and promote its role as an important business for our company.

Company business results:

The net profit for the year 2019 is an amount of 1,704,380 KD compared with a loss of (1,090,974) KD for the year 2018, and the total shareholders right for 2019 reached an amount of 44,940,778 KD compared to an amount of 43,770,128 KD for the previous year, and so company profits from operational transactions reached 4,117,200 KD compared to an amount of 3,756,731 KD for the previous year, and so company payables decreased to 26,523,875 KD compared to an amount of 30,347,814 KD for the previous year, and so share profitability reached 3.78 fils compared to a loss of (2.42) fils for the previous year.

In conclusion we thank Allah, wishing Him to crown our endeavors with success in achieving company and its shareholders objects and aspirations, for the good of our dear homeland under the leadership and instructions of HH Amir of Kuwait Sheikh Subah Alahmed Aljaber Alsubah and HH crown prince Sheikh Nawaf Alahmed Aljaber Alsubah, May Allah Save Them.

And so I'd like to thank and appreciate dear shareholders and our mates board members and all personnel at the company for the sincere effort they exerted to achieve company and shareholders interest and objects and leverage thereof.

Peace Be With You

Chairman

Saleh Turki Alkhamees

Report of Fatwa and Sharia Control Authority

Al-Enmaa Real Estate Company KSCP

Report of Fatwa and Sharia Control Authority

To respect shareholders of Enmaa Real Estate Company, Peace be with you, and peace be with our Messenger Muhammad and His Family and companions altogether,,, then

We examined and approved the policies, agreement, products, services and activities made by Enmaa Real Estate Company during the financial year of 2018-2019, and so we made due revisions to give opinion about how far Enmaa Real Estate Company complies with the principles of Islamic sharia via the fatwas, resolutions and instructions we issued. And in for the forms of contracts and agreements made b[y the company were revised and approved.

And so all pieces of information and clarifications, we deemed necessary, were acquired, so as to provide us with enough evidences for an admissible and plausible confirmation that Enmaa Real Estate Company didn't violate the provisions and rules of Islamic Sharia in all transactions provided to us via the periodic reports submitted by the sharia controller.

And via the procedures and steps we followed to verify the compliance of Enmaa Real Estate Company with provisions of Islamic sharia, we found the following:

1- The contracts and transactions made by Enmaa Real Estate Company during the financial year ended were made according to principles of Islamic sharia.
2- The calculation of Zakat was made pursuant to Islamic sharia provisions and principles.

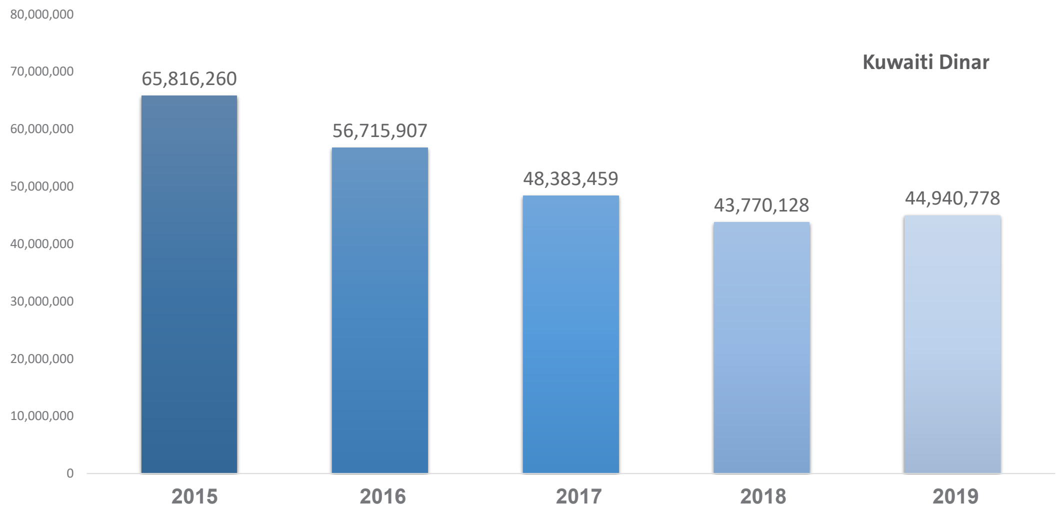
Dr. Sayed Mohamed Sayed Abdulrazaq Altabtabaie
Authority Director

Dr. Esam Algharib
Authority Member

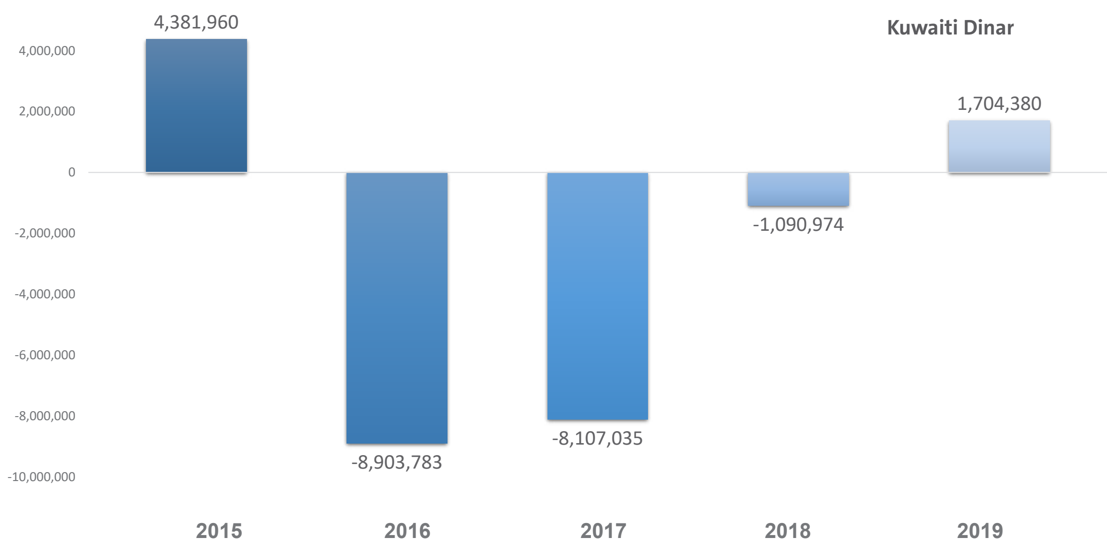
Dr. Anwar Shuaib Abdulsalam
Authority Member

Finanial Indicators

Shareholder's Equity

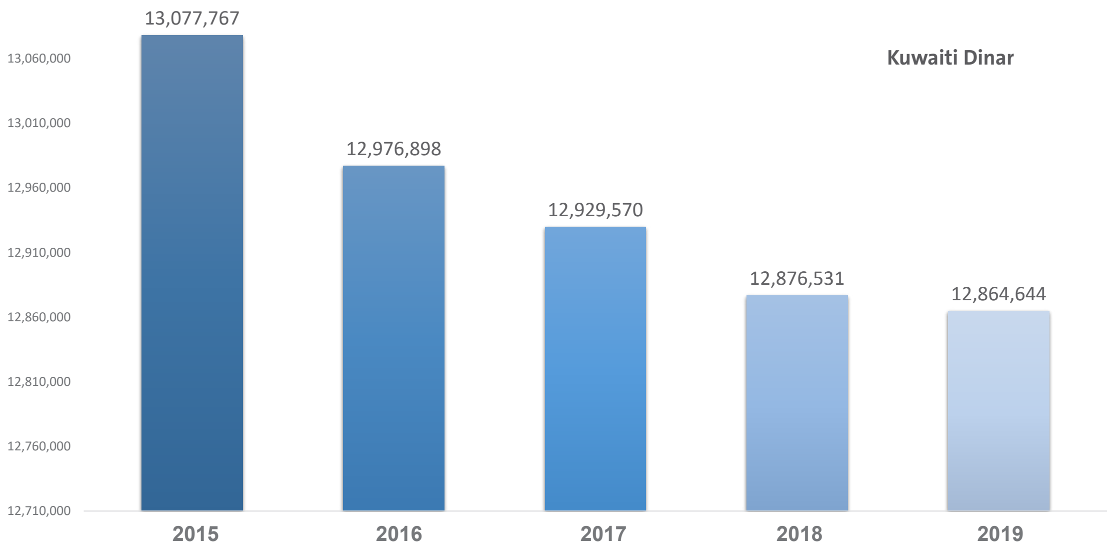


Profit (Loss)

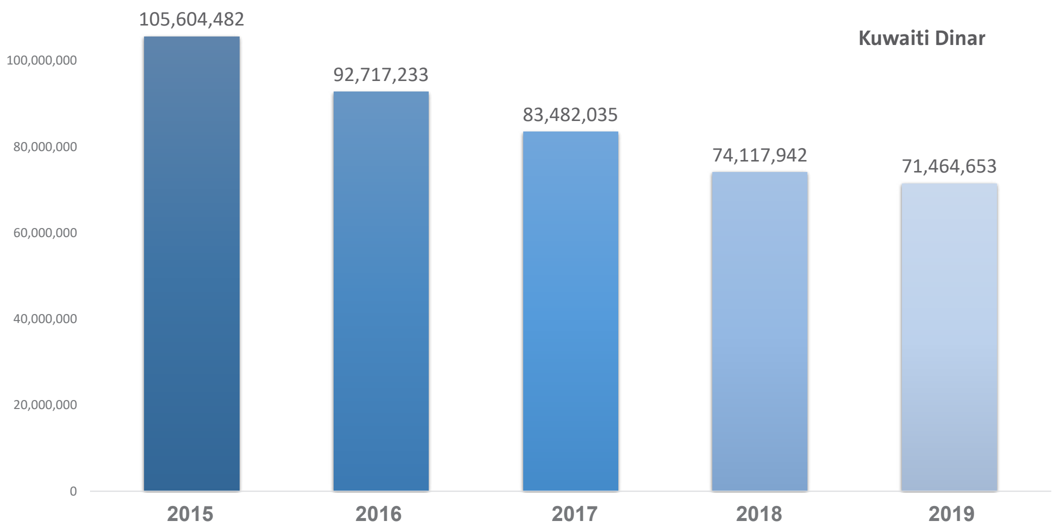


Finanial Indicators

Reserves



Assets



Acknowledgement and Undertaking for Correctness and Integrity of Financial Statements

Acknowledgement and Undertaking for Correctness and Integrity of Financial Statements for the Year Ended on 31/10/2019

We, chairman and board members of Enmaa Real Estate Co. (KSCc) undertake and acknowledge the accuracy and integrity of financial statements provided to the external auditor, and that the company financial reports were presented in a sound and fair manner and in accordance with the international financial standards applied in the state of Kuwait and it expresses the company financial standing as on 31 October 2019 and this is upon that was provided to us in terms of information and reports from company's executive management and auditors, where due diligence has been taken to verify the integrity and accuracy of these reports.

Saleh Turki Alkhamees
Chairman

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

CONSOLIDATED FINANCIAL STATEMENTS

31 OCTOBER 2019

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Enma'a Real Estate Company K.S.C.P (the" Parent Company") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at 31 October 2019,the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Report on the Consolidated Financial Statements

Key Audit Matters

Valuation of investment properties
The investment properties represent a significant part of the total assets (59%) of the Group, with a carrying value of KD 42,443,004 at the reporting date.

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

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

Debt instruments subject to provision of expected credit losses
As at 31 October 2019, debt instruments subject to provision of expected credit losses amounting to KD 16,313,591 represent 23% of total assets. The management used significant accounting judgments and estimates to estimate the provision for expected credit losses of debt instruments. Management evaluated the estimated provision based on specific reviews of customer accounts. This process involves significant accounting judgments and estimates as disclosed in Note 2.6 to the consolidated financial statements. We consider, therefore, this matter as a key audit matter.

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

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

Report on the Consolidated Financial Statements

Key Audit Matters

Debt instruments subject to provision of expected credit losses
We evaluated management's assumptions, judgment and estimations for the purpose of recoverability of the debt instruments balances.

We considered subsequent settlement when performing analysis of receivables' aging brackets. We also considered the adequacy of the Group's disclosure relating to the provision of expected credit losses in Note 11 and Note 12 to the consolidated financial statements.

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

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

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

Report on the Consolidated Financial Statements

Other information included in the Group's 2019 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

Report on the Consolidated Financial Statements

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

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

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

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

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

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

Report on the Consolidated Financial Statements

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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

العيبان والعصيمي وشركاهم

9 January 2020
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 October 2019

	Notes	*2019* KD	*2018* KD
CONTINUING OPERATIONS			
REVENUES			
Revenue from services rendered		**8,978,513**	8,528,823
Revenue from real estate activities		**2,520,265**	2,559,262
Revenue from construction contracts	3	**3,855,972**	8,198,176
		15,354,750	19,286,261
COST OF REVENUES			
Cost of services rendered		**6,944,803**	6,826,318
Cost of real estate activities		**221,983**	203,788
Cost of construction contracts	3	**4,070,764**	8,499,424
		11,237,550	15,529,530
GROSS PROFIT		**4,117,200**	3,756,731
Allowance for expected credit losses	11 & 12	**(42,024)**	(514,521)
General and administrative expenses		**(1,401,878)**	(1,466,359)
PROFIT FROM OPERATIONS		**2,673,298**	1,775,851
Share of results of associates	8	**66,159**	57,098
Net investment loss	4	**(505,139)**	(2,050,851)
Other income		**199,057**	34,373
Foreign exchange gain		**-**	144
Finance costs		**(662,354)**	(701,439)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE PROVISION FOR NATIONAL LABOR SUPPORT TAX (NLST), ZAKAT, AND BOARD OF DIRECTORS' REMUNERATION		**1,771,021**	(884,824)
NLST		**(37,601)**	-
Zakat		**(15,040)**	-
Board of Directors' remuneration	23	**(14,000)**	-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**1,704,380**	(884,824)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	21	**-**	(206,150)
PROFIT (LOSS) FOR THE YEAR		**1,704,380**	(1,090,974)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	5	**3.78 fils**	(2.42) fils
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS	5	**3.78 fils**	(1.96) fils

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME

For the year ended 31 October 2019

	2019 ***KD***	*2018* *KD*
Profit (loss) for the year	**1,704,380**	(1,090,974)
Other comprehensive (loss) income :		
Items that are or may be reclassified subsequently to the consolidated statement of income:		
- Exchange differences on translation of foreign operations	**(24,271)**	9,528
	(24,271)	9,528
Items that will not be reclassified subsequently to the consolidated statement of income:		
Change in fair value of financial assets at fair value through other comprehensive income	**(497,572)**	(1,352,185)
	(497,572)	(1,352,185)
Other comprehensive loss for the year	**(521,843)**	(1,342,657)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**1,182,537**	(2,433,631)

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Notes	2019 KD	2018 KD
ASSETS			
Non-current assets			
Property, plant and equipment	6	**531,310**	713,342
Investment properties	7	**42,443,004**	48,071,038
Investments in associates	8	**1,717,736**	1,675,848
Financial assets at fair value through other comprehensive income	9	**1,993,508**	2,547,808
Accounts receivable and other assets	12	**792,542**	92,636
		47,478,100	53,100,672
Current assets			
Inventories	10	**133,861**	126,639
Financial assets at fair value through profit or loss		**2,687**	2,478
Contract assets	11	**4,039,494**	4,072,993
Accounts receivable and other assets	12	**12,894,500**	14,280,898
Investment deposits	13,14	**6,003,616**	200,000
Bank balances and cash	14	**912,395**	2,334,262
		23,986,553	21,017,270
TOTAL ASSETS		**71,464,653**	74,117,942
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**45,053,468**	45,053,468
Share premium		**176,642**	176,642
Statutory reserve	16	**8,384,971**	8,384,971
Voluntary reserve	17	**4,479,673**	4,491,560
Foreign currency translation reserve		**33,668**	57,939
Cumulative changes in fair values reserve		**(2,295,938)**	(1,798,366)
Accumulated losses		**(10,891,706)**	(12,596,086)
Total equity		**44,940,778**	43,770,128
Non-current liabilities			
Employees' end of service benefits	18	**1,698,573**	1,965,552
Murabaha payables	19	**5,131,889**	2,427,745
Accounts payable and other liabilities	20	**5,196,608**	5,033,805
		12,027,070	9,427,102
Current liabilities			
Contract liabilities	11	**222,069**	310,503
Murabaha payables	19	**7,623,389**	12,885,564
Accounts payable and other liabilities	20	**6,651,347**	7,724,645
		14,496,805	20,920,712
Total liabilities		**26,523,875**	30,347,814
TOTAL EQUITY AND LIABILITIES		**71,464,653**	74,117,942

Saleh Turki Saleh Al-Khamees
Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 October 2019

	Notes	*2019 KD*	*2018 KD*
OPERATING ACTIVITIES			
Profit (loss) for the year from continuing operations before provision for national labor support tax (NLST), Zakat, and Board of Directors' remuneration		**1,771,021**	(884,824)
Loss for the year from discontinued operations		**-**	(206,150)
Profit (loss) for the year		**1,771,021**	(1,090,974)
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows:			
Depreciation	6	**200,597**	138,617
Gain on disposal of property, plant and equipment		**(5,173)**	(9,062)
Share of results of associates	8	**(66,159)**	(57,098)
Net investment loss	4	**505,139**	2,050,851
Allowance for expected credit losses	11 & 12	**42,024**	514,521
Provision for employees' end of service benefits	18	**273,752**	309,071
Finance costs		**662,354**	701,439
		3,383,555	2,557,365
Changes in working capital:			
Inventories		**(7,222)**	(90,181)
Financial assets at fair value through profit or loss		**-**	301,464
Contract assets		**44,600**	(1,668,725)
Contract liabilities		**(88,434)**	(888,092)
Accounts receivable and other assets		**633,367**	3,865,521
Accounts payable and other liabilities		**(840,191)**	(2,785,699)
Cash flows from operations		**3,125,675**	1,291,653
Employees' end of service benefits paid	18	**(540,731)**	(467,362)
Net cash flows from operating activities		**2,584,944**	824,291
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(55,886)**	(531,854)
Proceeds from disposal of property, plant and equipment		**42,494**	105,468
Additions to investment properties	7	**-**	(248)
Proceeds from sale of investment properties		**5,050,000**	-
Proceed from sale of financial assets at fair value through other comprehensive Income		**56,728**	117,536
Investment deposits, net		**-**	50,000
Dividend income received	4	**22**	43,130
Profit from investment deposits received	4	**72,664**	-
Assets and labilities classified as held for sale	21	**-**	655,787
Proceeds from sale of assets classified as held for sale	21	**-**	1,600,000
Net cash flows from investing activities		**5,166,022**	2,039,819
FINANCING ACTIVITIES			
Net movement in murabaha payables		**(2,456,339)**	(1,076,265)
Finance costs paid		**(764,046)**	(572,017)
Net cash flows used in financing activities		**(3,220,385)**	(1,648,282)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,530,581**	1,215,828
Cash and cash equivalents at 1 November		**1,863,986**	648,158
CASH AND CASH EQUIVALENTS AT 31 OCTOBER	14	**6,394,567**	1,863,986

The attached notes 1 to 28 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2019

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign Currency translation reserve KD*	*Cumulative changes in fair values reserve KD*	*Accumulated losses KD*	*Total KD*
As at 1 November 2018	45,053,468	176,642	8,384,971	4,491,560	57,939	(1,798,366)	(12,596,086)	43,770,128
Profit for the year	-	-	-	-	-	-	1,704,380	1,704,380
Other comprehensive loss for the year	-	-	-	-	(24,271)	(497,572)	-	(521,843)
Total comprehensive (loss) income for the year	-	-	-	-	(24,271)	(497,572)	1,704,380	1,182,537
Zakat (Note 17)	-	-	-	(11,887)	-	-	-	(11,887)
As at 31 October 2019	**45,053,468**	**176,642**	**8,384,971**	**4,479,673**	**33,668**	**(2,295,938)**	**(10,891,706)**	**44,940,778**
As at 1 November 2017	45,053,468	176,642	8,384,971	4,544,599	48,411	74,016	(9,898,648)	48,383,459
Transition adjustment on adoption of IFRS 9 at 1 November 2017	-	-	-	-	-	(480,755)	(1,645,906)	(2,126,661)
Restated balance as at 1 November 2017	45,053,468	176,642	8,384,971	4,544,599	48,411	(406,739)	(11,544,554)	46,256,798
Loss for the year	-	-	-	-	-	-	(1,090,974)	(1,090,974)
Other comprehensive income (loss) for the year	-	-	-	-	9,528	(1,352,185)	-	(1,342,657)
Total comprehensive income (loss) for the year	-	-	-	-	9,528	(1,352,185)	(1,090,974)	(2,433,631)
Net realised gain transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(39,442)	39,442	-
Zakat (Note 17)	-	-	-	(53,039)	-	-	-	(53,039)
As at 31 October 2018	45,053,468	176,642	8,384,971	4,491,560	57,939	(1,798,366)	(12,596,086)	43,770,128

The attached notes 1 to 28 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 2019 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 9 January 2020. 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 2018 was held on 2 March 2019 and approved the consolidated financial statements for the year ended 31 October 2018.

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements of the Group have been prepared under the historical cost basis except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value.

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

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of new and amended standards effective as of 1 November 2018 as detailed in Note 2.3.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 October 2019.

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

Name of company	*Country of incorporation*	*Effective interest in equity*		*Principal activities*
		2019	*2018*	
Al-Enma’a For Security Services Company K.S.C. (Closed)	Kuwait	**99%**	99%	Security Services
Enma’a Gulf Real Estate Company W.L.L.	Saudi Arabia	**99%**	99%	Real estate activities
Eresco Real Estate Development Company S.P.C.	Bahrain	**100%**	100%	Real estate activities

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

2.3 CHANGES IN ACCOUNTING POLICIES

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 November 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations

The Group applied for the first-time IFRS 15: Revenue from Contracts with Customers (IFRS 15), which are effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

2.3.1 Adoption of IFRS 15: Revenue from contracts with customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to 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 standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has implemented IFRS 15 and opted for modified retrospective application. However, the application of this standard does not have significant impact on the Group's accounting policies.

The Group did not have any material impact on the application of IFRS 15 in transition to result in significant impact on its past result. Accordingly, no restatements have been made to the consolidate financial statements on adoption of the standard on modified retrospective approach.

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

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

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 recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after: (i) the beginning of the reporting period in which the entity first applies the interpretation
Or (ii) the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the standard has no effect on the consolidated financial statements of the Group.

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. The standard has no effect on the consolidated financial statements of the Group.

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.

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

Transfers of Investment Property — Amendments to IAS 40

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. Since the Group's current practice is in line with the clarifications issued, there is no effect on the consolidated financial statements of the Group.

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 16 Leases

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition -policy applicable after 1 November 2018
Revenue from construction contracts is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

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

For cost-plus contracts, revenue is recognised to the extent of cost incurred on satisfying the performance obligation plus the percentage mark up on these costs as a fixed fee as per the contract.

Contract revenue includes the initial amount of revenue agreed in the contract and any variation in contract value, claims and incentives to the extent that it is approved either written, oral or implied by customer business practices.

Contract costs to fulfil the performance obligation includes costs that relate directly to the contract or to an anticipated contract that can be specifically identified and are expected to be recovered. Cost of obtaining a contract are generally expensed as the period of amortization is less than a year. Contract revenues and costs relating to contracts on which the work performed to the consolidated statement of financial position date is insignificant are recognised to the extent of cost incurred, and accordingly no profit is recognised.

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

▶ *Warranty obligations*
The Group contractually provides warranties for general repairs of defects that existed at the time of completion of the projects. These assurance-type warranties are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Group provides a one to three year warranty beyond the end of the construction period. These service-type warranties are sold either separately or bundled together with the installation of equipment. Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition -policy applicable after 1 November 2018

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.

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.

Revenue recognition- policy applicable before 1 November 2018
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, considering contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognised:

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition- policy applicable before 1 November 2018

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 capitalized as part of the cost of the asset. All other finance costs are expensed in the period they occur. Finance costs consist of profit and other costs that an entity incurs in connection with the borrowing of funds.

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

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

Zakat
Zakat is calculated at 1% of the profit for the year in accordance with the requirements of the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

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

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

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies translation

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.

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	2 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 capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Classification of financial assets
Financial assets at amortized cost
Financial assets such as contract assets, accounts receivable and other assets, investment deposits, and cash and cash equivalents that meet the following conditions are subsequently measured at amortized cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and yield on the principal amount outstanding.

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

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

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

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

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

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

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

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

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

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

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

Impairment of 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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

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

Impairment of financial assets at amortized cost

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

3 REVENUE FROM / COST OF CONSTRUCTION CONTRACTS AND DELAY PENALITIES

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

Included in the cost of construction contracts for the year ended 31 October 2019 is an amount of KD Nil (2018: Nil) representing expected losses on certain projects as it is probable at the reporting date.

4 NET INVESTMENT LOSS

	2019 KD	*2018 KD*
Unrealized loss on revaluation of investment properties (Note 7)	**(549,034)**	(2,079,640)
Realized loss on sale of investment properties	**(29,000)**	-
Realized loss on sale of financial assets at fair value through profit or loss	**-**	(26,686)
Unrealized gain on financial assets at fair value through profit or loss	**209**	12,345
Dividend income	**22**	43,130
Profit from investment deposits	**72,664**	-
	(505,139)	(2,050,851)

5 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	2019	*2018*
Profit (loss) for the year (KD)	**1,704,380**	(1,090,974)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted earnings (loss) per share	**3.78 fils**	(2.42) fils
Profit (loss) for the year from continuing operations (KD)	**1,704,380**	(884,824)
Weighted average number of shares outstanding during the year	**450,534,680**	450,534,680
Basic and diluted earnings (loss) per share from continuing operations	**3.78 fils**	(1.96) fils

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings KD	*Furniture and equipment KD*	*Motor vehicles KD*	*Total KD*
Cost:				
As at 1 November 2018	237,997	1,907,366	247,911	2,393,274
Additions	-	55,886	-	55,886
Disposals	-	(245,137)	(16,950)	(262,087)
As at 31 October 2019	**237,997**	**1,718,115**	**230,961**	**2,187,073**
Depreciation:				
As at 1 November 2018	99,851	1,334,514	245,567	1,679,932
Charge for the year	44,559	153,748	2,290	200,597
Disposals	-	(207,819)	(16,947)	(224,766)
As at 31 October 2019	**144,410**	**1,280,443**	**230,910**	**1,655,763**
Net book value:				
As at 31 October 2019	**93,587**	**437,672**	**51**	**531,310**

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

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

	2019 KD	*2018 KD*
Continuing operations		
Cost of services rendered	**31,686**	10,105
Cost of construction contracts	**16,380**	54,291
General and administrative expenses	**152,531**	74,221
	200,597	138,617

7 INVESTMENT PROPERTIES

	2019	*2018*
	KD	*KD*
As at 1 November	**48,071,038**	50,150,430
Additions	**-**	248
Disposals*	**(5,079,000)**	-
Unrealized loss on revaluation (Note 4)	**(549,034)**	(2,079,640)
As at 31 October	**42,443,004**	48,071,038

*During the current year, the Group disposed certain investment properties carried at KD 5,079,000 (2018: KD Nil) for a total consideration of KD 5,050,000 (2018: KD Nil). The resultant loss from this transaction amounted to KD 29,000 (2018: KD Nil).

As at 31 October, investment properties are categorized into:

	2019	*2018*
	KD	*KD*
Developed properties	**42,443,004**	48,071,038
	42,443,004	48,071,038

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

	2019	*2018*
	KD	*KD*
Kuwait	**35,796,000**	41,012,000
Gulf Council Countries	**6,647,004**	7,059,038
	42,443,004	48,071,038

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

- Some developed properties have been valued using the income capitalization 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;

Description of the above valuation methods is provided in detail in Note 28.

For valuation purpose, the Group has selected the lower of those two valuations (2018: the lower of two valuations). Based on those valuations, the Group has recognized an unrealized loss on revaluation of KD 549,034 (2018: loss of KD 2,079,640) in the consolidated statement of income (Note 4).

As at 31 October 2019, investment properties with a carrying value amounting to KD 17,236,000 and KD 12,520,000 (2018: KD 25,851,000 and KD 11,129,000) are pledged as a security against murabaha payables to the Ultimate Parent Company and local financial institutions, respectively (Note 19).

7 INVESTMENT PROPERTIES

As at 31 October 2019, the Group has developed properties amounting to KD 35,796,000 (2018: KD 41,012,000) which generate rental income. The significant assumptions made relating to valuation of such properties are set out below:

	2019	*2018*
Total area available for rent (sqm)	**41,785**	49,449
Average monthly rent per sqm (KD)	**6**	5
Average yield rate	**7.8%**	7.5%
Occupancy rate	**95%**	95%

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	*2019 KD*	*2018 KD*
Average monthly rent per sqm (KD)	+/- 1%	**357,960**	410,120
Average yield rate	+/-1 %	**354,416**	406,059

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*
		2019	*2018*	
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:

	2019 KD	*2018 KD*
As at 1 November	**1,675,848**	1,609,222
Share of results	**66,159**	57,098
Foreign currency translation adjustments	**(24,271)**	9,528
As at 31 October	**1,717,736**	1,675,848

The annual general assembly meeting of Energy Central Utilities Bahrain South Water Company B.S.C.C (" associate") held on 26 May 2019 approved the transfer of equity interest in the associate to the Parent Company and the transfer process has been completed during the year.

8 INVESTMENTS IN ASSOCIATES

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

	2019	*2018*
	KD	*KD*
Share of associates' assets and liabilities as at 31 October:		
Non-current assets	**1,010,991**	1,080,539
Current assets	**742,523**	630,463
Current liabilities	**(35,778)**	(35,154)
Net assets	**1,717,736**	1,675,848
Share of associates' revenue and results for the year ended 31 October:		
Revenue	**264,331**	165,034
Results	**66,159**	57,098

9 INVESTMENT SECURITIES

	2019	*2018*
	KD	*KD*
Financial assets at fair value through other comprehensive income (FVOCI)		
Local unquoted equity securities	**4,996**	32,506
Foreign unquoted equity securities	**1,988,512**	2,515,302
	1,993,508	2,547,808

Fair value hierarchy disclosures are provided in Note 28.

10 INVENTORIES

	2019	*2018*
	KD	*KD*
Spare parts and others	**220,433**	213,211
	220,433	213,211
Provision for obsolete and slow moving inventories	**(86,572)**	(86,572)
	133,861	126,639

11 CONTRACT ASSETS/CONTRACT LIABILITIES

	2019	*2018*
	KD	*KD*
Accumulated costs and estimated earnings on contracts in progress	**91,042,044**	87,104,107
Progress billings on contracts in progress	**(86,835,009)**	(82,940,906)
	4,207,035	4,163,201
Less: allowance for expected credit losses	**(389,610)**	(400,711)
	3,817,425	3,762,490

11 CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets/contract liabilities are disclosed on the consolidated statement of financial position as follows:

	2019 ***KD***	*2018* *KD*
Contract assets, net	**4,039,494**	4,072,993
Contract liabilities	**(222,069)**	(310,503)
	3,817,425	3,762,490

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

Movements in the allowance for expected credit losses of contract assets were as follows:

	2019 ***KD***	*2018* *KD*
Opening balance	**400,711**	-
Opening balance adjustment based on lifetime ECL	**-**	389,443
(Reversal of) charge for the year based on lifetime ECL	**(11,101)**	11,268
	389,610	400,711

The following table shows lifetime ECL that has been recognized for contract assets in accordance with the simplified approach set out in IFRS 9.

	Lifetime ECL- not credit impaired *KD*	*Lifetime ECL- credit impaired* *KD*	***Total*** ***KD***
31 October 2019			
Expected credit loss rate	8.8%*	100%	
Estimated total gross carrying amount	4,429,104	-	**4,429,104**
Lifetime ECL	(389,610)	-	**(389,610)**
As at 31 October			**4,039,494**

* represents average expected credit loss rate

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

* represents average expected credit loss rate

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2019	*2018*
	KD	*KD*
Non-current		
Retention receivables, gross (C)	**809,958**	95,054
Less: Allowance for expected credit losses of retention receivables	**(17,416)**	(2,418)
Retention receivables, net	**792,542**	92,636
Current		
Trade receivables and amounts due from contract owners, gross	**6,880,580**	7,252,462
Less: Allowance for expected credit losses of trade receivables and amounts due from contract owners	**(2,527,818)**	(2,428,387)
Trade receivables and amounts due from contract owners, net	**4,352,762**	4,824,075
Amounts due from related parties, gross	**601,408**	461,210
Less: Allowance for expected credit losses of amounts due from related parties	**(78,602)**	(78,602)
Amounts due from related parties, net (Note 23)	**522,806**	382,608
Retention receivables, gross (C)	**3,979,260**	4,681,251
Less: Allowance for expected credit losses of retention receivables	**(388,100)**	(408,510)
Retention receivables, net	**3,591,160**	4,272,741
Subcontractor debit balances	**9,920,413**	10,055,916
Less: Allowance for expected credit losses of subcontractor debit balances (A)	**(8,115,573)**	(8,184,223)
Subcontractor debit balances, net	**1,804,840**	1,871,693
Advances to subcontractors	**436,024**	684,908
Prepaid expenses and refundable deposits	**1,033,737**	905,992
Other receivables	**1,153,171**	1,338,881
	2,622,932	2,929,781
Total current	**12,894,500**	14,280,898
	13,687,042	14,373,534

(A) Allowance for expected credit losses of subcontractor debit balances:
As at 31 October 2019, the Parent Company has a legal dispute against foreign subcontractors on the ground of the non-fulfillment of their subcontract obligations relating to one of the construction contracts undertaken by the Parent Company for which the court is yet to pronounce its verdict.

In the opinion of external legal counsel of the Parent Company, there is an uncertainty regarding the possible financial impact of this lawsuit which in turn indicates an uncertainty regarding the recoverability of amounts due from such subcontractors amounting to KD 7,691,998 as at 31 October 2019 (2018: KD 7,691,998) which management has fully impaired in prior years.

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

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

	2019 ***KD***	*2018* *KD*
Opening balance	**11,102,140**	8,505,923
Opening balance adjustment based on lifetime ECL	**-**	1,256,463
Charge for the year	**182,829**	672,678
Reversal based on lifetime ECL	**(129,704)**	(169,425)
Write off during the year	**(27,756)**	-
Relating to assets held for sale	**-**	836,501
	11,127,509	11,102,140

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

	Lifetime ECL- not credit impaired KD	*Lifetime ECL- credit impaired KD*	***Total KD***
31 October 2019			
Expected credit loss rate	6.9%*	100%	
Estimated total gross carrying amount	11,884,487	10,307,132	**22,191,619**
Lifetime ECL	(820,377)	(10,307,132)	**(11,127,509)**
As at 31 October			**11,064,110**

* represents average expected credit loss rate

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

* represents average expected credit loss rate

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

(C) Retention receivables amounting to KD 3,202,454 (2018: KD 2,837,579) relate to projects that have been already delivered to customers for which final payments certificate amounting to KD 2,180,248 (2018: KD 2,237,124) are yet to be billed pending the final agreement with the parent company's subcontractors.

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

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

			Past due but not impaired	
	Total *KD*	*Neither past due nor impaired* *KD*	*3 to 6 Months* *KD*	*More than 6 months* *KD*
2019	**4,352,762**	**1,168,390**	**156,679**	**3,027,693**
2018	4,824,075	478,654	96,495	4,248,926

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

13 INVESTMENT DEPOSITS

Investment deposits denominated in local currency amounting to KD 200,000 (2018: 200,000) are placed with a local Islamic Bank, have an original maturity of six months, and are automatically renewable for a similar period. Investment deposits in local currency amounting to KD 5,803,616 (2018: KD Nil) are placed with a local Islamic bank, have an original maturity of three months or less, and are automatically renewable for a similar period.

Investment deposits placed with the Ultimate Parent Company (Note 23) amount to KD 5,303,616 as at 31 October 2019 (2018: KD Nil). The average rate of profit on these deposits during the year ended 31 October 2019 was 1.210 % (2018: 2.375%) per annum.

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

14 CASH AND CASH EQUIVALENTS

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

	2019 ***KD***	*2018* *KD*
Investment deposits	**6,003,616**	200,000
Bank balances and cash	**912,395**	2,334,262
	6,916,011	2,534,262
Less:		
Investment deposits with original maturities of more than three months	**(200,000)**	(200,000)
Bank overdrafts (included under accounts payable and other liabilities)	**(321,444)**	(470,276)
Cash and cash equivalents at the end of the year	**6,394,567**	1,863,986

As at 31 October 2019, bank balances and cash include an amount of KD 539,374 (2018: KD 1,872,909) which represents amounts held with the Ultimate Parent Company (Note 23).

As at 31 October 2019, bank overdrafts include an amount of KD 283 (2018: KD 41,520) which represents amounts withdrawn from the Ultimate Parent Company (Note 23).

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

15 SHARE CAPITAL

	Authorised, issued and fully paid	
	2019	*2018*
	KD	*KD*
450,534,680 shares of 100 fils each (fully paid in cash)	**45,053,468**	45,053,468

16 STATUTORY RESERVE

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

No amount was transferred to the statutory reserve for the year ended 31 October 2019 due to the fact that the Group has accumulated losses amounting to KD 10,891,706.

17 VOLUNTARY RESERVE

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

No amount was transferred to the voluntary reserve for the year ended 31 October 2019 due to the fact that the Group has accumulated losses amounting to KD 10,891,706.

During the year ended 31 October 2019, an additional Zakat of KD 11,887 (2018: KD 53,039) has been charged to voluntary reserve to be paid under the direction of the Ultimate Parent Company's Fatwa and Sharea'a Supervisory Board in accordance with the Parent Company's internal guidelines.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2019	*2018*
	KD	*KD*
As at 1 November	**1,965,552**	1,940,036
Charge for the year	**273,752**	309,071
Payments made during the year	**(540,731)**	(467,362)
Relating to assets held for sale	**-**	183,807
As at 31 October	**1,698,573**	1,965,552

19 MURABAHA PAYABLES

	2019	*2018*
	KD	*KD*
Gross amount	**13,012,495**	15,468,835
Less: deferred profit	**(257,217)**	(155,526)
	12,755,278	15,313,309

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 4.75 % to 5.25 % (2018: 4% to 5.25%) per annum.

As at 31 October 2019, murabaha payables amounting to KD 2,560,597 (2018: KD 4,351,293) are granted by the Ultimate Parent Company (Note 23).

As at 31 October 2019, murabaha payables are secured against pledge certain investment deposits with a carrying amounting KD 5,303,616 (2018: KD Nil) to the Ultimate parent Company and certain investment properties with a carrying value amounting to KD 17,236,000 and KD 12,520,000 (2018: KD 25,851,000 and KD 11,129,000) to the Ultimate Parent Company and local financial institutions, respectively (Note 7 & 13).

20 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019	*2018*
	KD	*KD*
Non-current		
Retentions payable	**3,594,408**	3,434,374
Other liabilities	**1,602,200**	1,599,431
	5,196,608	5,033,805
Current		
Trade payables	**2,460,028**	2,713,974
Advance payment received from contract owners	**345,612**	656,139
Deferred income	**86,939**	159,899
Retentions payable	**341,323**	636,504
Dividend payable	**60,411**	64,779
Bank overdrafts (Note 14)	**321,444**	470,276
Other liabilities	**1,444,775**	1,392,124
Provision for expected losses from contracts and delayed penalties	**1,587,071**	1,627,206
Provision for legal claims	**3,744**	3,744
	6,651,347	7,724,645
	11,847,955	12,758,450

21 DISCONTINUED OPERATIONS

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

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

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

	2019 KD	*2018 KD*
Ready-mix factory sales	-	921,780
Cost of ready-mix factory sales	-	(1,133,347)
Gross loss	-	(211,567)
Gain on sale of property, plant and equipment	-	5,417
Loss for the year from discontinued operations	-	(206,150)

Basic and diluted loss per share

	2019	*2018*
Loss for the year from discontinuing operation (KD)	-	(206,150)
Weighted average number of shares outstanding during the year	-	450,534,680
Basic and diluted loss per share from discontinued operations	**- fils**	(0.46) fils

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

	2019 KD	*2018 KD*
Operating	-	655,787
Cash flows from operating activities	-	655,787

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

22 SEGMENT INFORMATION

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

Manufacturing: production and distribution of ready-mix cement, which was sold during the prior year.

Construction Projects: undertaking contracts to construct buildings.

Services Rendered: undertaking maintenance of mechanical and electrical spare parts and building materials, providing security services, and managing real estate for others.

Real estate: managing its own properties and renting properties for others.

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 making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

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

22 SEGMENT INFORMATION

a) Products and services information

Segment reporting information is illustrated as follows:

	Construction projects KD	*Services rendered KD*	*Real Estate KD*	*Investments KD*	*Unallocated KD*	*Total KD*
31 October 2019						
Segment revenues	**3,855,972**	**8,978,513**	**2,520,265**	**139,054**	**199,057**	**15,692,861**
Operating and administrative expenses	**4,054,384**	**6,913,117**	**221,983**	**578,034**	**2,020,366**	**13,787,884**
Depreciation	**16,380**	**31,686**	**-**	**28,269**	**124,262**	**200,597**
Segment costs	**4,070,764**	**6,944,803**	**221,983**	**606,303**	**2,144,628**	**13,988,481**
(Loss) profit for the year	**(214,792)**	**2,033,710**	**2,298,282**	**(467,249)**	**(1,945,571)**	**1,704,380**
As at 31 October 2019						
Assets	**11,972,067**	**5,310,052**	**35,941,753**	**17,202,297**	**1,038,484**	**71,464,653**
Liabilities	**9,456,502**	**1,445,775**	**2,227,900**	**10,588,272**	**2,805,426**	**26,523,875**
Capital expenditures and commitments	**-**	**-**	**55,886**	**-**	**-**	**55,886**

22 SEGMENT INFORMATION

a) Products and services information

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

22 SEGMENT INFORMATION

b) Geographical segment

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

	Kuwait		*Gulf council countries*		*Other countries*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Assets	**60,997,814**	62,795,945	**10,169,713**	10,055,191	**297,126**	1,266,806	**71,464,653**	74,117,942
Revenues	**15,626,702**	20,303,450	**66,159**	57,098	**-**	-	**15,692,861**	20,360,548

23 RELATED PARTY TRANSACTIONS

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

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

	Other related parties KD	***Ultimate Parent Company KD***	***Total 2019 KD***	*Total 2018 KD*
Consolidated statement of income				
Revenue from services rendered	**-**	**3,585,708**	**3,585,708**	3,124,535
Finance costs	**-**	**222,414**	**222,414**	308,425
Cost of services rendered	**34,254**	**-**	**34,254**	58,466
Cost of construction contracts	**32,697**	**-**	**32,697**	10,060

Revenue from services rendered includes KD 266,443 (2018: KD 295,018) which has been earned from trust and fiduciary activities rendered to the Ultimate Parent Company (Note 24).

	Ultimate Parent Company KD	***Total 2019 KD***	*Total 2018 KD*
Consolidated statement of financial position			
Amounts due from related parties (Note 12)	**522,806**	**522,806**	382,608
Investment deposits (Note 13)	**5,303,616**	**5,303,616**	-
Bank balances and cash (Note 14)	**539,374**	**539,374**	1,872,909
Murabaha payables (Note 19)	**2,560,597**	**2,560,597**	4,351,293
Bank overdrafts (Note 14)	**283**	**283**	41,520

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

As of 31 October 2019, investment deposits and bank balances amounting to KD 2,500,000 and KD 5,631,183 (2018: KD 2,500,000 and KD 5,081,148), respectively, related to fiduciary assets held with the Ultimate Parent Company (Note 24).

	2019 KD	*2018 KD*
Key management compensation		
Salaries and other short-term benefits	**486,032***	368,133
Employees' end of service benefits	**30,943**	31,611
	516,975	399,744

*Salaries and other short-term benefits include bonus of KD 63,150 charged and paid during the year but pertain to the prior year ended 31 October 2018.

*Salaries and other short term benefits include remuneration for a board member amounting to KD 14,000 proposed by the Board of directors and subject to the approval of the shareholder's annual general assembly meeting.

24 FIDUCIARY ASSETS

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

The aggregate value of investment deposits and bank balances held in a trust or fiduciary capacity by the Group at 31 October 2019 amounted to KD 2,500,000 and KD 5,678,834, respectively (2018: KD 2,500,000 and KD 5,958,618, respectively).

As of 31 October 2019, investment deposits and bank balances relating to fiduciary assets (part of the above balance) related to the Ultimate Parent Company amounting to KD 2,500,000 and KD 5,631,183, respectively (2018: KD 2,500,000 and KD 5,081,148, respectively).

Revenue from services rendered includes KD 571,717 (2018: KD 595,685) arising from trust and fiduciary activities, out of which KD 266,443 (2018: KD 295,018) has been earned from services rendered to the Ultimate Parent Company (Note 23).

25 CONTINGENT LIABILITIES

(a) As at 31 October 2019, the Group has contingent liabilities representing letters of guarantee and letters of credit issued in the ordinary course of business amounting to KD 17,975,533 (2018: KD 18,500,282) from which it is anticipated that no material liability will arise.

(b) Letter of guarantees amounting to KD 11,764,335 (2018: KD 12,744,410) related to delayed projects amounting to KD 97,110,242 (2018: 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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 October 2019 and 31 October 2018. The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarized below.

26.1 Credit risk

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

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts as disclosed in Note 12.

Maximum exposure to credit risk

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

The Group's largest five customers account for 58% of the total outstanding receivables as at 31 October 2019 (2018: 60%)

26.2 Liquidity risk

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

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

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

	Less than 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
2019					
Murabaha payables	**5,327,177**	**839,835**	**1,656,552**	**5,188,931**	**13,012,495**
Accounts payable and other liabilities	**3,084,497**	**379,659**	**3,187,191**	**5,196,608**	**11,847,955**
Total financial liabilities	**8,411,674**	**1,219,494**	**4,843,743**	**10,385,539**	**24,860,450**
Contingent liabilities	**13,163,869**	**494,500**	**4,317,164**	**-**	**17,975,533**

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.2 Liquidity risk

	Less than 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
2018					
Murabaha payables	11,312,015	561,561	1,123,122	2,472,137	15,468,835
Accounts payable and other liabilities	1,032,328	2,337,061	4,355,256	5,033,805	12,758,450
Total financial liabilities	12,344,343	2,898,622	5,478,378	7,505,942	28,227,285
Contingent liabilities	837,500	3,020,990	4,939,651	9,702,141	18,500,282

26.3 Market risk

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

26.3.1 Profit rate risk

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

26.3.2 Foreign currency risk

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

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

	2019		*2018*	
	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	**-**	**66,629**	16,025	171,493
Bahraini Dinar	**425,062**	**25,911**	494,478	54,599
Saudi Riyal	**2,007**	**-**	2,018	-
	427,069	**92,540**	512,521	226,092

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

26.3.3 Equity price risk

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

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.3 Market risk

26.3.3 Equity price risk

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:

	2019		*2018*	
	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	**170**	**-**	1,329	-

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

27 CAPITAL MANAGEMENT

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

The Group manages its capital structure and adjusts it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 October 2019 and 31 October 2018. Capital comprises share capital, share premium, statutory reserve, voluntary reserve, foreign currency translation reserve, cumulative changes in fair values reserve, and accumulated losses and is measured at KD 44,940,778 as at 31 October 2019 (2018: KD 43,770,128).

28 FAIR VALUE MEASUREMENTS

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

The fair values of financial assets 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*
2019				
Investment properties	**-**	**6,647,004**	**35,796,000**	**42,443,004**
Financial assets at fair value through profit or loss	**2,687**	**-**	**-**	**2,687**
Financial assets at fair value through other comprehensive income	**-**	**-**	**1,993,508**	**1,993,508**
	2,687	**6,647,004**	**37,789,508**	**44,439,199**
2018				
Investment properties	-	7,059,038	41,012,000	48,071,038
Financial assets at fair value through profit or loss	2,478	-	-	2,478
Financial assets at fair value through other comprehensive income	-	-	2,547,808	2,547,808
	2,478	7,059,038	43,559,808	50,621,324

During the years ended 31 October 2019 and 31 October 2018, there were no transfers between Level 1 and Level 2 fair value measurements and level 3 fair value measurements.

28 FAIR VALUE MEASUREMENTS

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

	At the beginning of the year KD	*Transferred from financial assets available for sale KD*	*Transition adjustment on adoption of IFRS 9 at 1 November 2017 KD*	*Transferred from buildings and land under developments KD*	*Net losses recorded in the consolidated statement of income KD*	*Net losses recorded in the consolidated statement of comprehensive income KD*	*Net purchases, transfers, sales and settlements KD*	*At the end of the year KD*
31 October 2019								
Investment properties	**41,012,000**	-	-	-	**(137,000)**	-	**(5,079,000)**	**35,796,000**
Financial assets at fair value through other comprehensive income	**2,547,808**	-	-	-	-	**(497,572)**	**(56,728)**	**1,993,508**
	43,559,808	-	-	-	**(137,000)**	**(497,572)**	**(5,135,728)**	**37,789,508**
31 October 2018								
Investment properties	40,708,000	-	-	2,280,000	(1,976,248)	-	248	41,012,000
Financial assets at fair value through other comprehensive income	339,052	4,159,232	(480,755)	-	-	(1,352,185)	(117,536)	2,547,808
	41,047,052	4,159,232	(480,755)	2,280,000	(1,976,248)	(1,352,185)	(117,288)	43,559,808

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 capitalization approach assuming full capacity of the property. Income capitalization approach is based on capitalization of the discounted annual cash flows from the property, which is calculated by discounting rental income generated annually by the property, 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.

Governance Report

Governance Report
For the year ended October 31, 2019

Introduction

Al Enmaa Real Estate Company (KSCC) has been keen on establishing Appropriate rules for corporate governance standards in accordance with the instructions of the Capital Markets Authority and has reached a balanced structure based on effective and wise management to ensure the achievement of the company's goals that are in the interest of shareholders and other stakeholders. The company's objective of applying the rules and of corporate governance is to ensure transparency and integrity appropriately in a manner that boosts investors' confidence in the efficiency of the company's performance and its ability to face difficulties and overcome crises.

Accordingly, the principles of good governance included a set of requirements and limitations that constitute the general framework for rational governance related to the implementation of the following rules of governance:

Rule I: Construct a Balanced Board Composition

The company Board of Directors is properly composed in accordance with the

company's activity volume and nature as well as the assigned roles and responsibilities.

When the current company's board of directors was formed, variety of educational and professional experience and specialized skills were considered, Board members are aware of relevant laws and policies and Board rights and roles. This is in addition to full understanding and awareness of the company's activities and all risks against financial position thereof. All the powers and authorities necessary to manage the company and assumes the ultimate responsibility for the company's business even if it formed committees or has delegated other entities or individuals to do some of its business. The board of directors consists of 7 non-executive members including the independent member, the members are elected at the AGM, which was held on 30/03/2017 as follows:

Board of Directors formation

No.	Name	Position	Membership Type	Academic Qualification	Date of Election and Appointment of Secretary
1	Mr. Saleh Turki Al-Khamees	Chairman	non-executive	Master of Business Administration	10/03/2016
2	Mr. Abdullah Sulaiman Al Ghurair	Deputy Chairman	non-executive	Bachelor of Business Administration	10/03/2016
3	Mr. Tariq Fahad Al-Shaya	Independent member	Independent	Bachelor of Business Administration	10/03/2014
4	Mr. Ahmed Abdul Mohsen Al-Farhan	Member	non-executive	Bachelor of Information Systems	10/03/2014
5	Mr. Riyadh Naser Al-Bader	Member	non-executive	Bachelor of Business Administration	10/03/2014
6	Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	non-executive	Master of Business Administration	10/03/2014
7	Mr. Muhammad Muslim Al-Muslim	Member	non-executive	Bachelor of Business Administration	30/03/2017
*	Mr. Abdullah Saif Muhammad Al-Saif	Secretary	-	Bachelor of Jurisprudence, Fundamentals of Jurisprudence and Higher Diploma in Islamic Finance	09/06/2019

The Board of Directors held (12) meetings during the year ended on October 31, 2019, the following are Board meetings during the year.

Monitored the meetings	Position	Meeting 21 held on 08/11/2018	Meeting 22 held on 26/12/2018	Meeting 23 held on 24/01/2019	Meeting 24 held on 30/01/2019	Meeting 25 held on 28/02/2019	Meeting 26 held on 10/03/2019	Meeting 27 held on 29/05/2019
Mr. Saleh Turki Al-Khamees	Chairman	√	√	√	√	√	√	√
Mr. Abdullah Sulaiman Al Ghurair	Deputy Chairman	√	√	√	√	√	√	√
Mr. Tariq Fahad Al-Shaya	Independent member	√	√	√	√	√	√	√
Mr. Ahmed Abdul Mohsen Al-Farhan	Member	√	√		√	√	√	√
Mr. Riyadh Naser Al-Bader	Member	√	√	√	√	√	√	√
Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	√		√	√	√	√	√
Mr. Muhammad Muslim Al-Muslim	Member	√	√	√	√	√	√	√
Secretary		√	√	√	√	√	√	

Monitored the meetings	Position	Meeting 28 held on 12/06/2019	Meeting 29 held on 10/07/2019	Meeting 30 held on 11/09/2019	Meeting 31 held on 18/09/2019	Meeting 32 held on 30/09/2019
Mr. Saleh Turki Al-Khamees	Chairman	√	√	√	√	√
Mr. Abdullah Sulaiman Al Ghurair	Deputy Chairman		√	√	√	√
Mr. Tariq Fahad Al-Shaya	Independent member	√	√	√	√	√
Mr. Ahmed Abdul Mohsen Al-Farhan	Member	√	√	√	√	√
Mr. Riyadh Naser Al-Bader	Member	√	√	√	√	√
Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	√	√	√	√	√
Mr. Muhammad Muslim Al-Muslim	Member	√	√	√	√	√
Secretary			√	√	√	√

The Secretary of the Board of Directors performs the role of organizing the meetings and sending providing the Board with the agenda and invitations to all members before prior to Board Meeting scheduled meeting of the Board or the committees.

In addition a special register is maintained at the Board secretary custody where Board minutes of meetings are written in serial numbers of the meeting year as well as place, date, This is in addition to minutes ,agendas and reports provided to the Board, are classified and archived to facilitate referring thereto.

Rule II: Establish Appropriate Roles and Responsibilities

In line with the provisions of the Corporate Governance Regulations, company polices and charters, the Board of Directors performs its roles and responsibilities as follows: • Approve strategic objectives and material plans and policies of the Company.

• Approve annual estimated budgets and interim and annual financial statements.

• Monitor the basic capital expenditures of the Company, ownership and disposal of assets. Verify the Company's compliance with policies and procedures to guarantee its respect of applicable internal bylaws and regulations.5. Ensuring the accuracy and integrity of the data and information to be disclosed, in accordance with the established disclosure and transparency policies and regulations.

6. Establishing effective communication channels that allow the company's shareholders to be informed continuously and periodically of the various aspects of the company's activities and any key updates.

7. Establishing and generally supervising a corporate governance system, monitoring its effectiveness and amending it when needed.

8. Monitor the performance of each member of the Board of Directors and the Executive Management according to objective Key Performance Indicators (KPIs).

9. Preparing an annual report to be recited in the company's annual general meeting that includes requirements and procedures for completing corporate governance rules and the extent of compliance with them.

10. Forming specialized committees subdividing from the board in accordance with a charter clarifying the committee’s duration, validity and responsibilities, and how the board supervises them. The committee’s formation decision also includes specifying members and defining their responsibilities, rights and duties. This is in addition to assessing the performance and work of these committees and their main members.

11. Ensuring that the approved policies and regulations of the company are transparent and clear to enable the decision-making process and the principles of prudent governance, and division of powers and authorities between both the board of directors and the executive management.

12. Determine the powers entrusted to the executive management, decision-making procedures and the duration of the entrustment. The board also determines the issues that it holds the authority to make decisions thereof.

13. Monitoring and supervising the performance of members of the executive management, and ensuring that they perform all the tasks assigned to them.

14. Determine the bonus segments that will be granted to employees, such as the fixed bonus segment, the long-term performance and risk bonus segment, and the bonus segment in the form of shares.

15. Appointment or removal of any of the members of the executive management, including the head of the executive branch or an equivalent.

16. Establishing a policy regulating the relationship with stakeholders in order to preserve their rights.

17. Establish a mechanism to regulate dealings with related parties, in order to reduce conflicts of interest.

18. Periodically verifying the effectiveness and adequacy of the internal control systems in force in the company and its subsidiaries.

Based on the responsibilities of the board represented in achieving the best financial and operational results and achieving the strategic plan of the company in an optimum manner, the board achieved during its current session many achievements, including:

1- Approval of the company’s important objectives, strategies, work plans and policies as well as the estimated budget for 2019.

2- Adopting a complete and developed plan for disaster recovery and business continuity.

3- Establishing a subsidiary security company.

First: Audit Committee:

1. In accordance with the Board of Directors decision No. 22/11/2018, held on 28/01/2018, the Audit Committee was formed.

2. The audit committee exercises the tasks and responsibilities assigned to it in accordance with the book no. fifteen (Corporate Governance) of the executive regulations of Law No. 7 of 2010. The committee consists of (4) members, including an independent member and its membership may not be granted to the chairman of board of directors or executive members and the following is a statement of the members of the committee:

No.	Member Name	Type of Membership in board	Type of Membership in committee
1	Mr. Riyadh Naser Al-Bader	Member	Chairman
2	Mr. Tariq Fahad Al-Shaya	Independent member	Independent member
3	Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	Member
4	Mr. Muhammad Muslim Al-Muslim	Member	Member

The committee conducted (8) meetings during the fiscal year ending October 31, 2019 as follows:

Audit Committee Meetings									
Member name	Type of Membership in committee	Meeting 1 held on 06/12/2018	Meeting 2 held on 24/12/2018	Meeting 3 held on 06/02/2019	Meeting 4 held on 06/03/2019	Meeting 5 held on 23/04/2019	Meeting 6 held on 11/06/2019	Meeting 7 held on 10/09/2019	Meeting 8 held on 28/10/2019
Mr. Riyadh Naser Al-Bader	Chairman	√	√	√	√	√	√	√	√
Mr. Tariq Fahad Al-Shaya	Independent member	√	√	√	√	√	√	√	√
Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	√		√	√	√	√	√	√
Mr. Muhammad Muslim Al-Muslim	Member	√	√	√	√	√	√	√	√

<u>The committee carried out several tasks, the most important of which are:</u>

1- Discussing the interim financial statements as well as the annual financial statements as on October 31, 2019 and recommend the submission thereof to the Board of Directors for approval.

2- Evaluating the adequacy and effectiveness of the control systems applied within the company.

3- Appointment of an independent office to provide the services of preparing the report of the internal control systems (Internal Control Report ICR), as well as reviewing the report prepared by the office.

4- Approving an independent external office to provide internal audit services for the year 2019/2020.

5- Review the internal audit plan for the year 2019-2020 and it was approved.

6- The committee confirmed the independence and impartiality of the external auditor during the financial year ended 31/10/2019.

7- The committee confirmed the independence of the internal audit job by looking at the independence book submitted by the company's internal audit unit during the year.

8- Review the results of the internal audit reports and follow up on the implementation of the recommendations received.

9- The committee appointed an external consulting office to provide quality assurance services for the internal audit, and the Quality Assurance and Improvement Program QAIP report submitted by the office was reviewed within the committee's meetings.

Second: Risk Committee:

1. According to the decision by Board of Directors No. 22/11/2018, held on 28/01/2018, the Risk Committee was formed.

2. The Risk Committee exercises the tasks and responsibilities entrusted to it as stipulated in the book no. fifteen (Corporate Governance) of the Executive Regulations of Law No. 7 of 2010. The Committee consists of (4) members and its membership may not be granted to the chairman of board of directors or executive members and the following is a statement of the members of the committee:

No.	Member Name	Type of Membership in board	Type of Membership in committee
1	Mr. Abdullah Sulaiman Al Ghurair	Deputy Chairman	Chairman
2	Mr. Tariq Fahad Al-Shaya	Independent member	Independent member
3	Mr. Riyadh Naser Al-Bader	Member	Member
4	Mr. Muhammad Muslim Al-Muslim	Member	Member

The committee conducted (5) meetings during the fiscal year ending October 31, 2019 as follows:

Risk Committee Meetings						
Member name	Type of Membership in committee	Meeting 1 held on 28/03/2019	Meeting 2 held on 13/05/2019	Meeting 3 held on 08/07/2019	Meeting 4 held on 22/07/2019	Meeting 5 held on 16/09/2019
Mr. Abdullah Sulaiman Al Ghurair	Chairman	√	√	√	√	√
Mr. Tariq Fahad Al-Shaya	Independent	√	√	√	√	√
Mr. Riyadh Naser Al-Bader	Member	√	√	√	√	
Mr. Muhammad Muslim Al-Muslim	Member	√	√	√	√	√

The committee carried out several tasks, the most important of which are:

1. A consultancy office has been appointed to provide risk management services for 2019-2020.

2. The committee discussed the risk reports issued by the consultancy office, provider of the risk management service, and approved the same.

3. Approving the company's risk framework and orientation.

Third: The Nomination and Remuneration Committee:

The committee consists of (4) members, including an independent member and the chairman of the committee is not an executive board member.

The following is a statement of the names of the committee members:

No.	Member Name	Type of Membership in board	Type of Membership in committee
1	Mr. Muhammad Muslim Al-Muslim	Member	Chairman
2	Mr. Ahmed Abdulmohsen Al-Farhan	Member	Member
3	Mr. Tariq Fahad Al-Shaya	Independent member	Independent member
4	Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	Member

The committee conducted (5) meetings during the fiscal year ending October 31, 2019 as follows:

Member name	Type of Membership in committee	Meeting 1 held on 20/12/2018	Meeting 2 held on 27/01/2019	Meeting 3 held on 24/06/2019	Meeting 4 held on 05/09/2019	Meeting 5 held on 31/10/2019
Mr. Muhammad Muslim Al-Muslim	Chairman	√	√	√	√	√
Mr. Ahmed Abdulmohsen Al-Farhan	Member	√	√	√	√	√
Mr. Tariq Fahad Al-Shaya	Independent	√	√	√	√	√
Mr. Abdullah Abdul Mohsen Al-Mujaham	Member	√	√	√	√	√

During the year, the committee achieved several tasks, the most important of which are:
1- Adopting objective performance indicators to evaluate the performance of the Board of Directors and members of the executive management

2- Issuing the remuneration structure report for the board of directors and executive management.

3- Ensuring that the independency is not eliminated from the independent board member.

Rule III: Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management

The Board of Directors formed the Nominations and Remunerations Committee. The committee consists of (4) members, including an independent member and its chairman is a non-executive member.

The duties and responsibilities of the committee include the following:

1- Recommendation to accept the nomination and re-nomination of the members of the Board of Directors and the executive management.

2- Setting a clear policy for the remuneration of the members of the Board of Directors and the executive management.

3- Ensuring that the independency is not eliminated from the independent board member.

4- Preparing a detailed annual report on all remunerations granted to members of the Board of Directors and the executive management, whether they are amounts, benefits, or advantages, notwithstanding their nature and title, provided that this report is submitted to the company's general meeting for approval.

Annual remuneration report granted to members of the Board of Directors and Executive Management:

The company follows transparent and regulated procedures for incentives and remuneration. The principles of remuneration for the Board of Directors and the Executive Management are based on the regulatory requirements, the remuneration policy approved by the Board of Directors, and key performance indicators KPIs.

In line with the requirements of the third rule of Book No. 15 of the Capital Markets Authority Executive Regulation, the following table includes details of the remunerations that have been granted to members of the Board of Directors and the Executive Management.

Remuneration Report Structure

	Position	Remuneration, Salary, Incentives and other financial privileges (through parent company and subsidiaries)	Total Remuneration, Salary, Incentives and other financial privileges
		Members of Board of Directors	
1	Chairman of Board of Directors	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance).	-
2	Deputy Chairman of the Board	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance).	-
3	Board Member (Ahmad Abdulmohsen Al-Farhan)	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance).	-
4	Board Member (Riyadh Nasser Al Bader)	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance).	-
5	Board Member (Abdullah Abdulmohsen Al-Mujaham)	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance).	-
6	Board Member (Muhammad Muslim)	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance).	-
7	Independent Board Member (Tariq Fahad Al Shaya)	Variable remuneration (annual bonus, committee bonus), fixed benefits (health insurance), variable remuneration (disbursed after general meeting approval)	14,000

		Executive Management Members	
1	Executive Director	Fixed remuneration and privileges (Salary, Medical insurance), variable remuneration (annual bonus)	174,400
2	Deputy Executive Director for Assistant Services	Fixed remuneration and privileges (Salary, Medical insurance), variable remuneration (annual bonus)	91,800
3	Deputy Executive Director for Real Estate Services	Fixed remuneration and privileges (Salary, Medical insurance), variable remuneration (annual bonus)	83,760
4	Senior Director for development of works and real estate	Fixed remuneration and privileges (Salary, Medical insurance), variable remuneration (annual bonus)	63,210
5	Director of Finance	Fixed remuneration and privileges (Salary, Medical insurance), variable remuneration (annual bonus)	31,103

Rule IV: Safeguard the Integrity of Financial Reporting

The integrity of the financial statements is one of the important indicators of the integrity and credibility of the company in presenting its financial position and this increases the confidence of investors in the financial statements and information provided by the company.

Based on foregoing, the company has performed the following:

1- The executive management of the company's board of directors undertook in writing that the company's financial reports are shall be presented in a correct and fair manner, and that they contain all financial aspects of operational data and results prepared in accordance with the approved international accounting standards.

2- The members of the company's board of directors undertake to shareholders the correctness and integrity of all financial statements, as well as reports related to the company's activity.

3- The audit committee was formed by the Board of Directors in accordance with the work charter that defines and organizes the tasks and responsibilities of the committee in order to fulfill its role in accomplishing the achieving the following:

A - Discussing the periodic financial statements upon reviewing by the committee in order to ensure correctness and transparency of the financial statements.

B - Evaluating the adequacy and effectiveness of the internal control systems applied in the company.

C - Review and approve the internal audit plans.

D - Emphasizing the independence and neutrality of the external auditor.

E - Reviewing the observations of the regulatory authorities.

F – Submitting recommendation to the Board of Directors to re-appoint the Al-Aiban and Al-Osaimi office "Ernst & Young" as the company's external auditor, who is one of the auditors registered in the list approved at the Capital Markets Authority record, and emphasizing its independence and neutrality and that it does not provide any other services for the company that conflict with the auditing job of the company or affect its independence and neutrality.

Rule V: Apply Sound Systems of Risk Management and Internal Audit1- Risk management:

Correct risk management must have internal control systems to provide the control over the financial statements integrity and the efficiency of the company's business and assess the compliance with the controls.

The company has formed a risk committee according to the rules of governance. The committee consists of four members from the board of directors, including an independent member and chaired by a non-executive member. The committee takes charge of setting risk management policy to assess the types of risks that the company may be exposed to and address them in the proper time.

2- Internal control and regulation systems

The company relies on a specific set of regulating systems and control rules that cover all of the company's activities and management, and these systems and rules work to maintain the integrity of the company's financial report and the accuracy of its data and the efficiency of its operation in various aspects after the regulatory structure of the company has been updated and dual controls have been created that include proper determination for powers and responsibilities and the separation of tasks and non-conflict of interests. In compliance with requirements of corporate governance in the fifteenth book Article (6-9), the company has also assigned an independent external consulting office accredited at the Capital Markets Authority in order to prepare an internal control systems audit report (ICR) for the year 2019, which allows the company to know the deficiencies in the applicable control systems and the way to address them.

Rule VI: Promote Code of Conduct and Ethical Standards

Establishing the culture of professional behavior and ethical values within the company enhances the investor's confidence in the integrity and financial soundness of the company as all employees of the company, whether members of the board of directors, executive management or other employees, adhere to the company's policies, regulations, internal procedures, legal and regulatory requirements, especially the procedures to maintain the confidentiality of information and application of the policy of reporting any complaint they have will lead to achieving the interests of all parties related to the company, especially the shareholders, without conflict of interests and with a high degree of transparency.

The company continues to update the work covenants and guides that define the responsibilities of the company, the board of directors, the executive management, and undertakes to achieve the company's interests, the interests of shareholders, and the interests of other stakeholders.

The work covenant included a set of determinants and standards that deal with the following, the most important of which are:

1- Establishing the principle of the commitment of each member of the board of directors, the executive management to all laws and instructions, representation of all shareholders, and commitment in the interest of the company, the interest of shareholders, and the interest of other stakeholders, and not only the interest of a specific group.

2- The member of the board of directors or the executive management shall not use the job authority in order to achieve a private interest or personal ends for him or others.

3- Not to use the company's assets and resources to achieve personal interests and work to make optimal use of those assets and resources to achieve the company's goals.

4- Ensuring that a clear control system and mechanism is in place that prevents members of the Board of Directors and employees from exploiting the information they have reviewed by virtue of their positions for their personal benefit as well as the risk of disclosing information and data related to the company except in cases that are permitted for disclosure or according to legal requirements.

5- Confirming on setting procedures that regulate operations with related parties.

6- A clear separation between the company's interests and the interests related to a member of the Board of Directors.

The rules of professional conduct and moral values also emphasized on the conflict of interest policy as an integral part of the company's full commitment to integrity and correctness in dealing with stakeholders, and a member of the board of directors must inform the board of his personal interest in the business or contracts that are made for the company’s account and members of the board are prohibited to participate in discussing, expressing opinions, or voting on any issues presented to the board of directors in which they have a common interest, whether direct or indirect interest.

The Chairman of the Board of Directors must inform the general meeting upon its convention of the works and contracts in which a member of the Board of Directors has a personal interest, and a special report from the auditor shall be attached to this report.

Rule VII: Ensure Timely and High-Quality Disclosure and Transparency

The Board of Directors has regulated disclosures for all members of the Board of Directors, executive management and potential investors by a record of their disclosures which is available for review by all shareholders of the company to view it without any fee or charge, and this record is updated periodically to reflect the reality of the relevant parties.

- The Board of Directors established the mechanisms for accurate, timely and transparent presentation and disclosure as follows:
    - The Board of Directors has established a policy of disclosure and transparency in line with corporate governance rules.
    - The company has established a disclosure record of the Board of Directors and Executive Management members.

The company established the investors’ affairs unit to be responsible for making available and providing the necessary data, information and reports to its potential investors, and the investor affairs unit has the proper independency as it is affiliated directly to the Board of Directors, and in a manner that enables it to provide data, information and reports in a timely and accurate manner, and this shall be through common disclosure methods, including the company's website. The company has also developed the infrastructure for information technology in ordered to be used in terms of disclosures. A section for the Corporate Governance is available on the company's website www.enmaa.com.

Rule VIII: Respect the Rights of Shareholders

The implementation of corporate governance rules ensures the consistency of both the objectives of the shareholders and the objectives of the company's management and enhances investor confidence in the efficiency of the system that protects their rights and ensures equal treatment for all shareholders regardless of their levels.

To achieve the highest degree of protection and respect for the shareholders' rights, the company has conducted the following:

1. Created a special record to be kept with the Kuwait Clearing Company, in which the names of the shareholders and the number of shares owned by them shall be recorded.

2. The company invites the shareholders to attend the general meeting and notify them in an adequate period before the convention of the meeting, in many ways, including advertising in daily newspapers or through the company's website.

3. The company allows all shareholders to exercise the right to vote without putting any obstacles behind them.

4. The company enables the shareholders to review the shareholders' records, and the data mentioned in the records are dealt with according to the utmost protection and confidentiality.

Rule IX: Recognize the Roles of Stakeholders

The framework of corporate governance practices shall include recognition of the rights of stakeholders and encourage cooperation between both the company and stakeholders in many areas. In order to achieve this balance between stakeholders and shareholders, the company conducted the following:

1. Establishing compensation mechanisms for stakeholder.

2. None of the stakeholders shall be granted any privilege through his dealings in contracts and deals that fall into the company's regular activities.

3. The company has internal policies and regulations that include a clear mechanism for awarding contracts of various kinds, through tenders or various purchase orders, and that mechanism is fully disclosed.

4. The company shall encourage the stakeholders to participate in following up the various activities of the company in a manner consistent with achieving its interests in full according to what is stated in the rules of governance.

5. Establish mechanisms to settle complaints or disputes that may arise between the company and stakeholders.

The company undertakes to provide an opportunity for any stakeholder to report any complaint presented to the management and the board of directors shall be responsible for implementing this policy that ensures the protection of the rights of stakeholders stipulated in the laws in force in Kuwait and obtaining their legal compensation. The company also enables stakeholders to provide their comments on any suggestions according to their experiences regarding the nature of their dealings with the company to achieve positive interests of the company and maintain reputation and good relations with stakeholders

Rule X: Encourage and Enhance Performance

Training and qualification provide members of the board of directors and executive management with appropriate understanding and knowledge of all topics related to the company's activities and makes them familiar with the latest developments in the related administrative, financial and economic fields. For this purpose, the company has conducted the following:

1- Providing training programs to develop their skills and expertise, as the company has conducted a training program for members of the board of directors explaining tasks and responsibilities of the board of directors and a number of other training programs for the executive management, in addition to attending several conferences and workshops related to the nature of the company's work during the year.

2- Using mechanisms to evaluate the performance of the board of directors as a whole and each individual member of the board of directors and executive management on an annual basis through key performance indicators.

The company is always keen to create the institutional values of its employees and motivate them to improve their production rates and deepen their confidence in the company by involving all departments employees in setting the objectives and the expected strategy to create consistency and harmony among all departments, each with regard to the nature of its work to achieve these expected objectives and link this to the performance measure of the executive management which enhances the vital role of the employee and the basis in providing the best services of a high level.

Rule XI: Focus on the Importance of Corporate Social Responsibility

The concept of social responsibility is represented by the continuous commitment by the company to act ethically and contribute to achieving sustainable development for community in general and for the company in particular, by working to improve the well-being, social and economic conditions of the manpower and their families in addition to society as a whole and contribute to reducing levels of unemployment in society and using its available resources, as the company adopted the policy of the importance of social responsibility in accordance with the fifteenth book (Corporate Governance) of the executive regulations of Law No. 7 of 2010.

The company has practiced its social activities during the year on the internal and external aspects in order to achieve the concept of social responsibility towards its employees and towards the community. The most important of these activities were:

First: At the context of the company's employees:

- A health insurance policy has been made that includes all employees of the company and provides advantages that contribute to reducing the burden of health care and medical treatment on all employees of the company.

Second: At the community context:

1) The company conducted a blood donation campaign during the year 2019, in which the majority of the employees and management of the company participated at all levels.

2) Donate sums of money to Zakat House as a contribution to charity.

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AlEnma`a Real Estate Co. K.S.C.P.

Annual

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