BAYAN INVESTMENT COMPANY - K.S.C. (PUBLIC)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
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, 2019
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 (collectively, "the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and 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, 2019, 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 7 (a) to the accompanying consolidated financial statements, the balance of trade payables and the accumulated losses do not include a disputed claim of interest and other charges amounting to KD 16,949,157 (AED 205,397,772) raised by a party (Master Developer) against one of the subsidiaries of Parent Company for overdue contractual amounts towards acquisition of properties under development. Pending settlement of dispute between the parties, we are unable to ascertain if any adjustments are necessary to the balance payable to Master Developer as at December 31, 2019.

(b) 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 parent company) was consolidated for the year ended December 31, 2019 based on management accounts for the period ended September 30, 2019. 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 and non-receipt of responses to our group audit instructions from the component auditor as at December 31, 2019. Consequently, we were unable to ascertain whether any further adjustments to the consolidated carrying amounts and the related disclosures were necessary.

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.

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Material Uncertainty Related To Going Concern

We draw attention to Note (26) to the accompanying consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by KD 32,147,066. As stated in Note (26), this condition, along with other matters as set forth in Note (26), 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 (21) to the accompanying consolidated financial statements which describes the lawsuits filed against and by 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 72,834,810 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 foreign accredited independent 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 reviewed the valuation report prepared by the foreign independent accredited valuer and checked the adequacy of disclosures as provided in Note (5) to the accompanying consolidated financial statements.

Other information included in the Annual Report of the Group for the year ended December 31, 2019

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We have not obtained the annual report, including the report of the Group's Board of Directors, prior to the date of our auditor's report, and we expect to obtain these reports after the date of our auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, Material Uncertainty Related to Going Concern and Emphasis of Matter sections, 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, 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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

Dr.Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
April 9, 2020

BAYAN INVESTMENT COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2019	(Restated) * 2018
Cash on hand and at banks		**440,958**	898,421
Financial assets at fair value through profit or loss ("FVTPL")		**231,059**	177,683
Accounts receivable and other debit balances	3	**1,189,573**	747,643
Inventories		**237,839**	254,411
Financial assets at fair value through other comprehensive income ("FVOCI")	4	**12,824,058**	12,188,164
Properties under development	5	**72,834,810**	71,534,114
Property, plant and equipment		**712,203**	465,629
Total assets		**88,470,500**	86,266,065
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	6	**4,049,352**	5,054,852
Accounts payable and other credit balances	7	**34,929,682**	32,527,462
Murabaha payable		**5,251**	8,161
Provision for end of service indemnity	8	**412,630**	375,656
Total liabilities		**39,396,915**	37,966,131
Equity:			
Share capital	9	**39,266,391**	39,266,391
Treasury shares	10	**(5,948,170)**	(5,948,170)
Statutory reserve	11	**-**	12,166,782
Voluntary reserve	12	**5,948,170**	10,820,279
Fair value reserve		**6,130,810**	4,975,483
Foreign currency translation adjustments		**(3,018,454)**	(3,138,088)
Accumulated losses		**(6,179,418)**	(23,111,606)
Equity attributable to shareholders of the Parent Company		**36,199,329**	35,031,071
Non-controlling interests	13	**12,874,256**	13,268,863
Total equity		**49,073,585**	48,299,934
Total liabilities and equity		**88,470,500**	86,266,065

* Certain amounts shown here do not correspond to the consolidated financial statements as at December 31, 2018 and reflect adjustments made as detailed in Note 27.

The accompanying notes from (1) to (28) 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, 2019
(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
Revenues:			
Net investment income	15	**281,410**	195,837
Management and consultancy fees	16	**17,014**	17,574
Net sales revenue	16	**386,637**	245,806
Other income		**29,846**	24,766
		714,907	483,983
Expenses and other charges:			
General and administrative expenses	17	**801,168**	729,906
Provision for legal claim	7, 21	**780,915**	-
Finance charges		**255,377**	291,888
Foreign exchange (gain) loss		**(42,303)**	123,048
		1,795,157	1,144,842
Loss for the year before contribution to National Labor Support Tax (NLST) and Zakat		**(1,080,250)**	(660,859)
NLST		**(13,435)**	(17,444)
Zakat		**(4,176)**	(6,978)
Loss for the year		**(1,097,861)**	(685,281)
Attributable to:			
Shareholders of the Parent Company		**(701,211)**	(563,291)
Non-controlling interests		**(396,650)**	(121,990)
Loss for the year		**(1,097,861)**	(685,281)
		Fils	Fils
Basic and diluted loss per share attributable to shareholders of the Parent Company	18	**(1.935)**	(1.555)

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

	Note	2019	(Restated)* 2018
Loss for the year		(1,097,861)	(685,281)
Net other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**121,677**	(50,593)
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at FVOCI		**1,925,802**	894,929
Other comprehensive income for the year		**2,047,479**	844,336
Total comprehensive income for the year		**949,618**	159,055
Attributable to:			
Shareholders of the Parent Company		**1,344,225**	293,708
Non-controlling interests	13	**(394,607)**	(134,653)
Total comprehensive income for the year		**949,618**	159,055

* Certain amounts shown here do not correspond to the consolidated financial statements as at December 31, 2018 and reflect adjustments made as detailed in Note 27.

The accompanying notes from (1) to (28) 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, 2019
(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, 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	-	-	-	-	62,134	-	-	62,134	-	62,134
Balance as at January 1, 2018 (Restated) (as previously reported)	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
Adjustment on correction of errors (Note 27)	-	-	-	-	(1,625,615)	-	-	(1,625,615)	-	(1,625,615)
Balance as at January 1, 2018 (Restated)	39,266,391	(5,948,170)	12,166,782	10,820,279	4,080,554	(3,100,158)	(23,917,794)	33,367,884	13,403,516	46,771,400
Transfer of gain on disposal of financial assets at FVOCI to accumulated losses	-	-	-	-	-	-	1,369,479	1,369,479	-	1,369,479
Total comprehensive income (loss) for the year	-	-	-	-	894,929	(37,930)	(563,291)	293,708	(134,653)	159,055
Balance as at December 31, 2018 (Restated)	39,266,391	(5,948,170)	12,166,782	10,820,279	4,975,483	(3,138,088)	(23,111,606)	35,031,071	13,268,863	48,299,934
Partial reduction of accumulated losses (Note 14)	-	-	(12,166,782)	(4,872,109)	-	-	17,038,891	-	-	-
Transfer of net gain on disposal of financial assets at FVOCI to accumulated losses	-	-	-	-	(770,475)	-	594,508	(175,967)	-	(175,967)
Total comprehensive income (loss) for the year	-	-	-	-	1,925,802	119,634	(701,211)	1,344,225	(394,607)	949,618
Balance as at December 31, 2019	**39,266,391**	**(5,948,170)**	**-**	**5,948,170**	**6,130,810**	**(3,018,454)**	**(6,179,418)**	**36,199,329**	**12,874,256**	**49,073,585**

The accompanying notes from (1) to (28) 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, 2019
(All amounts are in Kuwaiti Dinars)

	2019	2018
Cash flows from operating activities:		
Loss for the year before contribution to NLST and Zakat	**(1,080,250)**	(660,859)
Adjustments for:		
Net investment income	**(281,410)**	(195,837)
Interest income	**(523)**	(3,752)
Provision for end of service indemnity no longer required	**(1,483)**	(1,981)
Depreciation	**126,992**	36,643
Provision for end of service indemnity	**38,457**	37,985
Provision for legal claim	**780,915**	-
Finance charges	**255,377**	291,888
Foreign exchange (gain) loss	**(42,303)**	123,048
	(204,228)	(372,865)
Changes in operating assets and liabilities:		
Financial assets at FVTPL	**-**	(53,717)
Accounts receivable and other debit balances	**(441,930)**	76,857
Inventories	**16,572**	124,172
Accounts payable and other credit balances	**502,977**	(8,539)
Net cash flows used in operating activities	**(126,609)**	(234,092)
Cash flows from investing activities:		
Proceeds from sale of financial assets at FVOCI	**1,113,941**	1,631,217
Property, plant and equipment – net	**(325,957)**	(3,027)
Dividend income received	**228,034**	168,852
Interest income received	**523**	3,752
Net cash flows generated from investing activities	**1,016,541**	1,800,794
Cash flows from financing activities:		
Lease payments	**(73,080)**	-
Due to banks	**(1,005,500)**	(749,334)
Murabaha payable	**(2,910)**	(104,382)
Dividends paid	**(10,042)**	(5,736)
Finance charges paid	**(255,377)**	(291,888)
Net cash flows used in financing activities	**(1,346,909)**	(1,151,340)
Net (decrease) increase in cash on hand and at banks	**(456,977)**	415,362
Effect of foreign currency translation on cash on hand and at banks	**(486)**	676
Cash on hand and at banks at beginning of the year	**898,421**	482,383
Cash on hand and at banks at end of the year	**440,958**	898,421

The accompanying notes from (1) to (28) form an integral part of the consolidated financial statements.

1. Incorporation and activities of the Parent Company

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 April 15, 2019 and is listed in Boursa Kuwait. The Parent Company's commercial registration number is 70718 dated August 30, 1997.

The objective of the Parent Company is investment portfolio 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 April 9, 2020. 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).

Adoption of new and revised standards

New and amended IFRS standard that is effective for the current year:

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 Standard as at January 1, 2019:

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and accordingly, the comparative information is not restated.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on Lessee Accounting

Former operating leases:

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

Former finance leases:

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Financial Impact of initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position at the date of initial application was 4.75%.

The table below shows the reconciliation of operating lease commitments under IAS 17 as at December 31, 2018 and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

	KD
Discounted operating lease commitments transitioned under IFRS 16	324,680
Lease liabilities recognized in the consolidated statement of financial position as at January 1, 2019	**324,680**

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

Impact on consolidated statement of profit or loss	KD
Increase in depreciation expenses	(64,932)
Increase in finance charges	(14,150)
Decrease in general and administrative expenses	73,080
Increase in loss for the year	**(6,002)**

Impact on assets, liabilities and equity as at December 31, 2019	As if IAS 17 still applied KD	IFRS 16 adjustments KD	As presented KD
Right-of-use assets (property, plant and equipment)	-	259,748	259,748
Net impact on total assets	-	**259,748**	**259,748**
Lease liabilities (accounts payable and other credit balances) (Note 7)	-	265,750	265,750
Net impact on total liabilities	-	**265,750**	**265,750**

Impact on consolidated statement of cash flows

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under IFRS 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by KD 73,080 and net cash used in financing activities increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

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. These amendments are not expected to have material impact on the consolidated financial statements.

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. These amendments are not expected to have material impact on the consolidated financial statements.

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.

Several other amendments and interpretations apply for the first time in 2019, 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.

New and revised IFRS standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendment are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

b) Principles of consolidation

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

Name of subsidiary	Country of Incorporation	Principal activities	Percentage of Holding % 2019	Percentage of Holding % 2018
Arkan Holding Company- K.S.C. (Holding) and its wholly owned subsidiary: Arkan Industrial and Mining Co. (E.S.C.) located in Arab Republic of Egypt (i)	Kuwait	Holding	**99.9**	99.9
Dar Al Dhabi Holding Co. K.S.C. (Holding) and its wholly owned subsidiary: Dar Al Dhabi Real Estate Company K.S.C.C. located in Kuwait (ii)	Kuwait	Holding	**58.061**	58.061
Al Safwa International Consulting Co. (sole proprietorship) (iii)	Kuwait	Consulting	-	100
Al Sanabil Real Estate Co. (W.L.L.) (iii)	Kuwait	Real Estate	-	99.9

(i) The Group consolidated Arkan Industrial and Mining Co. (E.S.C.) based on the management accounts for the period ended September 30, 2019, due to non-availability of the audited financial statements of the subsidiary.

(ii) 100 million shares of Dar Al Dhabi Holding Co. K.S.C. (Holding) are pledged against a loan obtained from a local bank (Note 6).

(iii) The Parent Company has cancelled the Memorandum of Incorporation of these subsidiaries. Accordingly, the Group de-recognized the subsidiaries and resulting no gain or loss up on derecognition.

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.

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

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.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

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 Group classifies its financial assets upon initial recognition into the following cateogories:

- Debt instruments at amortized cost
- 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.

Amortized cost and effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating and recognizing interest revenue or interest expense in profit or loss over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

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

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

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 allowance for expected credit losses.

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 securities 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 securities under financial assets at FVTPL in the consolidated statement of financial position.

II. Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

(B) Financial liabilities
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at amortized cost
Financial liabilities that are not at FVTPL as above are measured subsequently at amortized cost using the effective interest method.

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. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

(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 of inventories is determined as follows:

- Raw materials and spare parts inventories on a weighted average basis.
- Manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.
- Complete production, cost is determined at the lower of cost or net realizable value

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.

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.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities, The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The Group's right-of-use assets represents the leases office premises with a lease term of 5 years.

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:

Assets category	Years
Buildings	20
Machines and equipment	5 – 10
Vehicles	5
Furniture and computers	3 – 5
Right-of-use assets	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 from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group applies a five-step model are as follows to account for revenue arsing from contracts:

- 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.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.
The Group recognizes revenue 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.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

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.

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)
NLST 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) Allowance for expected credit losses

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

(iii) Provision for inventories

The determination of the marketability of the inventories and the factors determining the impairment of the inventory involve significant judgment.

(iv) 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).

(v) 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.

(vi) Leases

Critical judgements required in the application of IFRS 16 include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement;
- Determining the stand-alone selling prices of lease and non-lease components.

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) Allowances for expected credit losses

The extent of allowance for expected credit losses involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach as explained in Note 2c(A-ii). Bad debts are written off when identified. The ECL allowance and write-down of accounts receivable are subject to management approval.

(iv) Provision for inventories

The extent of provision for inventories involves estimation process. 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 inventories are subject to management approval.

(v) 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.

(vi) 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.

(vii) Leases

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

3. Accounts receivable and other debit balances

	2019	2018
Trade receivables (a)	**1,018,521**	619,848
Other debit balances	**171,052**	127,795
	1,189,573	747,643

(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:

	Within 90 days	From 91 to 180 days	Over 180 days	Total
2019	**483,914**	**384,276**	**150,331**	**1,018,521**
2018	494,314	62,248	63,286	619,848

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

	2019	(Restated) 2018
Quoted securities	**11,094,464**	10,529,735
Unquoted securities	**1,729,594**	1,459,352
Portfolios	**-**	199,077
	12,824,058	12,188,164

Quoted securities amounting to KD 6,513,028 are pledged as collateral against loan granted by local bank (Note 6).

Financial assets at FVOCI are denominated in the following currencies:

Currency	2019	2018
Kuwaiti Dinar	**12,219,011**	11,493,812
US Dollar	**-**	199,077
UAE Dirham	**605,047**	495,275
	12,824,058	12,188,164

Financial assets at FVOCI was valued based on the valuation basis as described in Note 24.

5. Properties under development

The movement during the year is as follows:

	2019	2018
Balance at the beginning of the year	**71,534,114**	71,534,114
Additions (Note 21)	**1,300,696**	-
Balance at the end of the year	**72,834,810**	71,534,114

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 289,524,683). 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, 2019 amounted to KD 73,684,819 (2018: KD 73,745,627). The fair value has been arrived at based on the valuation carried out by foreign independent accredited 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.

6. Due to banks

Due to banks include a loan obtained from a local bank amounting to KD 3,600,000 carrying an interest of 2% per annum over the Central Bank of Kuwait discount rate. The final installment amounting to KD 3,600,000 is due for payment on September 30, 2020.

The Group has pledged 100 million shares owned in a subsidiary (Note 2b) and quoted securities (Note 4) as collaterals against the loan.

7. Accounts payable and other credit balances

	2019	2018
Trade payables (a)	**27,555,947**	26,170,794
Advance received from customers (b)	**5,903,037**	5,907,909
Provision for legal claim (c)	**780,915**	-
Lease liabilities (Note 2)	**265,750**	-
Other credit balances	**424,033**	448,759
	34,929,682	32,527,462

a) Trade payables include KD 23,534,238 (AED 285,198,845) (2018: 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 (Note 5) which is overdue as at December 31, 2019. As per the Master Developer's lawyer notice received by the Parent Company's subsidary to settle the outstanding balance, the Master Developer has claimed interest and other charges amounting to KD 16,949,157 (AED 205,397,772) on the overdue balance for which the Parent Company's subsidary is not in agreement and accordingly has not accounted the interest due and other charges in the books of account. In line with what happened with one of the developers in Reem Island - Abu Dhabi (UAE) of obtaining exemption of the interetst and other charges once he commemnced the development process, the Group's management is currently discussing with the Master Developer for settlement of the overdue balance in addition to negotiating an exemption of the related interest and other charges once the development process commences.

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 5). Eight customers have raised legal cases claiming refund for the advances paid amounting to KD 905,319 (AED 10,971,072) and final verdicts have been favorably issued for seven customers amounting to KD 668,543 (AED 8,101,716).

c) This represents the provision for the legal interest calculated on the balance due to KEO International Consultants Company (Note 21).

8. Provision for end of service indemnity

	2019	2018
Balance at the beginning of the year	**375,656**	339,652
Charge for the year	**38,457**	37,985
Provision no longer required	**(1,483)**	(1,981)
Balance at the end of the year	**412,630**	375,656

9. 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 (2018: 392,663,910 shares).

10. Treasury shares

	2019	2018
Number of shares	**30,319,197**	30,319,197
Percentage to issued shares	**7.72%**	7.72%
Market value (KD)	**1,100,587**	1,294,630
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.

11. 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 KFAS, NLST, 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. Since there is a net loss for the year and accumulated losses balance as of the end of the previous year, there was no transfer to statutory reserve during the year. The Shareholders' Annual General Assembly held on March 31, 2019 approved to partially reduce the accumulated losses by utilizing the statutory reserve full balance amounting to KD 12,166,782 (Note 14).

12. 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 KFAS, NLST, 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. Since there is a net loss for the year and accumulated losses balance as of the end of the previous year, there was no transfer to voluntary reserve during the year. The Shareholders' Annual General Assembly held on March 31, 2019 approved to partially reduce the accumulated losses 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) (Note 14).

13. 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
		2019	2018	2019	2018	
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, 2019 amount to KD 12,874,256 (2018: KD 13,268,863).

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

Summarized consolidated statement of financial position

	2019	2018
Current assets	**4,123**	4,462
Current liabilities	**28,079,684**	26,014,079
Net current liabilities	**(28,075,561)**	(26,009,617)
Non-current assets	**72,834,810**	71,534,114
Non-current liabilities	**14,061,673**	13,886,014
Net non-current assets	**58,773,137**	57,648,100
Net assets	**30,697,576**	31,638,483
Ownership interest held by the non-controlling interests (%)	**41.939%**	41.939%
Carrying value of non-controlling interests in the subsidiary	**12,874,256**	13,268,863

Summarized consolidated statement of profit or loss and other comprehensive income

	2019	2018
Net loss	**(945,777)**	(290,876)
Other comprehensive income (loss)	**4,870**	(30,193)
Total comprehensive loss	**(940,907)**	(321,069)
Comprehensive loss attributable to non-controlling interests	**(394,607)**	(134,653)

14. General assembly and proposed dividends

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2019. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on March 31, 2019 approved:

a) The consolidated financial statements for the year ended December 31, 2018.
b) Not to distribute dividends for the year ended December 31, 2018.
c) Approved 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) (Note 12) and the statutory reserve balance of KD 12,166,782 (Note 11).

15. Net investment income

	2019	2018
Dividend income	**228,034**	168,852
Unrealized gain from financial assets at FVTPL	**53,376**	17,835
Realized gain on sale of financial assets at FVTPL	**-**	9,150
	281,410	195,837

16. Revenue

Set out below is the disaggregation of the Group's major revenues.

	2019		
	Investment operations	**Industrial sector**	**Total**
Type of goods and services transferred at point of time:			
Management and consultancy fees	**17,014**	**-**	**17,014**
Net sales revenue	**-**	**386,637**	**386,637**
Total	**17,014**	**386,637**	**403,651**

	2018		
	Investment operations	Industrial sector	Total
Type of goods and services transferred at point of time:			
Management and consultancy fees	17,574	-	17,574
Net sales revenue	-	245,806	245,806
Total	17,574	245,806	263,380

17. General and administrative expenses
General and administrative expenses include staff costs amounting to KD 459,977 (2018: KD 416,487).

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

	2019	2018
Loss for the year attributable to shareholders of the Parent Company	**(701,211)**	(563,291)
	Shares	Shares
Number of issued and fully paid-up shares	**392,663,910**	392,663,910
Less: Weighted average number of treasury shares	**(30,319,197)**	(30,319,197)
Weighted average number of shares outstanding	**362,344,713**	362,344,713
	Fils	Fils
Basic and diluted loss per share attributable to shareholders of the Parent Company	**(1.935)**	(1.555)

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

19. 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:

	Other related parties	2019	2018
(i) Balances included in the consolidated statement of financial position:			
Accounts payable and other credit balances	50,000	**50,000**	50,000

(iii) Key management compensation:	**2019**	2018
Salaries and other short-term benefits	**177,730**	151,039
Terminal benefits	**21,673**	18,074
	199,403	169,113

20. Fiduciary assets
The Parent Company manages investment portfolios for others amounting to KD 22,380,370 as at December 31, 2019 (2018: KD 26,412,660) to earn management fees. These investment portfolios are registered in the name of the Parent Company and are not accounted in the accompanying consolidated financial statements.

21. Legal cases

The Group's outstanding legal cases as of the date of the consolidated 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. ("Defendant") (wholly owned subsidiary of Dar Al Dhabi Holding Company K.S.C.(Holding)- direct subsidiary of Bayan Investment Company K.S.C.P. (Parent Company)) through Case No. 1127/2017 requesting the defendant to pay an amount of AED 50,869,550 and USD 109 thousand equivalent to KD 4,199,073 in addition to legal interest of 7% per annum from the due date until final payment which as per the Plaintiff's assertion relating to consultancy engineering contracts. 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 on January 20, 2020.

Subsequent to the date of the consolidated financial position, on January 20, 2020, the "Court of First Instance" issued its verdict in favor of the plaintiff by obligating the defendant to pay an amount of AED 45,258,452 and USD 60,201 equivalent to KD 3,752,913 in addition to the legal interest of 7% per annum due on the payable balance calculated from the legal case raising date (January 11, 2017) until final payment. Accordingly, the Group recognized the remaining payable balance due to the plaintiff amounting to KD 1,300,696 by increasing the carrying value of the properties under development (Note 5) in addition to providing a provision for the due legal interest amounting to KD 780,915 in the consolidated statement of profit or loss for the year ended December 31, 2019.

On February 18, 2020 the defendant appealed against the verdict through case No. 1514/2020 in the "Court of Appeal". The case is pending in the "Court of Appeal" and the date of hearing is set on April 7, 2020. As a result of the disruption of all ministries and government institutions due to the spread of the novel Corona virus until the date of issuance of these consolidated financial statements, the court session will be postponed until the resumption of work.

22. 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.
- Industrial sector: Production and manufacturing of ferrite and geese materials and selling them in the ordinary course of business.

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

	December 31, 2019					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Industrial sector	Unallocated items	Total
Total revenue	281,410	17,014	-	386,637	-	685,061
Segment results	(387,666)	(6,986)	-	278,545	-	(116,107)
Unallocated operating expenses					(255,377)	(255,377)
Loss from operations						(371,484)
Other income					29,846	29,846
Provision for legal claim					(780,915)	(780,915)
Foreign exchange gain					42,303	42,303
NLST					(13,435)	(13,435)
Zakat					(4,176)	(4,176)
Loss for the year						(1,097,861)
Other information:						
Segment assets	14,059,967	-	72,834,810	1,575,723	-	88,470,500
Total assets						88,470,500
Segment liabilities	38,846,245	-	-	550,670	-	39,396,915
Total liabilities						39,396,915
Depreciation	-	-	-	(62,060)	(64,932)	(126,992)

	December 31, 2018 (Restated)					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Industrial sector	Unallocated items	Total
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	13,164,162	-	71,534,114	1,567,789	-	86,266,065
Total assets						86,266,065
Segment liabilities	37,572,072	-	-	394,059	-	37,966,131
Total liabilities						37,966,131
Depreciation	-	-	-	(36,643)	-	(36,643)

23. 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
2019			
Due to banks	**± 0.5%**	**4,049,352**	**± (20,247)**
2018			
Due to banks	± 0.5%	5,054,852	± (25,274)

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 at banks and receivables. Receivables are presented net of allowance for ECL. 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 at banks 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 counterparty 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.

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
2019			
US Dollar	**±5%**	**±6,341**	**-**
UAE Dirham	**±5%**	**±1,414,956**	**±30,327**
Egyptian Pound	**±5%**	**-**	**±81,111**
2018			
US Dollar	±5%	±22,767	±9,954
UAE Dirham	±5%	±1,186,567	±51,675
Egyptian Pound	±5%	-	±58,347

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:

2019	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets:						
Cash on hand and at banks	440,958	-	-	-	-	440,958
Financial assets at FVTPL	231,059	-	-	-	-	231,059
Accounts receivable and other debit balances	-	-	1,189,573	-	-	1,189,573
Inventories	-	-	237,839	-	-	237,839
Financial assets at FVOCI	-	-	-	12,824,058	-	12,824,058
Properties under development	-	-	-	-	72,834,810	72,834,810
Property, plant and equipment	-	-	-	259,748	452,455	712,203
	672,017	-	1,427,412	13,083,806	73,287,265	88,470,500
Liabilities:						
Due to banks	-	-	4,049,352	-	-	4,049,352
Accounts payable and other credit balances	29,463,275	43,228	685,389	4,737,790	-	34,929,682
Murabaha payable	-	5,251	-	-	-	5,251
Provision for end of service indemnity	-	-	-	-	412,630	412,630
	29,463,275	48,479	4,734,741	4,737,790	412,630	39,396,915

2018 (Restated)	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets:						
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	-	-	-	12,188,164	-	12,188,164
Properties under development	-	-	-	-	71,534,114	71,534,114
Property, plant and equipment	-	-	-	-	465,629	465,629
	1,076,104	-	1,002,054	12,188,164	71,999,743	86,266,065
Liabilities:						
Due to banks	-	-	1,454,852	3,600,000	-	5,054,852
Accounts payable and other credit balances	29,461,569	24,422	589,254	2,452,217	-	32,527,462
Murabaha payable	8,161	-	-	-	-	8,161
Provision for end of service indemnity	-	-	-	-	375,656	375,656
	29,469,730	24,422	2,044,106	6,052,217	375,656	37,966,131

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:

	2019			2018		
Market indices	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
Boursa Kuwait	±5%	±554,723	±11,553	±5%	±526,487	±8,884

24. 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.

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:

December 31, 2019	Level 1	Level 2	Total
Financial assets at FVTPL	231,059	-	231,059
Financial assets at FVOCI	11,094,464	1,729,594	12,824,058
Total	11,325,523	1,729,594	13,055,117

December 31, 2018 (Restated)	Level 1	Level 2	Total
Financial assets at FVTPL	177,683	-	177,683
Financial assets at FVOCI	10,529,735	1,459,352	11,989,087
Total	10,707,418	1,459,352	12,166,770

During the year there were no transfers between different levels of fair value measurement.

25. 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.

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

	2019	(Restated) 2018
Due to banks	4,049,352	5,054,852
Murabaha payable	5,251	8,161
Less: cash on hand and at banks	(440,958)	(898,421)
Net debt	3,613,645	4,164,592
Total equity	49,073,585	48,299,934
Total capital resources	52,687,230	52,464,526
Gearing ratio	6.86%	7.94%

26. Going concern

As at December 31, 2019, the Group's current liabilities exceeded its current assets by KD 32,147,066 (2018: KD 29,460,100). 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.

In the opinion of the Group's management, despite the existence of significant doubt about the Group's ability to continue as a going concern, which might result in the Group's inability to realize its assets and discharge its liabilities in the normal course of business, the Group's management is still in the process of negotiating the terms of settlement of trade payables amounting to KD 23,534,238 and related charges with the Master Developer which pertains to the outstanding balance payable for the acquisition of properties under development (Note 7). The Group's management has reasonable expectations that the Master Developer will restructure the outstanding credit balance because of the Group's quality of investments and assets. If the Group in 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.

27. Correction of errors in accounting for fair value measurement

The comparative consolidated statement of financial position as at December 31, 2018, the comparative related consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity for the year ended December 31, 2018 have been restated in accordance with IAS 8: "Accounting policies, changes in accounting estimates and errors" to correct the fair values of the Group's investment in unquoted securities classified as financial assets at FVOCI arising from the valuation of these securities based on the latest available financial statements of the investees.

The effect of the restatement is as follows:

	(As previously reported) December 31, 2018	Amount restated	(Restated) December 31, 2018
Consolidated statement of financial position			
Financial assets at FVOCI	13,561,849	(1,373,685)	12,188,164
Fair value reserve	6,349,168	(1,373,685)	4,975,483
Consolidated statement of profit or loss and other comprehensive income			
Changes in fair value of financial assets at FVOCI	642,999	251,930	894,929

The above-mentioned restatements did not have any financial impact on the consolidated statements of profit or loss and cash flows loss for the year ended December 31, 2018.

28. Subsequent events

The Coronavirus (COVID 19) outbreak ("the outbreak") since early 2020 has caused widespread disruptions to economic activities around the world, with a consequential negative impact on the business of the Group. The Group is closely monitoring the impact of the developments on it businesses, specifically Group's expected credit loss estimates, valuation of equity unquoted securities and determining the net realizable value of the properties under development. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects still unknown. Consequently, the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements.