

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 2021 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors 20 January 2022.

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

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

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.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 October 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

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

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

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

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Effective interest in equity</i>		<i>Principal activities</i>
		<i>2021</i>	<i>2020</i>	
ERESCO Security K.S.C. (Closed)	Kuwait	99%	99%	Security services
Al Reyada Facilities Guarding S.P.C	Kuwait	100%	100%	Security services
Al Reyada for Security and Safety of Equipment and tools S.P.C	Kuwait	100%	100%	Security services
Al Reyada for Security Consulting Services S.P.C	Kuwait	100%	100%	Security services
United Real Estate Consultancy S.P.C	Kuwait	100%	100%	Real Estate Consulting Services
Al-Enma'a For Security Services Company K.S.C. (Closed)	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 ERESKO Security K.S.C. (Closed), 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

New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 October 2020, except for the adoption of new standards effective as of 1 November 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have material impact on the financial performance or consolidated financial position of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to *IFRS 3 Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The amendments to IFRS 9, IAS 39 and IFRS 7 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 November 2020 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Foreign currencies translation

Transactions and balances

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

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

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

Group companies

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had a material impact on the consolidated financial statements of the Group (Note 27).

Financial instruments – Initial recognition and subsequent measurement

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

Financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial assets (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial assets (continued)

Classification of financial assets (continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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, and lease liabilities.

Subsequent measurement

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

Murabaha payables

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

Accounts payable and other liabilities

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

Derecognition

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Fair value measurement

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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.

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

Employees' end of service benefits

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Fiduciary assets

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

Contingencies

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

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

Segment information

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

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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

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.

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.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of property, plant and equipment

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

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

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

Valuation of unquoted equity investments

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

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

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

Impairment of financial assets at amortized cost

The allowance for expected credit losses for financial assets disclosed in Note 10 and Note 11 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.

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At 31 October 2021

3 NET INVESTMENT LOSS

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Unrealized loss on revaluation of investment properties (Note 6)	(615,777)	(1,304,954)
Unrealized gain (loss) on financial assets at fair value through profit or loss	1,062	(850)
Profit from investment deposits	60,495	112,512
	<u>(554,220)</u>	<u>(1,193,292)</u>

4 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share are calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share are calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 October, the Parent Company had no outstanding dilutive potential shares.

	<i>2021</i>	<i>2020</i>
Loss for the year (KD)	(1,862,587)	(459,638)
Weighted average number of shares outstanding during the year (shares)	450,534,680	450,534,680
Basic and diluted loss per share	<u>(4.13) fils</u>	<u>(1.02) fils</u>

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i> <i>KD</i>	<i>Furniture and equipment</i> <i>KD</i>	<i>Motor vehicles</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Cost:</i>				
As at 1 November 2020	-	1,706,284	230,961	1,937,245
Additions	-	17,046	-	17,046
Disposals	-	(126,671)	(15,475)	(142,146)
Reclassification	-	(53,583)	53,583	-
As at 31 October 2021	-	1,543,076	269,069	1,812,145
<i>Depreciation:</i>				
As at 1 November 2020	-	1,423,106	230,910	1,654,016
Charge for the year	-	128,512	-	128,512
Disposals	-	(123,433)	(15,473)	(138,906)
Reclassification	-	(53,573)	53,573	-
As at 31 October 2021	-	1,374,612	269,010	1,643,622
<i>Net book value:</i>				
As at 31 October 2021	-	168,464	59	168,523

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5 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Buildings KD</i>	<i>Furniture and equipment KD</i>	<i>Motor vehicles KD</i>	<i>Total KD</i>
<i>Cost:</i>				
As at 1 November 2019	237,997	1,718,115	230,961	2,187,073
Additions	-	2,558	-	2,558
Disposals	(237,997)	(14,389)	-	(252,386)
As at 31 October 2020	-	1,706,284	230,961	1,937,245
<i>Depreciation:</i>				
As at 1 November 2019	144,410	1,280,443	230,910	1,655,763
Charge for the year	1,839	151,263	-	153,102
Disposals	(146,249)	(8,600)	-	(154,849)
As at 31 October 2020	-	1,423,106	230,910	1,654,016
<i>Net book value:</i>				
As at 31 October 2020	-	283,178	51	283,229

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

	<i>2021 KD</i>	<i>2020 KD</i>
<i>Continuing operations</i>		
Cost of services rendered	20,811	34,651
Cost of construction contracts	552	3,714
General and administrative expenses	107,149	114,737
	128,512	153,102

6 INVESTMENT PROPERTIES

	<i>2021 KD</i>	<i>2020 KD</i>
As at 1 November	41,138,050	42,443,004
Unrealized loss on revaluation (Note 3)	(615,777)	(1,304,954)
As at 31 October	40,522,273	41,138,050
As at 31 October, investment properties are categorized into:		
	<i>2021 KD</i>	<i>2020 KD</i>
Developed properties	34,648,000	35,113,000
Lands	5,874,273	6,025,050
	40,522,273	41,138,050

6 INVESTMENT PROPERTIES (continued)

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

	2021 KD	2020 KD
Kuwait	34,648,000	35,113,000
Gulf Council Countries	5,874,273	6,025,050
	40,522,273	41,138,050

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 26).

For valuation purpose, the Group has selected the lower of those two valuations (2020: the lower of two valuations). Based on those valuations, the Group has recognized an unrealized loss on revaluation of KD 615,777 (2020: KD 1,304,954) in the consolidated statement of income (Note 3).

As at 31 October 2021, investment properties with a carrying value amounting to KD 17,080,000 and KD 11,378,000 (2020: KD 16,820,000 and KD 12,232,000) are pledged as a security against murabaha payables to the Ultimate Parent Company and local financial institutions, respectively (Note 18).

As at 31 October 2021, the Group has developed properties amounting to KD 34,648,000 (2020: KD 35,113,000) which generate rental income. The significant assumptions made relating to valuation of such properties are set out below:

	2021	2020
Total area available for rent (sqm)	15,654	15,654
Average monthly rent per sqm (KD)	12	12
Average yield rate	6.6%	8.0%
Occupancy rate	78%	92%

Sensitivity analysis

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

	<i>Changes in significant assumptions</i>	2021 KD	2020 KD
Average monthly rent per sqm (KD)	+/- 1%	346,480	351,130
Average yield rate	+/-1%	343,050	347,653

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7 INVESTMENTS IN ASSOCIATE

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

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Effective interest in equity</i>		<i>Principal Activities</i>
		<i>2021</i>	<i>2020</i>	
The Kingdom Towers Real Estate Company W.L.L.	Bahrain	25.0 %	25.0 %	Real estate activities

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

	<i>2021 KD</i>	<i>2020 KD</i>
As at 1 November	9,795	1,717,736
Share of results	-	5,919
Disposals	-	(1,713,977)
Foreign currency translation adjustments	-	117
As at 31 October	9,795	9,795

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

	<i>2021 KD</i>	<i>2020 KD</i>
<i>Share of associate's assets and liabilities as at 31 October:</i>		
Non-current assets	9,795	20,501
Current liabilities	-	(10,706)
Net assets	9,795	9,795
<i>Share of associate's revenue and results for the year ended 31 October:</i>		
Revenue	-	26,295
Results	-	5,919

8 INVESTMENT SECURITIES

	<i>2021 KD</i>	<i>2020 KD</i>
Financial assets at fair value through other comprehensive income (FVOCI)		
Local unquoted equity securities	4,996	4,996
Foreign unquoted equity securities	564,956	1,106,591
	569,952	1,111,587

Fair value hierarchy disclosures are provided in (Note 26).

9 INVENTORIES

	<i>2021 KD</i>	<i>2020 KD</i>
Spare parts and others	203,087	213,267
Provision for obsolete and slow moving inventories	203,087 (156,659)	213,267 (86,572)
	46,428	126,695

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9 INVENTORIES (continued)

The movement in the provision for obsolete and slow moving inventories is as follows:

	2021 KD	2020 KD
Balance at beginning of year	(86,572)	(86,572)
Charge for the year	(81,658)	-
Written off during the year	11,571	-
	<u>11,571</u>	<u>-</u>
Balance at end of the year	<u>(156,659)</u>	<u>(86,572)</u>

10 CONTRACT ASSETS/CONTRACT LIABILITIES

	2021 KD	2020 KD
Accumulated costs and estimated earnings on contracts in progress	85,561,431	84,114,931
Progress billings on contracts in progress	(84,212,274)	(80,611,849)
	<u>1,349,157</u>	<u>3,503,082</u>
Less: allowance for expected credit losses	(206,756)	(295,251)
	<u>1,142,401</u>	<u>3,207,831</u>

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

	2021 KD	2020 KD
Contract assets, net	1,667,590	3,463,376
Contract liabilities	(525,189)	(255,545)
	<u>1,142,401</u>	<u>3,207,831</u>

Retention receivables or payables relating to contracts in progress are disclosed in (Note 11) and (Note 19 respectively).

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

	2021 KD	2020 KD
Opening balance	295,251	389,610
Reversal of ECL during the year based on lifetime ECL	(88,495)	(94,359)
	<u>206,756</u>	<u>295,251</u>

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 2021			
Expected credit loss rate	11.03%*	100%	
Estimated total gross carrying amount	1,874,346	-	1,874,346
Lifetime ECL	(206,756)	-	(206,756)
			<u>1,667,590</u>
As at 31 October			<u>1,667,590</u>

* represents average expected credit loss rate

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10 CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

	<i>Lifetime ECL- not credit impaired KD</i>	<i>Lifetime ECL- credit impaired KD</i>	<i>Total KD</i>
<i>31 October 2020</i>			
Expected credit loss rate	7.86%*	100%	
Estimated total gross carrying amount	3,758,627	-	3,758,627
Lifetime ECL	(295,251)	-	(295,251)
As at 31 October			<u>3,463,376</u>

* represents average expected credit loss rate

11 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>2021 KD</i>	<i>2020 KD</i>
<i>Non-current</i>		
Retention receivables, gross (C)	833,947	744,070
Less: Allowance for expected credit losses of retention receivables	(108,651)	(70,240)
Retention receivables, net	<u>725,296</u>	<u>673,830</u>
<i>Current</i>		
Trade receivables and amounts due from contract owners, gross	7,140,051	7,891,878
Less: Allowance for expected credit losses of trade receivables and amounts due from contract owners	(3,302,747)	(3,128,673)
Trade receivables and amounts due from contract owners, net	<u>3,837,304</u>	<u>4,763,205</u>
Amounts due from related parties, gross	137,539	473,000
Less: Allowance for expected credit losses of amounts due from related parties	(24,757)	(78,602)
Amounts due from related parties, net (Note 21)	<u>112,782</u>	<u>394,398</u>
Retention receivables, gross (C)	3,314,596	4,071,884
Less: Allowance for expected credit losses of retention receivables	(400,832)	(517,608)
Retention receivables, net	<u>2,913,764</u>	<u>3,554,276</u>
Subcontractor debit balances	10,747,827	10,938,186
Less: Allowance for expected credit losses of subcontractor debit balances (A)	(8,107,597)	(8,111,864)
Subcontractor debit balances, net	<u>2,640,230</u>	<u>2,826,322</u>
Advances to subcontractors	323,936	389,315
Prepaid expenses and refundable deposits	114,531	84,375
Other receivables	810,544	847,028
Less : Allowance for expected credit losses on staff receivables	(271,158)	(70,702)
Other receivables, net	<u>539,386</u>	<u>776,326</u>
Total current	<u>10,481,933</u>	<u>12,788,217</u>
	<u>11,207,229</u>	<u>13,462,047</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

11 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

(A) Allowance for expected credit losses of subcontractor debit balances:

As at 31 October 2021, 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 7,078,579 at 31 October 2021 (2020: KD 7,691,998) which management has fully impaired in prior years.

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

	2021 KD	2020 KD
Opening balance	11,977,689	11,127,509
Net charge for the year	241,254	853,889
Write offs during the year	(3,201)	(3,709)
	<u>12,215,742</u>	<u>11,977,689</u>

(C) Retention receivables amounting to KD 2,703,482 (2020: KD 3,208,402) relate to projects that have been already delivered to customers for which final payments certificate amounting to KD 1,872,875 (2020: KD 3,167,825) are yet to be billed pending the final agreement with the Parent Company's subcontractors.

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

	Total KD	Neither past due nor impaired KD	Past due but not impaired	
			3 to 6 Months KD	More than 6 months KD
2021	<u>3,837,304</u>	<u>1,179,372</u>	<u>141,640</u>	<u>2,516,292</u>
2020	<u>4,763,205</u>	<u>1,500,214</u>	<u>86,297</u>	<u>3,176,694</u>

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.

12 INVESTMENT DEPOSITS

Investment deposits in local currency amounting to KD 5,803,616 (2020: KD 6,903,616) 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 21) amount to KD 5,803,616 as at 31 October 2021 (2020: KD 6,903,616). The average rate of profit on these deposits during the year ended 31 October 2021 was 1.042% (2020: 1.629%) 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 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

13 CASH AND CASH EQUIVALENTS

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

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Investment deposits	5,803,616	6,903,616
Bank balances and cash	944,093	2,046,511
	6,747,709	8,950,127
Less:		
Bank overdrafts (included under accounts payable and other liabilities)	(12,953)	(606,277)
Cash and cash equivalents at the end of the year	6,734,756	8,343,850

As at 31 October 2021, bank balances and cash include an amount of KD 719,002 (2020: KD 989,262) which represents amounts held with the Ultimate Parent Company (Note 21).

As at 31 October 2021, bank overdrafts include an amount of KD 24 (2020: KD 24) which represents amounts withdrawn from the Ultimate Parent Company (Note 21).

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 22).

14 SHARE CAPITAL

	<i>Authorised, issued and fully paid</i> <i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
450,534,680 shares of 100 fils each (fully paid in cash)	45,053,468	45,053,468

15 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 2021 due to the fact that the Group has accumulated losses at the reporting date.

16 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 2021 due to the fact that the Group has accumulated losses at the reporting date.

16 VOLUNTARY RESERVE (continued)

During the year ended 31 October 2021, an additional Zakat of KD 170,145 (2020: KD Nil) has been charged to the accumulated losses 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.

17 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:

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
As at 1 November	1,798,160	1,698,573
Charge for the year	260,485	351,132
Payments made during the year	(337,720)	(153,421)
Reversed during the year	-	(98,124)
	<hr/>	<hr/>
As at 31 October	1,720,925	1,798,160
	<hr/>	<hr/>

18 MURABAHA PAYABLES

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Gross amount	8,817,215	11,044,768
Less: deferred profit	(30,159)	(64,130)
	<hr/>	<hr/>
	8,787,056	10,980,638
	<hr/>	<hr/>

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 3.25 % To 3.5% (2020: 3.25% to 5.25%) per annum.

As at 31 October 2021, murabaha payables amounting to KD Nil (2020: KD 982,451) are granted by the Ultimate Parent Company (Note 21).

As at 31 October 2021, murabaha payables are secured against pledge certain investment deposits with a carrying amounting KD 5,803,616 (2020: KD 6,903,616) (Note 12) to the Ultimate Parent Company and certain investment properties with a carrying value amounting to KD 17,080,000 and KD 11,378,000 (2020: KD 16,820,000 and KD 12,232,000) to the Ultimate Parent Company and local financial institutions, respectively (Note 6).

19 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
<i>Non-current</i>		
Retentions payable	2,764,424	3,359,791
Other liabilities	553,133	1,352,981
	3,317,557	4,712,772
<i>Current</i>		
Trade payables	1,729,776	2,140,433
Advance payment received from contract owners	197,407	288,729
Deferred income	32,439	44,760
Retentions payable	326,500	486,957
Dividend payable	59,431	59,960
Bank overdrafts (Note 13)	12,953	606,277
Other liabilities	3,166,512	3,249,288
Provision for expected losses from contracts and delayed penalties	912,711	604,559
Provision for legal claims	3,744	3,744
	6,441,473	7,484,707
	9,759,030	12,197,479

20 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:

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

20 SEGMENT INFORMATION (continued)

a) Products and services information (continued)

Segment reporting information is illustrated as follows:

	<i>Construction projects KD</i>	<i>Services rendered KD</i>	<i>Real Estate KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
31 October 2021						
Segment revenues	<u>1,174,204</u>	<u>7,232,947</u>	<u>2,033,413</u>	<u>(554,220)</u>	<u>86,827</u>	<u>9,973,171</u>
Operating and administrative expenses	<u>3,555,078</u>	<u>4,324,297</u>	<u>380,895</u>	<u>-</u>	<u>1,765,235</u>	<u>10,025,505</u>
Depreciation	<u>552</u>	<u>1,702,552</u>	<u>-</u>	<u>131</u>	<u>107,018</u>	<u>1,810,253</u>
Segment costs	<u>3,555,630</u>	<u>6,026,849</u>	<u>380,895</u>	<u>131</u>	<u>1,872,253</u>	<u>11,835,758</u>
(Loss) profit for the year	<u>(2,381,426)</u>	<u>1,206,098</u>	<u>1,652,518</u>	<u>(554,351)</u>	<u>(1,785,426)</u>	<u>(1,862,587)</u>
As at 31 October 2021						
Assets	<u>8,678,025</u>	<u>8,374,088</u>	<u>34,851,777</u>	<u>12,857,206</u>	<u>409,409</u>	<u>65,170,505</u>
Liabilities	<u>6,884,110</u>	<u>3,860,271</u>	<u>857,622</u>	<u>8,185,705</u>	<u>4,295,969</u>	<u>24,083,677</u>
Capital expenditures and commitments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,046</u>	<u>17,046</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

20 SEGMENT INFORMATION (continued)

a) Products and services information (continued)

	<i>Construction projects KD</i>	<i>Services rendered KD</i>	<i>Real Estate KD</i>	<i>Investments KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>31 October 2020</i>						
Segment revenues	263,017	7,336,802	2,258,802	(1,187,373)	1,197,810	9,869,058
Operating and administrative expenses	876,365	4,396,762	250,924	229,641	2,756,823	8,510,515
Depreciation	3,714	1,699,730	-	2,012	112,725	1,818,181
Segment costs	880,079	6,096,492	250,924	231,653	2,869,548	10,328,696
(Loss) profit for the year	(617,062)	1,240,310	2,007,878	(1,419,026)	(1,671,738)	(459,638)
<i>As at 31 October 2020</i>						
Assets	12,909,719	9,367,986	35,576,256	15,556,555	1,029,926	74,440,442
Liabilities	9,987,879	6,920,510	1,664,301	9,417,149	2,789,408	30,779,247
Capital expenditures and commitments	-	-	-	-	2,558	2,558

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

20 SEGMENT INFORMATION (continued)

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.

	<i>Kuwait</i>		<i>Gulf council countries</i>		<i>Other countries</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020	2021	2020
	KD	KD	KD	KD	KD	KD	KD	KD
Assets	58,610,485	67,188,007	6,560,020	6,908,463	-	343,972	65,170,505	74,440,442
Revenues	10,588,948	11,273,738	-	5,919	-	-	10,588,948	11,279,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

21 RELATED PARTY TRANSACTIONS

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

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

	<i>Other related parties KD</i>	<i>Ultimate Parent Company KD</i>	<i>Total 2021 KD</i>	<i>Total 2020 KD</i>
<i>Consolidated statement of income</i>				
Revenue from services rendered	-	3,261,850	3,261,850	3,337,125
Finance costs on murabaha payables	-	16,880	16,880	107,594
Profit on investment deposits	-	60,495	60,495	110,885
General and administrative expenses	19,935	-	19,935	11,501
Cost of services rendered	28,325	-	28,325	24,365
Cost of construction contracts	3,039	-	3,039	38,882

Revenue from services rendered includes KD 186,001 (2020: KD 153,238) which has been earned from trust and fiduciary activities rendered to the Ultimate Parent Company (Note 22).

	<i>Ultimate Parent Company KD</i>	<i>Total 2021 KD</i>	<i>Total 2020 KD</i>
<i>Consolidated statement of financial position</i>			
Amounts due from related parties, net (Note 11)	112,782	112,782	394,398
Investment deposits (Note 12)	5,803,616	5,803,616	6,903,616
Bank balances and cash (Note 13)	719,002	719,002	989,262
Accrued revenue (included under accounts receivable and other assets)	87,923	87,923	-
Murabaha payables (Note 18)	-	-	982,451
Bank overdrafts (Note 13)	24	24	24

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

As of 31 October 2021, investment deposits and bank balances amounting to KD 2,500,000 and KD 3,627,890 (2020: KD 2,500,000 and KD 4,016,354), respectively, relate to fiduciary assets held with the Ultimate Parent Company (Note 22).

	<i>2021 KD</i>	<i>2020 KD</i>
<i>Key management compensation</i>		
Salaries and other short-term benefits*	228,057	282,099
Employees' end of service benefits	18,042	26,749
	<u>246,099</u>	<u>308,848</u>

*Salaries and other short term benefits include remuneration for a board member amounting to KD Nil (2020: 7,000) proposed by the Board of directors and subject to the approval of the shareholder's annual general assembly meeting

22 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 2021 amounted to KD 2,500,000 and KD 4,477,734 respectively (2020: KD 2,500,000 and KD 4,685,432, respectively), out of which are investment deposits and bank balances related to the Ultimate Parent Company amounting to KD 2,500,000 and KD 3,627,890 respectively (2020: KD 2,500,000 and KD 4,016,354 respectively).

22 FIDUCIARY ASSETS (continued)

Revenue from services rendered includes KD 428,957 (2020: KD 413,016) arising from trust and fiduciary activities, out of which KD 186,001 (2020: KD 153,238) has been earned from services rendered to the Ultimate Parent Company (Note 21).

23 CONTINGENT LIABILITIES

- (a) As at 31 October 2021, the Group has contingent liabilities representing letters of guarantee and letters of credit issued in the ordinary course of business amounting to KD 17,490,594 (2020: KD 17,500,344) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 11,729,335 (2020: KD 11,729,335) related to delayed projects amounting to KD 81,339,814 (2020: 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.

24 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 2021 and 31 October 2020. The management of the Parent Company reviews and agrees policies for managing each of these risks which are summarized below.

24.1 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, the Group's exposure to bad debts is disclosed in (Note 11).

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 47% of the total outstanding receivables as at 31 October 2021 (2020: 58%).

24.2 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.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.2 Liquidity risk (continued)

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:

	<i>Less than 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
2021					
Murabaha payables	5,263,198	284,816	349,076	2,920,125	8,817,215
Accounts payable and other liabilities	12,953	59,431	6,369,089	3,317,557	9,759,030
Lease liabilities	42,962	43,943	2,128,408	1,708,665	3,923,978
Total financial liabilities	5,319,113	388,190	8,846,573	7,946,347	22,500,223
Contingent liabilities	1,611,180	4,379,280	10,159,234	1,340,900	17,490,594
	<i>Less than 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
2020					
Murabaha payables	6,074,001	633,654	530,942	3,806,171	11,044,768
Accounts payable and other liabilities	3,314,615	916,422	3,253,670	4,712,772	12,197,479
Lease liabilities	817,694	74,577	1,829,939	3,148,428	5,870,638
Total financial liabilities	10,206,310	1,624,653	5,614,551	11,667,371	29,112,885
Contingent liabilities	11,804,100	3,198,383	2,497,861	-	17,500,344

24.3 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.

24.3.1 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.

24.3.2 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.

	2021		2020	
	<i>Effect on results for the year KD</i>	<i>Effect on other comprehensive income KD</i>	<i>Effect on results for the year KD</i>	<i>Effect on other comprehensive income KD</i>
Currency				
US Dollar	-	7,540	-	44,613
Bahraini Dinar	297,721	20,958	309,403	11,174
	297,721	28,498	309,403	55,787

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.3 Market risk (continued)

24.3.2 Foreign currency risk (continued)

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.

24.3.3 Equity price risk

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

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

	2021		2020	
	<i>Effect on results for the year KD</i>	<i>Effect on other comprehensive income KD</i>	<i>Effect on results for the year KD</i>	<i>Effect on other comprehensive income KD</i>
<i>Market indices</i>				
Kuwait	102	-	92	-

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.

25 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 2021 and 31 October 2020. Capital comprises share capital, share premium, statutory reserve, voluntary reserve, cumulative changes in fair values reserve, and accumulated losses and is measured at KD 41,086,828 as at 31 October 2021 (2020: KD 43,661,195).

26 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 October 2021

26 FAIR VALUE MEASUREMENTS (continued)

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

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
2021				
Investment properties	-	5,874,273	34,648,000	40,522,273
Financial assets at fair value through profit or loss	2,899	-	-	2,899
Financial assets at fair value through other comprehensive income	-	-	569,952	569,952
	<u>2,899</u>	<u>5,874,273</u>	<u>35,217,952</u>	<u>41,095,124</u>
2020				
Investment properties	-	6,025,050	35,113,000	41,138,050
Financial assets at fair value through profit or loss	1,837	-	-	1,837
Financial assets at fair value through other comprehensive income	-	-	1,111,587	1,111,587
	<u>1,837</u>	<u>6,025,050</u>	<u>36,224,587</u>	<u>42,251,474</u>

During the years ended 31 October 2021 and 31 October 2020, there were no transfers between Level 1 and Level 2 fair value measurements and level 3 fair value measurements.

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

	<i>At the beginning of the year KD</i>	<i>Net losses recorded in the consolidated statement of income KD</i>	<i>Net losses recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases, transfers, sales and settlements KD</i>	<i>At the end of the year KD</i>
31 October 2021					
Investment properties	35,113,000	(465,000)	-	-	34,648,000
Financial assets at fair value through other comprehensive income	1,111,587	-	(541,635)	-	569,952
	<u>36,224,587</u>	<u>(465,000)</u>	<u>(541,635)</u>	<u>-</u>	<u>35,217,952</u>
31 October 2020					
Investment properties	35,796,000	(683,000)	-	-	35,113,000
Financial assets at fair value through other comprehensive income	1,993,508	-	(786,277)	(95,644)	1,111,587
	<u>37,789,508</u>	<u>(683,000)</u>	<u>(786,277)</u>	<u>(95,644)</u>	<u>36,224,587</u>

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.

26 FAIR VALUE MEASUREMENTS (continued)

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.

27 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	<i>Right -of-use assets KD</i>	<i>Lease liabilities KD</i>
As at 1 November 2020	5,893,699	5,547,425
Additions	16,149	16,149
Depreciation expense	(1,681,741)	-
Finance costs	-	220,222
Payments of lease liabilities	-	(2,492,319)
As at 31 October 2021	4,228,107	3,291,477

The Group discounted its lease payments using an incremental borrowing rate of 5%.

	<i>Right -of-use assets KD</i>	<i>Lease liabilities KD</i>
As at 1 November 2019	7,558,778	6,802,879
Depreciation expense	(1,665,079)	-
Finance costs	-	323,213
Payments of lease liabilities	-	(732,000)
Rent concessions received during the year	-	(846,667)
As at 31 October 2020	5,893,699	5,547,425

The Group discounted its lease payments using an incremental borrowing rate of 5%.

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

	<i>2021 KD</i>	<i>2020 KD</i>
Depreciation expense of right-of-use assets (recorded under cost of services rendered)	1,681,741	1,665,079
Finance costs	220,222	323,213
As at 31 October	1,901,963	1,988,292

28 COVID-19 AND RISK MANAGEMENT IN THE CURRENT ECONOMIC SCENARIO

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus ("COVID-19") since early 2021, globally caused disruptions to businesses and economic activity globally and the declaration of this pandemic by the World Health Organization necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements for the year ended 31 October 2021.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations and business aspects and concluded that, as of the issuance date of these consolidated financial statements, with an exception to, financial assets at fair value through other comprehensive income and investment properties and ECL, no significant changes are required to the judgements and key estimates.

However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

28.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For year ended 31 October 2021, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 October 2020.

28.1.1 Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as its financial assets constitute bank balances and cash, trade receivables, contract assets, and retention receivables. While cash and bank balances are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss on bank balances and cash was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk from trade receivables, contract assets, and retention receivables is influenced mainly by the individual characteristics of each customer. Credit risk is managed by ensuring that collections are made on a timely manner and by requiring customers to pay advances, substantially eliminating the Group's credit risk in this respect. However, the effects of COVID-19 may increase the amount of ECL recognised relating to trade receivables, contract assets, and retention receivables due to the disruptive effects of the pandemic (e.g. shutdown of operations, reduced consumer spending, etc.). In measuring ECL, the Group has considered the delay in payments from its customers and the rent concessions given to customers when calculating the ECL to be charged against these balances..

28.1.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ Monitoring liquidity ratios and net current assets against internal standards.
- ▶ Maintaining debt financing plans.

Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its bank balances and cash at an amount in excess of expected cash outflows on financial liabilities.

28.2 Use of estimates and assumptions

The Group based its assumptions and estimates on parameters available when the consolidated financial statements are prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

28 COVID-19 AND RISK MANAGEMENT IN THE CURRENT ECONOMIC SCENARIO (continued)

28.2 Use of estimates and assumptions (continued)

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets is described below:

Financial assets at fair value through other comprehensive income

The Group considered certain inputs and assumptions to determine the fair value such as the average market multiples method, price to book value of comparable companies, and discount for lack marketability and control for unquoted equity securities classified as financial assets at fair value through other comprehensive income. The adjustments to these macroeconomic factors resulted in an unrealised loss on financial assets at fair value through other comprehensive income of KD 541,635 during the year (2020: KD 786,277).

Investment properties

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's investment properties and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted and therefore has obtained external independent valuations of investment properties as of the reporting date and has recognized a valuation loss amounting to KD 615,777 in its consolidated statement of income for the year ended 31 October 2021 (2020: KD 1,304,954). As the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these investment properties as and when they occur.

Trade receivables, contract assets, and retention receivables

The Group uses the simplified model in calculation of the ECL for trade receivables, contract assets, and retention receivables that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). ECLs were estimated based on a range of forecast economic conditions as at the reporting date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors like the unemployment rate, the inflation rate and the real GDP, when determining the severity and likelihood of economic scenarios for ECL determination. During the year ended 31 October 2021, the Group has recorded an allowance for expected credit losses amounting to KD 152,759 (2020: KD 759,530).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

28.3 Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 October 2020. As a result, the consolidated financial statements has been appropriately prepared on a going concern basis.

29 GOVERNMENT GRANT AND RENT CONCESSIONS

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2021 and rent concessions for their tenants for a period of 5 months amounting to KD Nil.

During the year, the Parent Company has received financial support amounting to KD 78,813 which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised in profit or loss within 'other income'.

30 LEGAL CASES

On the 24 November 2020, the court of appeal issued a verdict stating that an amount of KD 1,085,931 is to be paid by the Group to a subcontractor, in addition to returning the letters of guarantee amounting to KD 121,600 to the subcontractor. On the 19 January 2021, the Group has presented an appeal to the court of cassation regarding the verdict issued and up to the date of the issuance of the consolidated financial statements, no final verdict has been issued by the court of cassation obligating the Group to pay these amounts. Despite those above mentioned facts, the Group has paid the disputed amount KD 1,085,931 during the year ended 31 October 2021.

On the 13 December 2020, the court of first instance has issued an initial verdict stating that an amount of KD 163,159 is due to the Group from a subcontractor. The decision has been appealed by both sides of the legal case, and the court decision to discuss the appeal is set on 24 January 2022. and up to the date of the issuance of the consolidated financial statements, no final verdict issued by the court has been issued.

On the 30 December 2020, the court of appeal issued a verdict stating that an amount of KD 247,692, in addition to interest amounting to 7 % of the amount is to be paid by the Group to a subcontractor. The Group presented an appeal to the court of cassation in regard to the verdict issued by the court of appeal and up to the date of the issuance of the consolidated financial statements, no final verdict has been issued by the court of cassation obligating the Group to pay these amounts. Despite those above-mentioned facts, the Group has paid the disputed amount KD 247,692 during the year ended 31 October 2021.

On the 26 January 2021, the court of first instance has issued an initial verdict stating that an amount of KD 6,588,572 is due from the Group to a subcontractor. The decision has been appealed by the Group, and the court decision to discuss the appeal is set on 20 February 2022 and up to the date of the issuance of the consolidated financial statements, no final verdict issued by the court has been issued.

31 SUBSEQUENT EVENTS

On 24 November 2021, the court of appeal issued a verdict stating that an amount of KD 604,048 is to be paid by the Group to the subcontractor. The Group has paid KD 414,418 subsequently to the subcontractor based on the settlement agreement between both parties.

On 22 December 2021, the court rejected the appeal and issued a final verdict stating that an amount of KD 626,668, in addition to interest amounting to 7 % of the amount is to be paid by the Group to a subcontractor. The Group has recorded the disputed amounts as an expense within the cost of construction contracts during the year ended 31 October 2021.

32 ANNUAL GENERAL ASSEMBLY MEETING (AGM)

The Annual General Assembly Meeting ("AGM") of the shareholders of the Parent Company held on 23 March 2021 approved the consolidated financial statements for the year ended 31 October 2020 and approved to distribute Board of Directors' remuneration of KD 7,000 (2019: KD Nil).

The Annual General Assembly Meeting ("AGM") of the shareholders of the Parent Company held on 23 March 2021 also approved the extinguishment of accumulated losses amounting to KD 4,479,673 against the voluntary reserve, and all the necessary legal and regulatory approvals were obtained.

The Board of Directors of the Parent Company has proposed a board remuneration for a board member amounting to KD 7,375 for the year ended 31 October 2021 (2020: KD 7,000). This proposal is subject to the approval of the shareholders' at the annual general assembly meeting".