

**BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT**

BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Bayan Investment Company K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Bayan Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

- (a) As mentioned in Note 9 (a) to the accompanying consolidated financial statements, trade payables include an amount of KD 23,553,660 (AED 285,198,845) that represent the remaining amount payable to the Master Developer on the acquisition of properties under development and for which the Master Developer has claimed interest and other charges amounting to KD 14,359,792 (AED 173,875,150) from the Parent Company's subsidiary on account of delay in settlement of the outstanding balance as per the terms of contract. The Parent Company's subsidiary is not in agreement with the claims of the Master Developer and has not accounted for the interest due and other charges in the books of account. Due to the uncertainty surrounding the settlement of interest and other charges by the Group, we were unable to ascertain the final liability due to the Master Developer as of December 31, 2018. Consequently, we were unable to determine whether any adjustments to the carrying value was necessary.
- (b) As mentioned in Note (5) to the accompanying consolidated financial statements, the Group's financial assets at fair value through other comprehensive income amounting to KD 2,833,037 are valued as of January 1, 2018 based on the latest available financial statements of the investees which in our opinion is not in line with the requirements of IFRS 13 "Fair Value Measurement". Consequently, we were unable to determine whether any adjustments to the carrying value of these investments were necessary.
- (c) As mentioned in Note 2 (b) to the accompanying consolidated financial statements, Arkan Industrial and Mining (E.S.C.) (wholly owned subsidiary of Arkan Holding Co. K.S.C. (Holding) – direct subsidiary of the Group) was consolidated for the year ended December 31, 2018 based on management accounts for the period ended September 30, 2018. We were unable to obtain sufficient appropriate audit evidence with respect to the financial information of the subsidiary due to non-availability of audited financial statements as at December 31, 2018 and non-receipt of responses to our group audit instructions from the component auditor as of December 31, 2018. Consequently, we were unable to ascertain whether any further adjustments to the consolidated carrying amounts and the related disclosures were necessary.

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

Material Uncertainty Related To Going Concern

We draw attention to Note (27) to the accompanying consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by KD 23,552,191. As stated in Note (27), this condition, along with other matters as set forth in Note (27), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 22 (ii) to the accompanying consolidated financial statements which describes the lawsuit filed against the Group. Our opinion is not further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion, Material Uncertainty Related to Going Concern and Emphasis of Matter sections, we have identified the following key audit matter to be communicated in our report.

Valuation of properties under development

Properties under development amounting to KD 71,534,114 form a significant part of the total assets of Group. The determination of the net realizable value of such properties is a subjective area and is highly dependent on judgements and estimates. Accordingly, the valuation of properties under development is considered a key audit matter. The Group performs an annual valuation exercise through licensed valuer to test the properties under development for any impairment. This valuation is dependent on certain key assumptions such as discount rates, market risk, developers risk and historical transactions. In estimating the net realizable value of the properties, the valuer primarily used the market approach valuation technique considering the nature and usage of the properties. We checked the adequacy of disclosures in the consolidated financial statements, which is included in Note (7).

Other Information

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report therein. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters.

We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that and except for the matters mentioned in the Basis for Qualified opinion paragraphs, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the financial year ended December 31, 2018 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, concerning the Capital Markets Authority and Organization of Security Activity, its amendments and Executive Regulations during the financial year ended December 31, 2018 that might have had a material effect on the business or financial position of the Parent Company.

State of Kuwait
February 6, 2019



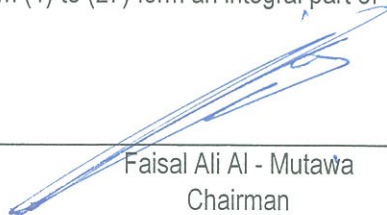
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BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2018	2017
Cash on hand and at banks		898,421	482,383
Financial assets at fair value through profit or loss ("FVTPL")		177,683	96,981
Accounts receivable and other debit balances	4	747,643	824,500
Inventories		254,411	378,583
Financial assets at fair value through other comprehensive income ("FVOCI")	5	13,561,849	-
Financial assets available for sale	6	-	13,118,454
Properties under development	7	71,534,114	71,534,114
Property, plant and equipment		465,629	540,346
Total assets		<u>87,639,750</u>	<u>86,975,361</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Due to banks	8	5,054,852	5,804,186
Accounts payable and other credit balances	9	32,527,462	32,384,099
Murabaha payable		8,161	112,543
Provision for end of service indemnity	10	375,656	339,652
Total liabilities		<u>37,966,131</u>	<u>38,640,480</u>
Equity:			
Share capital	11	39,266,391	39,266,391
Treasury shares	12	(5,948,170)	(5,948,170)
Statutory reserve	13	12,166,782	12,166,782
Voluntary reserve	14	10,820,279	10,820,279
Fair value reserve		6,349,168	5,644,035
Foreign currency translation adjustments		(3,138,088)	(3,100,158)
Accumulated losses		(23,111,606)	(23,917,794)
Equity attributable to shareholders of the Parent Company		<u>36,404,756</u>	<u>34,931,365</u>
Non-controlling interests	15	13,268,863	13,403,516
Total equity		<u>49,673,619</u>	<u>48,334,881</u>
Total liabilities and equity		<u>87,639,750</u>	<u>86,975,361</u>

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.





Faisal Ali Al - Mutawa
Chairman

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Revenues:			
Net investment income	17	195,837	755,421
Management and consultancy fees		17,574	29,751
Net sales revenue		245,806	291,812
Other income		24,766	223,598
		<u>483,983</u>	<u>1,300,582</u>
Expenses and other charges:			
Impairment loss on financial assets available for sale		-	165,202
General and administrative expenses	18	729,906	700,266
Finance charges		291,888	379,981
Foreign exchange loss (gain)		123,048	(91,356)
		<u>1,144,842</u>	<u>1,154,093</u>
(Loss) profit for the year before contribution to National Labor Support Tax (NLST) and Zakat		(660,859)	146,489
NLST		(17,444)	-
Zakat		(6,978)	-
(Loss) profit for the year		<u>(685,281)</u>	<u>146,489</u>
Attributable to:			
Shareholders of the Parent Company		(563,291)	33,419
Non-controlling interests		(121,990)	113,070
(Loss) profit for the year		<u>(685,281)</u>	<u>146,489</u>
		<u>Fils</u>	<u>Fils</u>
Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company	19	<u>(1.555)</u>	<u>0.092</u>

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	2018	2017
(Loss) profit for the year	<u>(685,281)</u>	<u>146,489</u>
Net other comprehensive income:		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Changes in fair value of financial assets available for sale	-	2,677,737
Reversal due to sale of financial assets available for sale	-	(335,683)
Exchange differences on translating foreign operations	<u>(50,593)</u>	<u>(1,057,632)</u>
<u>Items that will not be reclassified subsequently to profit or loss</u>		
Changes in fair value of financial assets at FVOCI	<u>642,999</u>	<u>-</u>
Other comprehensive income for the year	<u>592,406</u>	<u>1,284,422</u>
Total comprehensive (loss) income for the year	<u>(92,875)</u>	<u>1,430,911</u>
Attributable to:		
Shareholders of the Parent Company	41,778	1,279,105
Non-controlling interests	<u>(134,653)</u>	<u>151,806</u>
Total comprehensive (loss) income for the year	<u>(92,875)</u>	<u>1,430,911</u>

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company									
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation adjustments	Accumulated losses	Sub-total	Non-controlling interests	Total
Balance as at December 31, 2016	39,266,391	(5,948,170)	12,166,782	10,820,279	3,301,981	(2,003,790)	(23,951,213)	33,652,260	13,325,333	46,977,593
Effect of changes in ownership interest of a subsidiary	-	-	-	-	-	-	-	-	(73,623)	(73,623)
Total comprehensive income (loss) for the year	-	-	-	-	2,342,054	(1,096,368)	33,419	1,279,105	151,806	1,430,911
Balance as at December 31, 2017	39,266,391	(5,948,170)	12,166,782	10,820,279	5,644,035	(3,100,158)	(23,917,794)	34,931,365	13,403,516	48,334,881
Transition adjustment on adoption of IFRS 9 at January 1, 2018 (Note 3)	-	-	-	-	62,134	-	-	62,134	-	62,134
Balance as at January 1, 2018 (Restated)	39,266,391	(5,948,170)	12,166,782	10,820,279	5,706,169	(3,100,158)	(23,917,794)	34,993,499	13,403,516	48,397,015
Transfer to accumulated losses on sale of financial assets at FVOCI	-	-	-	-	-	-	1,369,479	1,369,479	-	1,369,479
Total comprehensive income (loss) for the year	-	-	-	-	642,999	(37,930)	(563,291)	41,778	(134,653)	(92,875)
Balance as at December 31, 2018	39,266,391	(5,948,170)	12,166,782	10,820,279	6,349,168	(3,138,088)	(23,111,606)	36,404,756	13,268,863	49,673,619

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	2018	2017
Cash flows from operating activities:		
(Loss) profit for the year before contribution to NLST and Zakat	(660,859)	146,489
Adjustments for:		
Net investment income	(195,837)	(755,421)
Interest income	(3,752)	(158)
Provision for end of service indemnity no longer required	(1,981)	-
Impairment loss on financial assets available for sale	-	165,202
Depreciation	36,643	135,066
Provision for end of service indemnity	37,985	38,431
Finance charges	291,888	379,981
Foreign exchange loss (gain)	123,048	(91,356)
	<u>(372,865)</u>	<u>18,234</u>
Changes in operating assets and liabilities:		
Financial assets at FVTPL	(53,717)	689,950
Accounts receivable and other debit balances	76,857	1,161,554
Inventories	124,172	220,684
Accounts payable and other credit balances	(8,539)	(1,085,124)
Cash (used in) generated from operations	<u>(234,092)</u>	<u>1,005,298</u>
Payment of end of service indemnity	-	(18,828)
Payment of NLST	-	(32,000)
Net cash (used in) generated from operating activities	<u>(234,092)</u>	<u>954,470</u>
Cash flows from investing activities:		
Proceeds from sale of financial assets at FVOCI	1,631,217	-
Proceeds from sale of financial assets available for sale	-	953,297
Property, plant and equipment – net	(3,027)	(18,714)
Dividends received	168,852	170,394
Interest income received	3,752	158
Net cash generated from investing activities	<u>1,800,794</u>	<u>1,105,135</u>
Cash flows from financing activities:		
Due to banks	(749,334)	(1,443,218)
Murabaha payable	(104,382)	(24,886)
Dividends paid	(5,736)	(4,836)
Net movement in non-controlling interests	-	(73,623)
Finance charges paid	(291,888)	(379,981)
Net cash used in financing activities	<u>(1,151,340)</u>	<u>(1,926,544)</u>
Net increase in cash on hand and at banks	415,362	133,061
Effect of foreign currency translation on cash on hand and at banks	676	1,347
Cash on hand and at banks at beginning of the year	<u>482,383</u>	<u>347,975</u>
Cash on hand and at banks at end of the year	<u>898,421</u>	<u>482,383</u>

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a Kuwaiti public shareholding company incorporated through an agreement No. 1491/Vol 1 dated July 21, 1997, with latest amendment on June 6, 2016 and is listed in Boursa Kuwait. The Parent Company's commercial registration number is 70718 dated August 30, 1997.

The objectives of the Parent Company are as follows:

- a) Investment portfolio manager.
- b) Collective investment scheme manager.

The Parent Company is located in Souad Commercial Building, Fahad Al-Salem St., Area 12, Building No. 21 and its registered office is P.O. Box No. 104, Al Dasma 35151, State of Kuwait.

The Parent Company is under the supervision of the Capital Market Authority according to Law No.7/2010 for investment companies.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on February 6, 2019. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for financial assets at FVTPL and financial assets at FVOCI are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(u).

Standards and Interpretations issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2018:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Kindly refer to Note (3) for the effect of initially application IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation will be effective for annual periods beginning on or after January 1, 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Amendments to IAS 40 – Transfers of Investment Property

The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

IFRIC 22 and amendments to IAS 40 do not have any material impact on the consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards and Interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 16 - Leases

This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

Amendments to IFRS 9: Prepayment features with negative compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

Annual Improvements 2015 – 2017 Cycle (issued in December 2017)

IFRS 3 – Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IFRS 11 – Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IAS 23 – Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to the standards mentioned above are not expected to have any material impact on the consolidated financial statements.

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b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

Name of subsidiary	Country of incorporation	Principal activities	Percentage of Holding %	
			2018	2017
Arkan Holding Company-K.S.C. (Holding) and its subsidiary:	Kuwait	Holding	99.9%	99.9%
Arkan Industrial and Mining Co. (E.S.C.) (i)	Egypt	Manufacturing	100%	100%
Dar Al Dhabi Holding Co. K.S.C. (Holding) and its wholly owned subsidiary: Dar Al Dhabi Real Estate Company K.S.C.C. (ii)	Kuwait	Holding	58.061%	58.061%
Al Safwa International Consulting Co. (sole proprietorship)	Kuwait	Consulting	100%	100%
Al Sanabil Real Estate Co. (W.L.L.)	Kuwait	Real Estate	99.9%	99.9%

(i) The Group consolidated the subsidiary based on the management accounts for the period ended September 30, 2018, due to non-availability of the audited financial statements of the subsidiary for the year ended December 31, 2018.

(ii) 100 million shares of the subsidiary are pledged against a loan obtained from a local bank (Note 8).

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess 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 listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

The Group classifies its financial instruments as "Financial assets" and "Financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, receivables, financial assets at FVTPL, financial assets at FVOCI, due to banks, payables and Murabaha payable.

(A) Financial assets

Accounting policy effective January 1, 2018

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

I. Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Initial recognition

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

The IAS 39 measurement categories of financial assets (fair value through statement of profit or loss (FVTPL), available for sale (AFS), held-to-maturity, loans and receivables) have been replaced by:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to consolidated statement of profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statement of profit or loss on derecognition
- Financial assets at FVPTL

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets 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 interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Cash on hand and at banks, trade and other receivables are classified as debt instruments at amortized cost.

i. Trade receivables

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to consolidated statement of profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the consolidated statement of changes in equity. The Group classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

Financial assets at FVTPL

The Group classifies financial assets as held for trading 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, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Group classifies investments in quoted equity investments under financial assets at FVTPL in the consolidated statement of financial position.

II. Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Kindly refer to Note (3) for the transition impact of adopting IFRS (9).

Accounting policies applied until December 31, 2017

The Group has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until December 31, 2017, the Group classified its financial assets in the following categories:

- a) Financial assets at fair value through profit or loss - The policy is same as explained above.
- b) Loans and receivables - The policy is same as explained above for debt instruments at amortized cost.
- c) Financial assets available for sale - These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

The classification depended on the purpose for which the investments were acquired and management determined the classification of its investments at initial recognition.

Subsequent measurement

Subsequent to the initial recognition, loans and receivables were carried at amortized cost using the effective interest method. Financial assets available for sale and financial assets at FVTPL were subsequently carried at fair value.

Gains or losses arising from changes in the fair value were recognized as follows:

- a) for financial assets at FVTPL – in consolidated statement of profit or loss.
- b) for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security were recognized in consolidated statement of profit or loss and other changes in the carrying amount were recognized in other comprehensive income.
- c) for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When available-for-sale financial assets were sold, the cumulative changes in fair value recognized in other comprehensive income were reclassified to consolidated statement of profit or loss.

Details on fair value measurement of financial assets is disclosed in Note 25.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of profit or loss – is removed from other comprehensive income and recognized in consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

For debt securities, object evidence of impairment include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest and principal payments, it becoming probable that the borrower will enter bankruptcy or financial reorganization or the disappearance of an active market for the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses recognized for available for sale debt investments are reversed through consolidated statement of profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

(B) Financial liabilities

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to consolidated statement of profit or loss.

i) Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

ii) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

iii) Murabaha payable

Murabaha payables are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

A financial liability is derecognized 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 recognized in consolidated statement of profit or loss.

(C) Offsetting of financial assets and liabilities

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.

d) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

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e) Properties under development

Properties under development are developed for future sale in the ordinary course of business by transfer to inventory properties, rather than to be held for rental or capital appreciation and are stated at the lower of cost or net realizable value. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed.

f) Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period. 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.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

<u>Assets category</u>	<u>Years</u>
Buildings	20
Machines and equipment	5 – 10
Vehicles	5
Furniture and computers	3 – 5

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred into the relevant class of property, plant and equipment

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

g) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of the fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

i) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

j) Share capital

Ordinary shares are classified as equity.

k) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable.

Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

l) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

m) Revenue recognition

IFRS 15 defines revenue as "income arising in the course of an entity's ordinary activities" and establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five steps in the model are as follows:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Before adopting IFRS 15, the Group recognized revenue at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discount, returns and volume rebates. The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Under IFRS 15, revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The Customer has the significant risks and rewards of ownership of the asset.
- The Customer has accepted the asset.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue for the Group arises from the following activities:

(i) Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Management fees

Management fees are recognized on accrual basis.

(iii) Fees, commission and consultancy revenue

Fees, commission and consultancy revenue is recognized at the time the related services are provided.

(iv) Other income and expenses

Other income and expenses are recognized on an accrual basis.

Transition

On applying the requirements of IFRS 15, the Group has determined that no significant impact arises on its consolidated financial statements.

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n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

o) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting periods are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as financial assets available for sale are included in "cumulative changes in fair value" in other comprehensive income. The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

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

Contribution to KFAS is calculated at 1% of the profit the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided for since there was no eligible profit on which KFAS could be calculated.

q) National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from associates and un-consolidated subsidiaries listed in Boursa Kuwait, its share of NLST paid by subsidiaries listed in Boursa Kuwait and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 for year 2000 and Ministerial Resolution No. 24 for year 2006 and their executive regulations

r) Zakat

Zakat is calculated at 1% on the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of profit from Kuwaiti shareholding associates and un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their executive regulations.

s) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

t) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

u) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgments

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note 2(m) are met requires significant judgment.

(ii) Provision for doubtful debts and inventories

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iii) Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as at "amortized cost", "FVTPL" or "FVOCI". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2c).

(iv) Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

- 2) Work in progress
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.
- 3) Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.
- 4) Investment properties
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- (i) Fair value of unquoted financial assets
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.
- (ii) Useful lives of depreciable assets
The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.
- (iii) Provision for doubtful debts and inventories
The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is based on a forward looking ECL approach. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.
- (iv) Impairment of properties under development
Properties under development are measured at the lower of cost and net realizable value. When there is an impairment indication, an estimate is made of their net realizable value. Estimation is performed based on expected selling prices, fair market value or with reference to recent market transactions of similar properties less incremental costs for disposing of the asset. Any difference between the net realizable value and carrying value is recognized in the consolidated statement of profit or loss.
- (v) Impairment of non-financial assets:
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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3. Transition impact of adopting IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for the year ended December 31, 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the year ended December 31, 2018.
- b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

Impact of adopting IFRS 9

The impact of this change in accounting policy as at January 1, 2018 has been to increase fair value reserve by KD 62,134 as follows:

	Fair value reserve KD
Closing balance under IAS 39 (December 31, 2017)	5,644,035
 <u>Impact on reclassification and re-measurements:</u>	
Re-measurement of equity securities from available-for-sale to FVOCI	62,134
Opening balance under IFRS 9 on date of initial application of January 1, 2018	5,706,169

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD	New carrying amount under IFRS 9 KD
Financial assets				
Cash on hand and at banks	Loans and receivables	Amortised cost	482,383	482,383
Equity Instruments – FVTPL	Financial assets at FVTPL	Financial assets at FVTPL	96,981	96,981
Accounts receivable and other debit balances	Loans and receivables	Amortised cost	824,500	824,500
Financial assets at FVOCI	Financial assets available for sale	Financial assets at FVOCI	13,118,454	13,180,588
Total financial assets			14,522,318	14,584,452
Financial liabilities				
Due to banks	Amortised cost	Amortised cost	5,804,186	5,804,186
Accounts payable and other credit balances	Amortised cost	Amortised cost	32,384,099	32,384,099
Murabaha payable	Amortised cost	Amortised cost	112,543	112,543
Total financial liabilities			38,300,828	38,300,828

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4. Accounts receivable and other debit balances

	<u>2018</u>	<u>2017</u>
Trade receivables (a)	619,848	620,762
Notes receivable	-	14,900
Other debit balances	127,795	188,838
	<u>747,643</u>	<u>824,500</u>

(a) Trade receivables are relating to Arkan Industrial and Mining (E.S.C.) (wholly owned subsidiary of Arkan Holding Co. K.S.C. (Holding) – direct subsidiary of the Group).

The ageing analysis of the trade receivables is as follows:

	Neither past due nor impaired	<u>Past due but not impaired</u>		Total
		<u>From 91 to 180 days</u>	<u>Over 180 days</u>	
2018	494,314	62,248	63,286	619,848
2017	452,786	119,166	48,810	620,762

5. Financial assets at fair value through other comprehensive income ("FVOCI")

	<u>2018</u>	<u>2017</u>
Quoted securities	10,529,735	-
Unquoted securities	2,833,037	-
Portfolios	199,077	-
	<u>13,561,849</u>	<u>-</u>

Financial assets at FVOCI comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the Group considered this to be more relevant. At January 1, 2018, as a result of adoption of IFRS 9, the Group elected to reclassify investments amounting to KD 13,118,454 from financial assets available for sale (Note 6).

Quoted securities amounting to KD 6,554,568 are pledged as collateral against loan granted by local bank (Note 8).

Financial assets at FVOCI are denominated in the following currencies:

<u>Currency</u>	<u>2018</u>	<u>2017</u>
Kuwaiti Dinar	12,330,997	-
US Dollar	199,077	-
UAE Dirham	1,031,775	-
	<u>13,561,849</u>	<u>-</u>

6. Financial assets available for sale

	<u>2018</u>	<u>2017</u>
Quoted securities	-	9,338,621
Unquoted securities	-	3,369,525
Portfolios	-	215,664
Funds	-	194,644
	<u>-</u>	<u>13,118,454</u>

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At January 1, 2018, as a result of adoption of IFRS 9, the Group elected to reclassify financial assets available for sale with a carrying value of KD 13,118,454 to financial assets at FVOCI (Note 5).

During the year ended December 31, 2018, the Group sold financial assets at FVOCI with a carrying value of KD 261,738 realizing a gain of KD 1,369,479 and recognized in the consolidated statement of equity.

Financial assets available for sale are denominated in the following currencies:

<u>Currency</u>	<u>2018</u>	<u>2017</u>
Kuwaiti Dinar	-	11,367,930
US Dollar	-	215,664
UAE Dirham	-	1,534,860
	<u>-</u>	<u>13,118,454</u>

7. Properties under development

Properties under development represent plots of land located in Reem Island - Abu Dhabi (UAE) and held with a view to be developed for sale in the future as residential apartments, offices and retail outlets. Based on the management assessment, the estimated cost of the project is AED 3,508,594,819 (KD 289,763,619). The transfer of ownership as per paragraph No. 7.2 of the contract will be done upon full payment and completion of the development work.

The fair value of the properties under development as at December 31, 2018 amounted to KD 73,745,627 (2017: KD 74,999,132). The fair value has been arrived at based on the valuation carried out by an independent valuer. In estimating the fair value of the properties under development, the market value approach has been used, considering the nature and usage of the properties under development.

8. Due to banks

Due to banks include a loan obtained from a local bank amounting to KD 4,600,000 carrying an interest rate of 2% per annum over the Central Bank of Kuwait discount rate and is repayable in four unequal yearly installments with the next installment due on September 30, 2019 and final installment due on September 30, 2020.

The Group has pledged a portion of shares owned in a subsidiary (Note 2b) and quoted securities classified as financial assets at FVOCI (Note 5) as collateral against the loan.

9. Accounts payable and other credit balances

	<u>2018</u>	<u>2017</u>
Trade payables (a)	26,170,794	26,019,306
Advance received from customers (b)	5,907,909	5,877,714
Other credit balances	448,759	487,079
	<u>32,527,462</u>	<u>32,384,099</u>

a) Trade payables include KD 23,553,660 (AED 285,198,845) (2017: KD 23,433,278 (AED 285,198,845)) that represent the remaining amount payable to the Master Developer on the acquisition of properties under development (Note 7) which is overdue as at December 31, 2018. As per the Master Developer's lawyer notice received by the Parent Company's subsidiary to settle the outstanding balance, the Master Developer has claimed interest and other charges amounting to KD 14,359,792 (AED 173,875,150) on the overdue balance for which the Parent Company's subsidiary is not in agreement and accordingly has not accounted the interest due and other charges in the books of account. The Group's management is currently in negotiations with the Master Developer for settlement of the overdue balance and related charges.

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b) This represents advances from customers for booking their residential apartments or offices that would be constructed as part of the properties under development (Note 7). Five customers have raised legal cases claiming refund for the advances paid amounting to KD 559,154 (AED 6,770,504) and final verdicts have been favorably issued for four customers amounting to KD 270,785 (AED 3,278,797).

10. Provision for end of service indemnity

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	339,652	320,049
Charge for the year	37,985	38,431
Paid during the year	-	(18,828)
Provision no longer required	(1,981)	-
Balance at the end of the year	<u>375,656</u>	<u>339,652</u>

11. Share capital

Authorized, issued and paid up capital consists of 392,663,910 shares of 100 fils each and all shares are paid in cash (2017: 392,663,910 shares).

12. Treasury shares

	<u>2018</u>	<u>2017</u>
Number of shares	30,319,197	30,319,197
Percentage to issued shares	7.72%	7.72%
Market value (KD)	1,294,630	1,449,258
Cost (KD)	5,948,170	5,948,170

The Parent Company's management has allotted an amount equal to treasury shares balance from the voluntary reserve as of the financial reporting date. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

13. Statutory reserve

As required by Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. No transfer was made to statutory reserve during the year, due to net loss incurred during the year.

14. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. No transfer was made to voluntary reserve during the year, due to net loss incurred during the year.

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15. Principal subsidiary with major non-controlling interest ("NCI") which is material to the Group

Name of subsidiary	Country of incorporation	Ownership interest held by the Group %		Ownership interest held by the NCI %		Principal activities
		2018	2017	2018	2017	
Dar Al Dhabi Holding Co. K.S.C. (Holding)	Kuwait	58.061%	58.061%	41.939%	41.939%	Owning shares of Kuwaiti or foreign shareholding companies

Total non-controlling interest as of December 31, 2018 amount to KD 13,268,863 (2017: KD 13,403,516).

Summarized financial information for the above subsidiary that has non-controlling interest that are material to the Group.

Summarized consolidated statement of financial position

	2018	2017
Current assets	4,462	2,572
Current liabilities	26,014,079	25,895,405
Net current liabilities	(26,009,617)	(25,892,833)
Non-current assets	71,534,114	71,534,114
Non-current liabilities	13,886,014	13,681,728
Net non-current assets	57,648,100	57,852,386
Net assets	31,638,483	31,959,553

Summarized consolidated statement of profit or loss and other comprehensive income

	2018	2017
Net (loss) profit	(290,876)	269,608
Other comprehensive (loss) income	(30,193)	92,361
Total comprehensive (loss) income	(321,069)	361,969
(Loss) income attributable to non-controlling interest	(134,653)	151,806

16. General assembly and proposed dividends

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2018 and proposed to reduce the accumulated losses to KD 6,072,715 by utilizing the voluntary reserve balance amounting to KD 4,872,109 (after deducting the treasury shares reserve from the voluntary reserve of KD 5,948,170) and the statutory reserve balance of KD 12,166,782. These proposals are subject to the approval of the Shareholders' Annual General Assembly and obtaining the required approvals from the concerned parties.

The Shareholders' Annual General Assembly held on April 5, 2018 approved the consolidated financial statements for the year ended December 31, 2017 and the Board of Directors' proposal not to distribute dividends for the year ended December 31, 2017.

17. Net investment income

	2018	2017
Dividend income	168,852	170,394
Unrealized gain from financial assets at FVTPL	17,835	9,681
Realized gain on sale of financial assets at FVTPL	9,150	55,141
Realized gain on sale of financial assets available for sale	-	520,205
	195,837	755,421

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18. General and administrative expenses

General and administrative expenses include staff costs amounting to KD 416,487 (2017: KD 461,298).

19. Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company is computed by dividing the (loss) profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	<u>2018</u>	<u>2017</u>
(Loss) profit for the year attributable to shareholders of the Parent Company	<u>(563,291)</u>	<u>33,419</u>
	<u>Shares</u>	<u>Shares</u>
Number of issued and fully paid-up shares	<u>392,663,910</u>	<u>392,663,910</u>
Less: Weighted average number of treasury shares	<u>(30,319,197)</u>	<u>(30,319,197)</u>
Weighted average number of shares outstanding	<u>362,344,713</u>	<u>362,344,713</u>
	<u>Fils</u>	<u>Fils</u>
Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company	<u>(1.555)</u>	<u>0.092</u>

As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company are identical.

20. Related party balances and transactions

The Group has entered into various transactions with related parties, i.e. Shareholders, Board of Directors, Key management personnel and Other related parties in the normal course of its business. Prices and terms of payment are to be approved by the Group's management. Significant related party balances and transactions are as follows:

	<u>Other related parties</u>	<u>2018</u>	<u>2017</u>
(i) Balances included in the consolidated statement of financial position:			
Financial assets available for sale	-	-	194,644
Accounts payable and other credit balances	50,000	50,000	50,000
(ii) Transactions included in the consolidated statement of profit or loss:			
Management and consultancy fees	-	-	10,000
(iii) Key management compensation:			
Salaries and other short-term benefits		151,039	151,039
Terminal benefits		18,074	18,033
		<u>169,113</u>	<u>169,072</u>

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21. Fiduciary assets

The Parent Company manages investment portfolios for others amounting to KD 26,412,660 as at December 31, 2018 (2017: KD 24,936,458) to earn management fees. These investment portfolios are registered in the name of the Group and are not accounted in the accompanying consolidated financial statements.

22. Capital commitments and contingent liabilities

(i) The Group was contingently liable in respect of the following:

	<u>2018</u>	<u>2017</u>
Capital commitments	-	5,821
Letters of credit	-	4,744
	<u>-</u>	<u>10,565</u>

(ii) The Group's outstanding legal cases as of the date of consolidated statement of financial position were as follows:

On January 23, 2017, KEO International Consultants Company ("Plaintiff") filed a case against Dar Al Dhabi Real Estate Company K.S.C.C. (wholly owned subsidiary of Dar Al Dhabi Holding Company K.S.C.(Holding)) ("Defendant") through Case No. 1127/2017 requesting the defendant to pay an amount of AED 50,869,550 in addition to USD 109 thousand (KD 4,201,153) as per the Plaintiff's assertion relating to consultancy engineering contracts with legal interest of 7% per annum from the due date until completion payment.

On April 3, 2017, the defendant counter-filed a case requesting to appoint an expert and liquidating the account. On April 3, 2017, the case was transferred to the experts' department. The case is pending in the "Court of First Instance" and the date of hearing is set for April 1, 2019 for the experts' report.

In the opinion of the Group's the legal counsel, the final outcome cannot be determined before obtaining the expert's report; accordingly, no provision was taken against this case in the consolidated financial statements.

23. Segment information

For management purposes, the Group is organized into four main business segments based on internal reporting provided to the chief operating decision maker:

- Investment Operations: Investing for the Group's benefit in securities, portfolios and funds.
- Asset Management and Advisory Services: Investing and managing client portfolios and funds, corporate finance, investment advisory and research.
- Real Estate: Holding investment properties for capital appreciation and selling other properties.
- Retail: Selling goods and rendering services in the ordinary course of business.

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The segment information for the reportable operating segments is as follows:

	December 31, 2018					Total
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	
Total revenue	195,837	17,574	-	245,806	-	459,217
Segment results	(374,044)	(6,426)	-	109,781	-	(270,689)
Unallocated operating expenses					(291,888)	(291,888)
Loss from operations						(562,577)
Other income					24,766	24,766
Foreign exchange loss					(123,048)	(123,048)
NLST					(17,444)	(17,444)
Zakat					(6,978)	(6,978)
Loss for the year						(685,281)
Other information:						
Segment assets	14,537,847	-	71,534,114	1,567,789	-	87,639,750
Total assets						87,639,750
Segment liabilities	37,572,072	-	-	394,059	-	37,966,131
Total liabilities						37,966,131
Depreciation	-	-	-	(36,643)	-	(36,643)
	December 31, 2017					Total
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	
Total revenue	755,421	29,751	-	291,812	-	1,076,984
Segment results	(10,537)	11,751	-	210,302	-	211,516
Unallocated operating expenses					(379,981)	(379,981)
Loss from operations						(168,465)
Other income					223,598	223,598
Foreign exchange gain					91,356	91,356
Profit for the year						146,489
Other information:						
Segment assets	13,382,430	-	71,534,114	2,058,817	-	86,975,361
Total assets						86,975,361
Segment liabilities	38,054,348	-	-	586,132	-	38,640,480
Total liabilities						38,640,480
Depreciation	-	-	-	(135,066)	-	(135,066)

24. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, financial assets at FVTPL, financial assets at FVOCI, due to banks, payables and Murabaha payable and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings.

Year	Increase / (Decrease) in interest rate	Balance on December 31 KD	Effect on consolidated statement of profit or loss KD
<u>2018</u>			
Due to banks	± 0.5%	5,054,852	± (25,274)
<u>2017</u>			
Due to banks	± 0.5%	5,804,186	± (29,021)

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash on hand and at banks and receivables. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Cash at banks

The Group's cash at banks measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks and receivables.

c) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

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The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated other comprehensive income
2018			
US Dollar	±5%	±22,767	±9,954
UAE Dirham	±5%	±1,186,567	±51,675
Egyptian Pound	±5%	-	±58,347
Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated other comprehensive income
2017			
US Dollar	±5%	±10,742	±10,783
Euro	±5%	±134	-
UAE Dirham	±5%	±1,176,513	±76,750
Egyptian Pound	±5%	-	±68,346

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in investments that are readily realizable.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The maturity profile of assets and liabilities as at December 31 was as follows:

2018	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<u>Assets:</u>						
Cash on hand and at banks	898,421	-	-	-	-	898,421
Financial assets at FVTPL	177,683	-	-	-	-	177,683
Accounts receivable and other debit balances	-	-	747,643	-	-	747,643
Inventories	-	-	254,411	-	-	254,411
Financial assets at FVOCI	-	-	-	13,561,849	-	13,561,849
Properties under development	-	-	-	-	71,534,114	71,534,114
Property, plant and equipment	-	-	-	-	465,629	465,629
	<u>1,076,104</u>	<u>-</u>	<u>1,002,054</u>	<u>13,561,849</u>	<u>71,999,743</u>	<u>87,639,750</u>
<u>Liabilities:</u>						
Due to banks	-	-	1,454,852	3,600,000	-	5,054,852
Accounts payable and other credit balances	23,553,660	24,422	589,254	8,360,126	-	32,527,462
Murabaha payable	8,161	-	-	-	-	8,161
Provision for end of service indemnity	-	-	-	-	375,656	375,656
	<u>23,561,821</u>	<u>24,422</u>	<u>2,044,106</u>	<u>11,960,126</u>	<u>375,656</u>	<u>37,966,131</u>

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2017	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets:						
Cash on hand and at banks	482,383	-	-	-	-	482,383
Financial assets at FVTPL	96,981	-	-	-	-	96,981
Accounts receivable and other debit balances	-	-	824,500	-	-	824,500
Inventories	-	-	378,583	-	-	378,583
Financial assets available for sale	-	-	-	13,118,454	-	13,118,454
Properties under development	-	-	-	-	71,534,114	71,534,114
Property, plant and equipment	-	-	-	-	540,346	540,346
	<u>579,364</u>	<u>-</u>	<u>1,203,083</u>	<u>13,118,454</u>	<u>72,074,460</u>	<u>86,975,361</u>
Liabilities:						
Due to banks	-	-	1,204,186	4,600,000	-	5,804,186
Accounts payable and other credit balances	23,433,278	25,664	595,230	8,329,927	-	32,384,099
Murabaha payable	112,543	-	-	-	-	112,543
Provision for end of service indemnity	-	-	-	-	339,652	339,652
	<u>23,545,821</u>	<u>25,664</u>	<u>1,799,416</u>	<u>12,929,927</u>	<u>339,652</u>	<u>38,640,480</u>

e) Equity price risk

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets at FVTPL and financial assets at FVOCI. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure at December 31:

	2018			2017		
	Change in equity price %	Effect on other comprehensive income	Effect on profit or loss	Change in equity price %	Effect on other comprehensive income	Effect on profit or loss
<u>Market indices</u>						
Boursa Kuwait	±5%	±526,487	±8,884	±5%	±466,931	±4,849

25. Fair value measurement

The Group measures its financial assets such as financial assets at FVTPL and financial assets at FVOCI at fair value at each reporting date.

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.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at December 31:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets at FVTPL	177,683	-	177,683
Financial assets at FVOCI	10,529,735	-	10,529,735
Total	10,707,418	-	10,707,418
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets at FVTPL	96,981	-	96,981
Financial assets available for sale	9,338,621	194,644	9,533,265
Total	9,435,602	194,644	9,630,246

At December 31, the fair value of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of the financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

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

26. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as total 'equity' as shown in the consolidated statement of financial position plus net debt.

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For the purpose of capital risk management, the total capital resources consist of the following components:

	2018	2017
Due to banks	5,054,852	5,804,186
Murabaha payable	8,161	112,543
Less: cash on hand and at banks	(898,421)	(482,383)
Net debt	4,164,592	5,434,346
Total equity	49,673,619	48,334,881
Total capital resources	53,838,211	53,769,227
Gearing ratio	7.74%	10.11%

27. Going concern

The Group's current liabilities exceeded its current assets by KD 23,552,191 (2017: KD 23,588,454). The consolidated financial statements have been prepared assuming the Group will continue as a going concern. The Group's ability to continue as a going concern depends on its ability to improve profitability, enhance its future cash flows, restructure its debt repayments, and continued support of its shareholders and financial institutions. If those conditions are not viable, the accompanying consolidated financial statements shall be adjusted accordingly.

The Group's management is in the process of negotiating the terms of settlement of trade payables amounting to KD 23,553,660 and related charges with the Master Developer which pertains to the outstanding balance payable for the acquisition of properties under development (Note 9).

If the Group is unable to reschedule the trade payable and related charges for the foreseeable future, it may be unable to realize its assets and discharge its liabilities in the normal course of business.