

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 July 2018

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Al Enma'a Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (Collectively, the "Group") for the nine-months period ended 31 July 2018 was authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 12 September 2018.

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

The Annual General Assembly of the shareholders of the Parent Company held on 28 March 2018 approved the consolidated financial statements for the year ended 31 October 2017.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the nine-months period ended 31 July 2018 has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is prepared on a historical cost basis except for investment properties, certain financial assets available for sale and financial assets at fair value through profit or loss that have been measured at fair value.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar (KD), which is also the functional currency of the Parent Company.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 October 2017, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting periods starting from 1 November 2017. The Group is in the process of assessing the impact on the accounting policies, financial position or performance of the Group.

Further, certain prior period amounts have been adjusted to conform to the current period presentation. These adjustments were made in order to more appropriately present certain items of interim condensed consolidated statement of income. Such adjustments do not affect previously reported assets, liabilities, equity and profit for the period, nor affect the interim condensed consolidated cash flow statement.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 October 2017. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine-months period ended 31 July 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 October 2018. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 October 2017.

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3 NET INVESTMENT INCOME (LOSS)

| | <i>Three months ended 31 July</i> | | <i>Nine months ended 31 July</i> | |
|---|---------------------------------------|--------------|--------------------------------------|-----------------|
| | <i>2018</i> | <i>2017</i> | <i>2018</i> | <i>2017</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Realized gain (loss) on sale of financial assets available for sale | 39,442 | 435 | 39,442 | (8,272) |
| Realized loss on sale of investment properties | - | - | - | (69,932) |
| Realized (loss) gain on sale of financial assets at fair value through profit or loss | - | (2,100) | (26,686) | 1,699 |
| Unrealized gain on financial assets at fair value through profit or loss | 76 | 1,500 | 12,310 | 15,004 |
| Dividend income | - | 2,290 | 3,130 | 18,023 |
| | <u>39,518</u> | <u>2,125</u> | <u>28,196</u> | <u>(43,478)</u> |

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) 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 July, the Parent Company did not have any diluted shares, or treasury shares.

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the period is as follows:

| | <i>Three months ended 31 July</i> | | <i>Nine months ended 31 July</i> | |
|---|---------------------------------------|------------------|--------------------------------------|------------------|
| | <i>2018</i> | <i>2017</i> | <i>2018</i> | <i>2017</i> |
| Profit for the period (KD) | 257,257 | 110,975 | 959,532 | 485,345 |
| Weighted average number of shares outstanding during the period | 450,534,680 | 450,534,680 | 450,534,680 | 450,534,680 |
| Basic and diluted earnings per share | <u>0.57 fils</u> | <u>0.25 fils</u> | <u>2.13 fils</u> | <u>1.08 fils</u> |
| Profit for the period from continuing operations (KD) | 322,249 | 101,009 | 1,093,146 | 407,267 |
| Weighted average number of shares outstanding during the period | 450,534,680 | 450,534,680 | 450,534,680 | 450,534,680 |
| Basic and diluted earnings per share from continuing operations | <u>0.72 fils</u> | <u>0.22 fils</u> | <u>2.43 fils</u> | <u>0.90 fils</u> |
| (Loss) profit for the period from discontinuing operations (KD) | (64,992) | 9,966 | (133,614) | 78,078 |
| Weighted average number of shares outstanding during the period | 450,534,680 | 450,534,680 | 450,534,680 | 450,534,680 |
| Basic and diluted (loss) earnings per share from discontinuing operations | <u>(0.14) fils</u> | <u>0.02 fils</u> | <u>(0.30) fils</u> | <u>0.17 fils</u> |

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5 INVESTMENT PROPERTIES

Investment properties are categorized into:

| | <i>31 July 2018 KD</i> | <i>(Audited) 31 October 2017 KD</i> | <i>31 July 2017 KD</i> |
|------------------------------|--------------------------------|---|--------------------------------|
| Properties under development | - | 2,280,000 | 2,384,283 |
| Developed properties | 50,150,678 | 47,870,430 | 50,134,741 |
| | <u>50,150,678</u> | <u>50,150,430</u> | <u>52,519,024</u> |

As of 31 July 2018, investment properties with a carrying value amounting to KD 26,994,248 and KD 11,949,000 (31 October 2017: KD 31,582,000 and KD 7,361,000 and 31 July 2017: KD 32,508,118 and KD 7,671,000) are pledged as a security against murabaha payables to the Ultimate Parent Company (Note 9) and local financial institutions, respectively.

6 INVESTMENT IN ASSOCIATES

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

As at the reporting date, the legal formalities of transferring the equity ownership of the investment in an associate to the Parent Company are still in progress.

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

| | <i>31 July 2018 KD</i> | <i>(Audited) 31 October 2017 KD</i> | <i>31 July 2017 KD</i> |
|---|--------------------------------|---|--------------------------------|
| <i>Non-current</i> | | | |
| Retention receivables | 3,155,419 | 3,013,904 | 4,561,408 |
| <i>Current</i> | | | |
| Trade receivables, net | 3,767,749 | 4,419,201 | 4,059,440 |
| Amounts due from contracts' owners, net | 2,343,612 | 2,697,730 | 3,059,153 |
| Amounts due from related parties (Note 9) | 582,271 | 424,204 | 328,942 |
| Retention receivables | 1,645,454 | 1,754,208 | 246,784 |
| Subcontractors debit balances, net | 4,939,043 | 4,526,941 | 8,277,578 |
| Advances to subcontractors | 658,303 | 931,098 | 1,010,174 |
| Prepaid expenses and refundable deposits | 493,850 | 838,094 | 111,052 |
| Other receivables | 1,514,318 | 1,700,064 | 1,761,718 |
| | <u>15,944,600</u> | <u>17,291,540</u> | <u>18,854,841</u> |
| | <u>19,100,019</u> | <u>20,305,444</u> | <u>23,416,249</u> |

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8 CASH AND CASH EQUIVALENTS

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

| | 31 July 2018 KD | (Audited) 31 October 2017 KD | 31 July 2017 KD |
|---|--------------------------------|---|--------------------------------|
| Bank balances and cash | 214,011 | 702,119 | 891,194 |
| Short term investment deposits | - | - | 400,000 |
| Cash and cash equivalents | 214,011 | 702,119 | 1,291,194 |
| Bank overdrafts (included under accounts payable and other liabilities) | (627,445) | (53,961) | (647,428) |
| Cash and cash equivalents at the end of the period /year | (413,434) | 648,158 | 643,766 |

As at 31 July 2018, bank balances and cash include an amount of KD 143,263 (31 October 2017: KD 483,806 and 31 July 2017: KD 877,904) which represents amounts held with the Ultimate Parent Company (Note 9).

As at 31 July 2018, bank overdrafts include an amount of KD 37,266 (31 October 2017: KD 27,331 and 31 July 2017: KD 176,273) which represents amounts withdrawn from the Ultimate Parent Company (Note 9).

The Parent Company manages on behalf of the Ultimate Parent Company, a portfolio of real estate assets. These real estate assets, investment deposits, and bank balances relating to these fiduciary accounts are not included in the interim condensed statement of financial position.

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9 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 interim condensed consolidated financial information are as follows:

| | <i>Ultimate Parent Company KD</i> | <i>Nine months ended 31 July</i> | |
|--|---|--------------------------------------|--------------------|
| | | <i>2018 KD</i> | <i>2017 KD</i> |
| <i>Interim condensed consolidated statement of income:</i> | | | |
| Revenue from services rendered | 2,297,655 | 2,297,655 | 2,212,718 |
| Finance costs | 242,176 | 242,176 | 338,894 |

Revenue from services rendered include KD 224,074 (2017: KD 329,080) which has been earned from trust and fiduciary activities.

| | <i>Ultimate Parent Company KD</i> | <i>31 July 2018 KD</i> | <i>(Audited) 31 October 2017 KD</i> | <i>31 July 2017 KD</i> |
|--|---|--------------------------------|---|--------------------------------|
| <i>Interim condensed consolidated statement of financial position:</i> | | | | |
| Amounts due from related parties (Note 7) | 582,271 | 582,271 | 424,204 | 328,942 |
| Investment deposits | - | - | 250,000 | 850,000 |
| Bank balances and cash (Note 8) | 143,263 | 143,263 | 483,806 | 877,904 |
| Murabaha payables | 4,535,805 | 4,535,805 | 7,070,962 | 7,892,223 |
| Bank overdrafts (included under accounts payable and other liabilities) (Note 8) | 37,266 | 37,266 | 27,331 | 176,273 |

As of 31 July 2018, murabaha payables due to the Ultimate Parent Company are secured against certain investment properties with a carrying value amounting to KD 26,994,248 (31 October 2017: KD 31,582,000 and 31 July 2017: KD 32,508,118), respectively (Note 5).

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

As of 31 July 2018, investment deposits and bank balances amounting to 2,500,000 and KD 5,566,383 (31 October 2017: KD 2,500,000 and KD 11,291,995, and 31 July 2017: KD 2,500,000 and KD 10,699,084) respectively, are related to fiduciary assets held with the Ultimate Parent Company.

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9 RELATED PARTY TRANSACTIONS (continued)

| | <i>Nine months ended</i> | |
|--|--------------------------|----------------|
| | <i>31 July</i> | |
| | <i>2018</i> | <i>2017</i> |
| | <i>KD</i> | <i>KD</i> |
| <i>Key management compensations:</i> | | |
| Salaries and other short-term benefits | 182,862 | 293,775 |
| Employees' end of service benefits | 22,377 | 24,765 |
| | <u>205,239</u> | <u>318,540</u> |

10 CONTINGENT LIABILITIES

- (a) As at 31 July 2018, the Group has contingent liabilities representing letters of guarantee issued in the ordinary course of business amounting to KD 20,091,689 (31 October 2017: KD 24,491,495 and 31 July 2017: KD 24,553,390) from which it is anticipated that no material liability will arise.
- (b) Letter of guarantees amounting to KD 15,016,986 related to delayed projects amounting to KD 97,110,242 for which the parent company did not have approved extension on the project completion date.
- (c) The parent company has legal cases filed by subcontractors and the management of the parent company does not expect probable obligation from those legal cases.

11 SEGMENT INFORMATION

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

Manufacturing: production and distribution of ready-mix cement.

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 interim condensed consolidated financial information.

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.

During the periods ended 31 July 2018 and 31 July 2017, there were no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

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11 SEGMENT INFORMATION (continued)

Segment information as at and for the nine months period ended 31 July is as follows:

| | <i>Manufacturing*</i> KD | <i>Construction Projects</i> KD | <i>Services Rendered</i> KD | <i>Real Estate</i> KD | <i>Investments</i> KD | <i>Unallocated</i> KD | <i>Total</i> KD |
|---------------------------------------|-----------------------------|--|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------|
| <i>Nine months ended 31 July 2018</i> | | | | | | | |
| Segment revenues | 907,063 | 7,153,334 | 6,409,563 | 1,897,204 | 65,011 | 26,527 | 16,458,702 |
| Operating and administrative expenses | (1,040,677) | (7,414,728) | (4,994,609) | (157,532) | (604,440) | (1,200,108) | (15,412,094) |
| Depreciation | - | (42,873) | (4,790) | - | (11,032) | (28,381) | (87,076) |
| Segment costs | (1,040,677) | (7,457,601) | (4,999,399) | (157,532) | (615,472) | (1,228,489) | (15,499,170) |
| (Loss) profit for the period | (133,614) | (304,267) | 1,410,164 | 1,739,672 | (550,461) | (1,201,962) | 959,532 |
| <i>As at 31 July 2018</i> | | | | | | | |
| Assets | 2,180,621 | 15,521,881 | 6,276,505 | 43,293,320 | 13,524,007 | 754,083 | 81,550,417 |
| Liabilities | 1,152,631 | 12,533,518 | 2,078,522 | 2,464,121 | 11,258,972 | 2,764,734 | 32,252,498 |
| Capital expenditures and commitments | - | - | - | 28,524 | 248 | - | 28,772 |
| <i>As at 31 October 2017</i> | | | | | | | |
| Assets | 2,343,338 | 19,063,652 | 3,419,357 | 41,087,277 | 16,786,118 | 782,293 | 83,482,035 |
| Liabilities | 1,291,634 | 12,741,343 | 1,851,892 | 2,730,123 | 13,578,394 | 2,905,190 | 35,098,576 |
| Capital expenditures and commitments | - | - | - | 45,802 | 95,194 | 90,363 | 231,359 |

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

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11 SEGMENT INFORMATION (continued)

| | <i>Manufacturing*</i> KD | <i>Construction Projects</i> KD | <i>Services Rendered</i> KD | <i>Real Estate</i> KD | <i>Investments</i> KD | <i>Unallocated</i> KD | <i>Total</i> KD |
|---------------------------------------|-----------------------------|--|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------|
| <i>Nine months ended 31 July 2017</i> | | | | | | | |
| Segment revenues | 2,267,405 | 5,812,244 | 6,515,754 | 1,639,551 | (8,372) | 97,443 | 16,324,025 |
| Operating and administrative expenses | (2,189,327) | (6,374,146) | (5,064,893) | (109,856) | (731,315) | (1,180,290) | (15,649,827) |
| Depreciation | - | (140,855) | (6,015) | - | (12,285) | (29,698) | (188,853) |
| Segment costs | (2,189,327) | (6,515,001) | (5,070,908) | (109,856) | (743,600) | (1,209,988) | (15,838,680) |
| Profit (loss) for the period | 78,078 | (702,757) | 1,444,846 | 1,529,695 | (751,972) | (1,112,545) | 485,345 |
| <i>As at 31 July 2017</i> | | | | | | | |
| Assets | 2,733,380 | 16,818,003 | 8,434,139 | 42,542,702 | 20,504,088 | 991,873 | 92,024,185 |
| Liabilities | 1,424,371 | 11,882,995 | 2,081,591 | 2,741,654 | 13,920,405 | 2,774,605 | 34,825,621 |
| Capital Expenditures | - | 7,863 | - | 44,515 | 95,194 | 70,808 | 218,380 |

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

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12 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.

As at 31 July 2018, the fair values of financial assets with the exception of certain financial assets available for sale carried at cost amounting to KD 4,039,809 (31 October 2017: KD 4,157,777 and 31 July 2017: KD 5,792,387) are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of assets recorded at fair value by valuation technique:

- 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|----------------|-------------------|-------------------|-------------------|
| As at 31 July 2018 | | | | |
| Investment properties | - | 7,162,430 | 42,988,248 | 50,150,678 |
| Financial assets available for sale | 1,089 | - | - | 1,089 |
| Financial assets at fair value through profit or loss | 1,390 | - | 339,052 | 340,442 |
| | <u>2,479</u> | <u>7,162,430</u> | <u>43,327,300</u> | <u>50,492,209</u> |
| As at 31 October 2017 (Audited) | | | | |
| Investment properties | - | 9,442,430 | 40,708,000 | 50,150,430 |
| Financial assets available for sale | 2,940 | - | - | 2,940 |
| Financial assets at fair value through profit or loss | 316,798 | - | 339,052 | 655,850 |
| | <u>319,738</u> | <u>9,442,430</u> | <u>41,047,052</u> | <u>50,809,220</u> |
| As at 31 July 2017 | | | | |
| Investment properties | - | 12,504,024 | 40,015,000 | 52,519,024 |
| Financial assets available for sale | 2,940 | - | - | 2,940 |
| Financial assets at fair value through profit or loss | 103,037 | - | 531,710 | 634,747 |
| | <u>105,977</u> | <u>12,504,024</u> | <u>40,546,710</u> | <u>53,156,711</u> |

During the periods / year ended 31 July 2018, 31 October 2017 and 31 July 2017, there were no transfers between Level 1 and Level 2 fair value measurement.

During the period ended 31 July 2018 and year ended 31 October 2017, a transfer of one property with a carrying value of KD 2,280,000 (31 October 2017: KD 2,118,000) from level 2 fair value measurement to level 3 fair value measurement.

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12 FAIR VALUE MEASUREMENT (continued)

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

| | <i>As at the beginning of the year KD</i> | <i>Net losses recorded in the (interim condensed) consolidated statement of income KD</i> | <i>Net purchases, transfers, sales and settlements KD</i> | <i>As at the end of the period KD</i> |
|---|---|---|---|---|
| 31 July 2018 | | | | |
| Investment properties | 40,708,000 | - | 2,280,248 | 42,988,248 |
| Financial assets at fair value through profit or loss | 339,052 | - | - | 339,052 |
| | <u>41,047,052</u> | <u>-</u> | <u>2,280,248</u> | <u>43,327,300</u> |
| | | | | |
| | <i>As at the beginning of the year KD</i> | <i>Net losses recorded in the (interim condensed) consolidated statement of income KD</i> | <i>Net purchases, transfers, sales and settlements KD</i> | <i>As at the end of the year KD</i> |
| 31 October 2017 (audited) | | | | |
| Investment properties | 40,813,761 | (1,462,233) | 1,356,472 | 40,708,000 |
| Financial assets at fair value through profit or loss | 531,710 | (192,658) | - | 339,052 |
| | <u>41,345,471</u> | <u>(1,654,891)</u> | <u>1,356,472</u> | <u>41,047,052</u> |
| | | | | |
| | <i>As at the beginning of the year</i> | <i>Net losses recorded in the (interim condensed) consolidated statement of income</i> | <i>Net purchases, transfers, sales and settlements</i> | <i>As at the end of the period</i> |
| 31 July 2017 | | | | |
| Investment properties | 40,813,760 | - | (798,760) | 40,015,000 |
| Financial assets at fair value through profit or loss | 531,710 | - | - | 531,710 |
| | <u>41,345,470</u> | <u>-</u> | <u>(798,760)</u> | <u>40,546,710</u> |

Description of significant unobservable inputs to valuation of financial assets:

Unquoted equity securities are valued based on adjusted net assets book value.

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12 FAIR VALUE MEASUREMENT (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 length's market transactions, adjusted for difference in the nature, location or condition of the specific property.

Properties under development

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

13 COST OF CONSTRUCTION CONTRACTS

The cost of construction contracts includes the cost deduction of KD 387,537 associated with the subcontractor's final payment certificates signed during the current period which relates to projects preliminary delivered to customers in prior years.