



**Livestock Transport and Trading Company K.P.S.C.
and its subsidiaries
State of Kuwait**

**Consolidated financial statements
and independent auditor's report
for the year ended 31 December 2018 - Reissued**



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**Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C.
State of Kuwait**

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Livestock Transport and Trading Company K.P.S.C. (the "Parent Company") and its subsidiaries (together referred to as the "Group"), as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of income for the year ended 31 December 2018;
- the consolidated statement of comprehensive income for the year ended 31 December 2018;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter – reissuance of previously issued consolidated financial statements

We draw attention to note 1 and 34 which describe the details of amendments made to the previously issued consolidated financial statements for the year ended 31 December 2018. The consolidated financial statements were previously authorised for issuance by the Board of Directors on 18 February 2019, including an approved Board of Directors' remuneration of KD 6,000. Subsequently, the Board of Directors in their meeting held on 14 March 2019, revoked the remuneration approval. The consolidated financial statements are amended as a result of this matter. We issued our unqualified independent auditor's report on the previously issued consolidated financial statements on 28 February 2019 and accordingly, we provide this new independent auditor's report on the reissued consolidated financial statements. This report supersedes our previous report dated 28 February 2019. Our opinion is not modified in respect of this matter.



**Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C.
State of Kuwait (Continued)**

Report on the audit of the consolidated financial statements (Continued)

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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. We identified the following key audit matter:

Expected Credit Loss on trade receivables and accrued Government subsidy

At the end of each reporting period, management conducts an assessment of the recoverability of the Group's trade receivables and accrued Government subsidy to determine whether any receivables need to be provided for. This assessment is considered to be a key audit matter due to the significant judgment required in determining doubtful receivables and in the preparation of the expected credit loss model.

As at 31 December 2018, the Group had gross outstanding receivable of KD 23,849,744 (2017: KD 27,939,912) relates to trade receivables from which an outstanding receivable of KD 16,330,630 (2017: KD 16,330,630) relates to Government subsidy accrued pursuant to Council of Ministers resolution No. 1308 dated 11 September 2011 and the Ministerial Decree No. 409. The Group is currently in dispute with the Ministry of Commerce and Industry against which legal cases were filed claiming the subsidy due amount.

As at 31 December 2018, a provision for doubtful debts of KD 13,247,077 (2017: KD 12,920,187) is maintained against doubtful debts out of which an amount of KD 12,730,079 (2017: KD 12,730,079) pertains to the above mentioned Government subsidy.

Refer to Notes 2, 5, 6 and 13 to the consolidated financial statements for the related disclosures.

How our audit addressed the matter

Our audit procedures included:

- Assessing the appropriateness of the Expected Credit Loss model (ECL) prepared by management.
- Reviewing management judgments on doubtful debts and assumptions including the following:
 - computation of roll rate percentages
 - computation of default rate percentages
 - determining average default rates
 - scaling default rates to loss rates
 - Final ECL provision using loss rate
- Obtaining legal opinion, from the Parent Company's external legal consultant, regarding the status of the cases filed by the Parent Company against the Ministry of Commerce and Industry with respect to the accrued Government subsidy.
- Obtaining the relevant supporting documents for the calculation of the subsidy.
- Evaluating the adequacy of the disclosures in Notes 2, 5, 6 and 13 to the consolidated financial statements.



Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C. State of Kuwait (Continued)

Report on the audit of the consolidated financial statements (Continued)

Other information

Management is responsible for the other information. The other information comprises the report of the Board of Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's complete Annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Group's complete Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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



Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C. State of Kuwait (Continued)

Report on the audit of the consolidated financial statements (Continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.



**Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C.
State of Kuwait (Continued)**

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 Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 as amended, and its Executive Regulation, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its Executive Regulation, as amended nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.



Khalid Ebrahim Al-Shatti
License No. 175 - A
PricewaterhouseCoopers - Al-Shatti & Co.

24 March 2019
Kuwait

Consolidated statement of financial position
For the year ended 31 December 2018
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	8	40,910,431	28,685,228
Investments in associates	9	366,609	376,347
Available for sale investments	10	-	822,829
Financial assets at fair value through other comprehensive income	10	1,803,896	-
Held to maturity investments	11	-	2,733,302
Financial assets at amortised costs	11	2,733,302	-
		45,814,238	32,617,706
Current assets			
Inventories	12	4,062,831	6,825,635
Trade and other receivables	13	15,088,861	23,373,864
Investments at fair value through profit or loss	10	-	1,028,042
Cash and cash equivalents	14	3,277,788	2,968,552
		22,429,480	34,196,093
Total assets		68,243,718	66,813,799
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	21,659,057	21,659,057
Share premium		4,967,805	4,967,805
Treasury shares	16	(1,647,126)	(1,647,126)
Statutory reserve	17	11,825,560	11,825,560
Voluntary reserve	18	4,489,130	4,204,289
Other reserves	19	(141,899)	22,620
(Accumulated losses) / retained earnings		(2,274,940)	2,599,465
Total equity		38,877,587	43,631,670
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		1,494,051	1,498,291
Bank borrowing	20	17,720,494	11,369,341
		19,214,545	12,867,632
Current liabilities			
Bank borrowing	20	2,500,000	5,000,000
Trade and other payables	21	7,651,586	5,314,497
		10,151,586	10,314,497
Total liabilities		29,366,131	23,182,129
Total equity and liabilities		68,243,718	66,813,799


Bader N. AlSubaiee
Chairman


Osama Khaled Bodai
Chief Executive Officer

The accompanying notes set out on pages 11 to 46 form an integral part of these consolidated financial statements

Consolidated statement of income
For the year ended 31 December 2018
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2018	2017
Operating revenues		45,159,121	63,301,110
Operating costs		(42,112,347)	(57,311,417)
Gross profit		3,046,774	5,989,693
Other operating income	22	428,661	238,231
Marketing expenses	23	(1,799,719)	(1,754,933)
General and administrative expenses	24	(3,066,591)	(2,777,584)
Other operating expenses	25	(1,878,714)	-
Operating (loss) / profit		(3,269,589)	1,695,407
Net investments income	26	165,730	184,227
Impairment loss on available for sale investments		-	(179,879)
Group's share in associates' results	9	115,222	15,412
Foreign currency exchange loss		(492,550)	(6,754)
Gain on sale of leasehold right in land	27	-	1,140,000
(Loss) / profit before subsidiaries' tax and deductions		(3,481,187)	2,848,413
(Provision) / reversal for income tax on subsidiaries		(62,311)	12,306
(Loss) / profit after subsidiaries' tax and before deductions		(3,543,498)	2,860,719
Kuwait Foundation for the Advancement of Sciences ("KFAS")		-	(28,607)
National Labour Support Tax		-	(76,405)
Zakat		-	(30,242)
Board of Directors' remuneration	31	-	(126,000)
(Loss) / profit for the year		(3,543,498)	2,599,465
Basic and diluted (loss) / earnings per share (fils)	29	(16.94)	12.42

Consolidated statement of comprehensive income
For the year ended 31 December 2018
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2018	2017
(Loss) / profit for the year		(3,543,498)	2,599,465
Other comprehensive (loss) / income:			
<i>Items that may be reclassified to the consolidated statement of income:</i>			
Available for sale investments			
• Changes in fair value		-	(161,504)
• Transferred to consolidated statement of income on impairment		-	179,879
Exchange differences on translation of foreign operations	19	(147,387)	108,287
<i>Items that will not be reclassified to the consolidated statement of income:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income	19	(17,132)	-
Other comprehensive (loss) / income for the year		(164,519)	126,662
Total comprehensive (loss) / income for the year		(3,708,017)	2,726,127

Livestock Transport and Trading Company K.P.S.C.
and its subsidiaries
State of Kuwait



Consolidated statement of changes in equity
For the year ended 31 December 2018

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves	(Accumulated losses) / retained earnings	Total equity
At 1 January 2017	21,659,057	4,967,805	(1,647,126)	11,825,560	10,758,595	(104,042)	(5,508,240)	41,951,609
Profit for the year	-	-	-	-	-	-	2,599,465	2,599,465
Other comprehensive loss	-	-	-	-	-	126,662	-	126,662
Total comprehensive income for the year	-	-	-	-	-	126,662	2,599,465	2,726,127
Extinguishment of accumulated losses (Note 18)	-	-	-	-	(5,508,240)	-	5,508,240	-
Dividends declared (Note 33)	-	-	-	-	(1,046,066)	-	-	(1,046,066)
At 31 December 2017	21,659,057	4,967,805	(1,647,126)	11,825,560	4,204,289	22,620	2,599,465	43,631,670
Loss for the year	-	-	-	-	-	-	(3,543,498)	(3,543,498)
Other comprehensive loss	-	-	-	-	-	(164,519)	-	(164,519)
Total comprehensive loss for the year	-	-	-	-	-	(164,519)	(3,543,498)	(3,708,017)
Dividends declared (Note 33)	-	-	-	-	-	-	(1,046,066)	(1,046,066)
Transfer to the voluntary reserve (Note 18)	-	-	-	-	284,841	-	(284,841)	-
At 31 December 2018	21,659,057	4,967,805	(1,647,126)	11,825,560	4,489,130	(141,899)	(2,274,940)	38,877,587

The accompanying notes set out on pages 11 to 46 form an integral part of these consolidated financial statements

Consolidated statement of cash flows
For the year ended 31 December 2018
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2018	2017
Operating activities			
(Loss) / profit for the year		(3,543,498)	2,599,465
<i>Adjustments:</i>			
Depreciation	8	1,633,340	1,205,663
Interests on deposits and call accounts		(80,331)	(76,665)
Net investments income	26	(165,730)	(184,227)
Impairment loss on available for sale investments		-	179,879
Provision for doubtful debts	13	339,098	-
Group's share in associates' results	9	(115,222)	(15,412)
Foreign currency exchange loss		492,550	6,754
Gain on sale of property, plant and equipment		-	(1,630)
Employees' end of service benefits		164,271	209,450
		<u>(1,275,522)</u>	<u>3,923,277</u>
<i>Changes in working capital</i>			
Inventories		2,762,804	(2,550,408)
Trade and other receivables		7,958,113	(6,597,876)
Trade and other payables		1,835,405	(452,824)
Cash flows generated from / (used in) operations		11,280,800	(5,677,831)
Employees' end of service benefits paid		(168,425)	(125,958)
Net cash flows generated from / (used in) operating activities		11,112,375	(5,803,789)
Investing activities			
Purchase of property, plant and equipment	8	(13,976,336)	(15,204,624)
Proceeds from disposal of property, plant and equipment		-	8,063
Acquisition of a subsidiary, net of cash acquired		-	30,543
Dividends received from associates	9	90,244	149,260
Proceeds from sale of available for sale investments		-	44,705
Proceeds from sale of financial assets at fair value through other comprehensive income		29,843	-
Purchase of held to maturity investments		-	(305,950)
Purchase of investments at fair value through profit or loss		-	(97,749)
Dividends received	26	-	38,555
Interest received on deposits and call accounts		80,331	76,665
Investment income received		165,730	-
Net cash flows used in investing activities		(13,610,188)	(15,260,532)
Financing activities			
Dividends paid		(1,036,932)	(1,008,133)
Proceeds from bank borrowing		3,851,153	13,812,627
Net cash flows generated from financing activities		2,814,221	12,804,494
Net foreign exchange differences		(7,172)	(2,667)
Net increase / (decrease) in cash and cash equivalents		309,236	(8,262,494)
Cash and cash equivalents at beginning of the year		2,968,552	11,231,046
Cash and cash equivalents at end of the year	15	3,277,788	2,968,552

The accompanying notes set out on pages 11 to 46 form an integral part of these consolidated financial statements

**Notes to the consolidated financial statements
For the year ended 31 December 2018**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

Livestock Transport and Trading Company K.P.S.C. (the "Parent Company") was incorporated in accordance with the Memorandum of Incorporation authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under No. 70 /D/Vol. 2 on 24 November 1973. On 20 January 1974, the Parent Company has been incorporated in accordance with the resolution of the founders' General Assembly Meeting of the Parent Company.

The head office of the Parent Company is located at Sulaibiya, Agricultural Area, Block 12, Kuwait. Kuwait Investment Authority is the principal shareholder of the Parent Company. The Parent Company is listed on Bursa Kuwait.

The Parent Company's objectives are as follows:

1. To carry out all operations of producing, transporting and trading in all kinds of meat within the state of Kuwait and abroad.
2. To construct and buy farms, pastures, barns, land and real estate deemed necessary to achieve the Parent Company's objectives within the State of Kuwait or abroad, especially barns mentioned in the Memorandum of Association and in the way stated therein.
3. To carry out all transportation operations deemed necessary for the Parent Company's business or for others similar businesses whether within the State of Kuwait or abroad.
4. To own, buy and utilise means of marine and land transportation necessary to achieve Parent Company's objectives. In addition, utilise air transport necessary for the same inside or outside the State of Kuwait.
5. To run any business or processing activity relating to meat production and transportation, wool and leather trade within the State of Kuwait or abroad.
6. To own, lease and rent of real estates, buildings, workshops, docks and stores deemed necessary to achieve Parent Company's objectives.
7. To import and export marine equipment necessary for Parent Company's vessels.
8. To import, export and manufacture all kinds of fodder.
9. The Parent Company may conduct all transactions and all other actions necessary to facilitate achieving its objectives. In addition, the Parent Company may have an interest or establish, own, contribute or participate in any way with other entities that practice business activities similar to its own or which may help the Parent Company in achieving its objectives inside and outside Kuwait, the Parent Company has the right to buy such entities or affiliate the same to it.
10. Utilisation of financial surplus through investment in portfolios managed by specialised companies and authorities.

The Group operates in Four countries; Kuwait, United Arab Emirates ("UAE"), Australia and South Africa, and transports and sells livestock to certain countries in the Middle East.

Notes to the consolidated financial statements
For the year ended 31 December 2018

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES (CONTINUED)

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (together referred to as the "Group"):

Name of subsidiaries	Shareholding interest (%)		Activity	Country of incorporation
	31 December 2018	31 December 2017		
Rural Export and Trading (WA) PTY Ltd.	100	100	Trade in livestock and meat	Australia
Trans Emirates Livestock Trading Company L.L.C.	100	100	Trade in livestock and meat	UAE
Al Shuwaikh Company for Managing and Establishing Commercial and Industrial Projects S.P.C.	100	-	Establishment and management of commercial and industrial projects	Kuwait
Al Mawashi (PTY) Ltd.	100	-	Trade in livestock and meat	South Africa

On 22 January 2017, the Group acquired the remaining 51% of its former associate "Emirates Livestock and Meat Products Trading Company L.L.C." to become a fully owned subsidiary which resulted in no goodwill, gain or loss from the acquisition transaction. Also, name has been changed to "Trans Emirates Livestock Trading Company L.L.C.". Out of the 51% acquired, 1% is held by a nominee of the Parent Company who has confirmed in writing that the Parent Company has the beneficial ownership interest in the subsidiary through a letter of assignment.

On 22 March 2018, the Parent Company incorporated "Al Shuwaikh Company for managing and establishing commercial and industrial projects S.P.C." with share capital amounting to KD 100,000 and equity interest of 100%. The subsidiary's main activity is managing the slaughterhouse.

On 3 October 2018, the Parent Company incorporated "Al Mawashi (PTY) Ltd." With share capital amounting to KD 2 and equity interest of 100%. The subsidiary's main activity is trade in livestock and meat.

The total assets of the subsidiaries amounted to KD 7,444,545 as at 31 December 2018 (2017: KD 7,495,519), and their respective total liabilities amounted to KD 1,052,161 as at 31 December 2018 (2017: KD 902,764). Their total revenues amounted to KD 9,888,191 for the year ended 31 December 2018 (2017: KD 8,520,564). Their losses amounted to KD 1,071,818 for the year ended 31 December 2018 (2017: profits amounted to KD 134,201).

The consolidated financial statements for the year ended 31 December 2018 were authorised for issuance by the Board of Directors of the Parent Company on 18 February 2019 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend the consolidated financial statements at the Annual General Assembly meeting.

As disclosed in note 34, the Board of Directors, in their meeting held on 18 February 2019 to authorise the issuance of the Group's consolidated financial statements, approved a remuneration of KD 6,000 to its independent director for services during the year ended 31 December 2018. Accordingly, the consolidated financial statements issued on 28 February 2019 included an accrual for this amount. However, on 14 March 2019, and as a result of the Board of Directors's consideration of the independent director's request not to be paid this amount, the Board of Directors revoked the remuneration approval. Consequently, the consolidated financial statements have been amended for this matter. There were no other amendments made to the consolidated financial statements.

**Notes to the consolidated financial statements
For the year ended 31 December 2018**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. BASIS OF PREPARATION

(a) Compliance with IFRS

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), interpretations issued by the IFRS interpretations Committee (IFRS IC) applicable to the companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that are measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also the Group's functional and presentation currency.

2.1 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations effective for the financial year beginning on 1 January 2018:

The following amendments to existing standards and interpretations have been published and are effective for the financial year beginning on 1 January 2018:

• **IFRS 9- 'Financial Instruments' (effective 1 January 2018)**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(i) Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39, with a single model that has initially only two classification categories: amortised cost and fair value.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. As a result, available for sale and investments at fair value through profit or loss equity investments have been reclassified to financial assets at fair value through other comprehensive income. Also, held to maturity investments have been reclassified to financial assets at amortised costs.

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information as per the permissible provisions of the standard. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Notes to the consolidated financial statements
For the year ended 31 December 2018

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Changes in accounting policies and disclosures (Continued)

(a) New standards, amendments and interpretations effective for the financial year beginning on 1 January 2018:

- IFRS 9- 'Financial instruments' (effective 1 January 2018) (continued)
- (ii) Impairment of financial assets

The Group's financial assets that are subject to IFRS 9's new expected credit loss model are 'trade and other receivables', 'financial assets at amortised costs' and 'cash and cash equivalents'.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for 'trade and other receivables', 'financial assets at amortised costs' and 'cash and cash equivalents'. To measure the expected credit losses, 'financial assets' have been grouped based on shared credit risk characteristics and the days past due. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The impact on trade and other receivables loss allowance between the expected loss model under IFRS 9 and the incurred loss model under IAS 39 is not significantly different and trade and other receivables have history of limited default. Therefore, there has been no amounts restated through opening retained earnings.

Financial assets at amortised costs are considered to be low risk, therefore impairment loss on financial assets at amortised costs is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the Group maintains its cash with highly reputed banks with high credit ratings, therefore impairment loss on cash and cash equivalents is immaterial.

- IFRS 15- 'Revenue from contracts with customers' (effective 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- (i) identify contracts with customers
- (ii) identify the separate performance obligation
- (iii) determine the transaction price of the contract
- (iv) allocate the transaction price to each of the separate performance obligations, and
- (v) recognise the revenue as each performance obligation is satisfied.

Management has carried out an assessment of the impact on the financial statements which was insignificant and, therefore, no adjustments have been recorded in the consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2018 and are expected to have a significant impact on the Group's consolidated financial statements.

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For the year ended 31 December 2018
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2. BASIS OF PREPARATION (CONTINUED)

2.1 Changes in accounting policies and disclosures (Continued)

(b) New standards, amendments and interpretations not yet adopted

• IFRS 16- 'Leases' (effective 1 January 2019)

IFRS 16 supersedes IAS 17 'Lease' and related interpretations. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessor will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. The Group has assessed the potential impact of the application of IFRS 16 on the amounts reported and disclosures made in this consolidated financial statements. Based on an assessment carried out by the Group, the impact of adopting IFRS 16 on the Group's consolidated financial statements is not material.

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Group's financial year beginning after 1 January 2019 and are expected to have a significant impact on the Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements
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(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Principles of consolidation and equity accounting (Continued)

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, is recognised immediately in the consolidated statement of income in the period in which the investment is acquired.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Notes to the consolidated financial statements
For the year ended 31 December 2018

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of income.

3.3 Foreign currencies translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Kuwaiti Dinars (KD) which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of income as a separate line item.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of income, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Notes to the consolidated financial statements

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currencies translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

3.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vessels	2-15 years
Land, constructions and buildings	10-20 years
Machinery and equipment	3-20 years
Vehicles	5 years
Other assets	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the consolidated financial statements

For the year ended 31 December 2018

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Gains and losses on disposal (if any) are determined by comparing the proceeds with the carrying amounts and are recognised within the consolidated statement of income.

Projects in progress for purposes of production works or administrative usage are stated at cost less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised on assets that meet the conditions of capitalising the borrowing costs in accordance with the Group's accounting policy. These assets are classified within the appropriate categories of items of property, plant and equipment when finished and being considered ready for use. Depreciation of such assets commences when they are ready for use for their intended purpose in the same way as other items of property, plant and equipment.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined based on the weighted average cost method. Livestock cost is determined based on the cost of acquisition plus costs of raising. The cost of finished goods includes raw materials, wages and overheads incurred. Net realisable value is based on the selling price less the estimated cost till completion and sale of inventories.

3.6 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.7 Financial assets

3.7.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through OCI, and
- Those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (Continued)

3.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.7.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the consolidated statement of income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of income. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of income when the Group's right to receive payments is established.

Subsequent to the initial recognition, financial assets other than those carried at fair value through other comprehensive income are carried at amortised costs using the effective interest method.

3.7.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For 'trade and other receivables', 'financial assets at amortised costs' and 'cash and cash equivalents', the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4.2 for further details.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (Continued)

3.7.4 Impairment (Continued)

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

3.7.5 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

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

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (Continued)

3.7.5 Accounting policies applied until 31 December 2017 (Continued)

Subsequent measurement (Continued)

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in consolidated statement of income.
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to consolidated statement of income as gains and losses from investment securities.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in statement of income. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in statement of income.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (Continued)

3.7.5 Accounting policies applied until 31 December 2017 (Continued)

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income – was removed from equity and recognised in statement of income. Impairment losses on equity instruments that were recognised in statement of income were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in statement of income, the impairment loss was reversed through statement of income.

3.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

3.9 Cash and cash equivalents

Cash and cash equivalents as per the consolidated statement of financial position and cash flows consist of cash on hand, current accounts with banks, time deposits with an original maturity of less than three months and cash at investment portfolios.

3.10 Employees' end of service benefits

The Group is liable under Kuwaiti Labour Law, to make payments to the employees for end of service benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of the Group's employees on the financial position date. The Group expects this method to produce a reliable approximation of the present value of this obligation.

With respect to its national employees, the Group also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group classifies its financial liabilities as borrowing and trade payables and other payables. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.13 Borrowings

Borrowings represents term loans that are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised 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 capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.14 Trade payables and other liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables and other liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

3.16 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.17 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.18 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings and then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

3.19 Taxes and deductions

Taxes and deductions are represented in the followings:

- Income taxes on subsidiaries.
- Contribution to Kuwait Foundation for Advancement of Science on the Parent Company.
- Tax due from the Parent Company in accordance with Law No. 19 of 2000 concerning Support and Encouragement of National Manpower to Work in Private Sector.
- Zakat in accordance with Law No.46 of 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Contingencies

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

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

3.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Revenues from sale of goods are recognised when the Group sells a product to the customer.
- Revenue from providing services is recognised in the accounting period in which the services are rendered.
- Dividend income is recognised when the right to receive payments is established.
- Interest income from deposits is recognised on a time proportion basis using the effective interest method.
- Gain or loss from sale of investment securities, investment properties or utilisation right is recognised when the transaction is consummated.

3.22 Leases

Where the Group is the lessee – operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

3.23 KFAS and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat represent levies / taxes imposed on the Group at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation / levy regulations no carry forward of losses is permitted and there are no significant differences between the tax / levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax / statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

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4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of adoption IFRS 9 *Financial Instruments on the Group's financial statements*.

4.1 Impact on the financial statements

As result of the changes in the entity's accounting policies, prior year financial statements had to be restated. IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassification and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

4.2 IFRS 9 *Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3 above. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The main effects resulting from this reclassification are as follows:

	Available for sale investments	Investments at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Financial assets at 1 January 2018			
Closing balance 31 December 2017 – IAS 39	822,829	1,028,042	-
Reclassify investments from available-for-sale to at fair value through OCI	(822,829)	-	822,829
Reclassify investments from investments at fair value through profit or loss to at fair value through OCI	-	(1,028,042)	1,028,042
Opening balance 1 January 2018 – IFRS 9	-	-	1,850,871

	Held to maturity investments	Financial assets at amortised costs
Financial assets at 1 January 2018		
Closing balance 31 December 2017 – IAS 39	2,733,302	-
Reclassify investments from held to maturity investments to at amortised costs	(2,733,302)	2,733,302
Opening balance 1 January 2018 – IFRS 9	-	2,733,302

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5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of, foreign currency risk, equity price risk and interest rate risk.

(i) 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 exchange rates that affects the Group's cash flows or the valuation of the monetary assets and liabilities denominated in foreign currency.

The Group is exposed to foreign currency risks resulting mainly from the Group's dealings in financial assets denominated in foreign currency.

The Group has set policies for the management of foreign exchange risk which require each Company in the Group to manage the foreign risk against its currency of operation. The Group tracks and manages these risks by:

- Monitoring the changes in foreign currency exchange rates on regular basis.
- Set up tide limits for dealing in foreign currencies for the basic objectives of the Group's activities.

The following is net foreign currencies positions as at the date of the consolidated financial statements:

	As at 31 December	
	2018	2017
	KD	KD
	(equivalent)	(equivalent)
US Dollar	7,261,649	11,325,139
Australian dollar	2,885,237	3,118,487
Emirati dirham	3,876,103	3,285,818

The table below indicates the Group's foreign exchange exposure as at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the US Dollar, Australian dollar and Emirati dirham with all other variables held constant, on the profit for the year and equity (due to the fair value of currency sensitive monetary assets and liabilities).

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

	<u>Change in currency rate</u>	<u>Effect on (loss) / profit for the year and equity</u>
31 December 2018		
US Dollar	+5%	(363,082)
Australian dollar	+5%	(144,262)
Emirati dirham	+5%	(193,805)
31 December 2017		
US Dollar	+5%	(566,257)
Australian dollar	+5%	(155,924)
Emirati dirham	+5%	(164,291)

The increase in currency rate will have the opposite effect on the (loss) / profit for the year and equity.

(ii) Equity price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to this risk as the Group owns investments classified in the consolidated financial position as financial assets at fair value through other comprehensive income (previously classified as available for sale investments and investments at fair value through profit or loss). The Group's management monitors and manages these risks through:

- Manage the Group's investments through portfolios managed by specialised portfolio managers.
- Invest in companies' shares that have good financial positions that generate high operating income and dividends and with well performing investment funds.
- Periodic tracking of changes in market prices.

The following table shows the impact on the Group's financial assets sensitive to equity prices considering a 5% change with other factors constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of increases shown. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	<u>% change in equity price</u>	<u>Effect on profit</u>	<u>Effect on equity</u>
2018			
Financial assets at fair value through other comprehensive income	+5%	-	90,195
	<u> </u>	<u> </u>	<u> </u>
2017			
Available for sale investments	+5%	-	41,141
Investments at fair value through profit or loss	+5%	51,402	-
	<u> </u>	<u> </u>	<u> </u>

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed by the Group through investing in deposits with fixed interest rates to prevent changes in interest rates. The Group studies on a regular basis all the income data related to the interest rate to determine the probability of changes in interest rates and the effect of such changes on the cash flow of the Group and the consolidated statement of income in order to take the necessary actions in a timely manner.

Bank borrowing bear fixed interest rate and hence not exposed to interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables.

(i) Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If contract customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by contract customers is regularly monitored by line management.

Sales to retail customers are required to be settled by letter of credit, extinguishing credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and / or regions.

(ii) Security

It is not the practice of the Group to obtain securities against receivables.

(iii) Impairment of financial assets

The following represents the Group's financial assets that are subject to the expected credit loss model:

- Trade receivables for billing amounts issued for sale of livestock and livestock products.

While cash and cash equivalents, other current receivables and refundable deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables and other assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate of the State of Kuwait in which it sells its goods and provide services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days.

Impairment losses on trade receivables and other assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain the support from the shareholders.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

The maturity analysis of financial instruments as at 31 December is as follows:

At 31 December 2018	On demand	Less than 3 months	3 to 12 months	More than 12 months	Total
Bank borrowing	-	-	2,500,000	18,340,711	20,840,711
Trade and other payables (excluding advances from customers)	-	3,436,317	4,152,314	-	7,588,631
	-	3,436,317	6,652,314	18,340,711	28,429,342
At 31 December 2017	On demand	Less than 3 months	3 to 12 months	More than 12 months	Total
Bank borrowing	-	-	5,000,000	11,767,268	16,767,268
Trade and other payables (excluding advances from customers)	-	3,338,398	1,641,255	-	4,979,653
	-	3,338,398	6,641,255	11,767,268	21,746,921

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as net debt plus equity. The gearing ratios as at 31 December were as follows:

	<u>2018</u>	<u>2017</u>
Bank borrowing (Note 20)	20,220,494	16,369,341
Less: cash and cash equivalents (Note 14)	(3,277,788)	(2,968,552)
Net debt	16,942,706	13,400,789
Total equity	38,877,587	43,631,670
Total capital	55,820,293	57,032,459
Gearing ratio (%)	30.35%	23.50%

6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgments

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

Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Significant management judgments (Continued)

Fair value of financial assets at fair value through other comprehensive income

The Group carries out valuations for its financial assets at fair value through other comprehensive income at least annually. At the end of each reporting period, the management update their assessment of the fair value of each equity investment, taking into account the most recent financial information available. The management determine a value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management considers information from a variety of sources including, current prices in an active market for equity investments of different nature or recent prices of similar equity investments in less active markets, adjusted to reflect those differences.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Expected Credit Losses on financial assets - applicable from 1 January 2018

The Group estimates Expected Credit Loss (ECL) for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments.

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

Valuation of unquoted financial assets

Fair value of unquoted financial assets is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The determination of the cash flows and discount factors requires significant estimation.

Impairment of inventories

Inventories are held at lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Useful lives of tangible assets

The Group reviews the estimated useful lives over which its tangible assets are depreciated. This estimate is based on management's experience.

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7 FAIR VALUE ESTIMATION

The fair values of financial assets and liabilities are estimated as follows:

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in active markets for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

The following table shows the fair value measurement hierarchy of the Group's financial assets recorded at fair value:

	Level 1	Level 2	Level 3	Total fair value
31 December 2018				
Financial assets at fair value through other comprehensive income	974,720	36,048	793,128	1,803,896
31 December 2017				
Available for sale financial assets	60,350	46,861	-	107,211
Investments at fair value through profit or loss	940,577	-	87,465	1,028,042
	1,000,927	46,861	87,465	1,135,253

The method of valuation used in Level 3 has been consistent with that used in the recent annual consolidated financial statements, which is measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments as the future financial flows of which are unpredictable.

Available for sale investments as at 31 December 2017 include an amount of KD 715,618 which represent investments carried at cost less impairment.

The fair value of the financial assets and liabilities other than those mentioned above are not materially different than their carrying value.

The following table represents the changes in Level 3 instruments:

	31 December	
	2018	2017
Opening balance	87,465	87,465
Additions of unquoted equity securities	715,618	-
Change in fair value	(9,955)	-
Ending balance	793,128	87,465

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8 PROPERTY, PLANT AND EQUIPMENT

	Vessels	Land, constructions and buildings	Machinery and equipment	Vehicles	Other assets	Projects in progress*	Total
At 1 January 2017							
Cost	27,762,241	11,247,761	4,742,747	2,704,767	1,857,790	11,149,885	59,465,191
Accumulated depreciation	(27,430,973)	(9,753,827)	(3,894,001)	(2,289,370)	(1,496,423)	-	(44,864,594)
Net book amount	331,268	1,493,934	848,746	415,397	361,367	11,149,885	14,600,597
Year ended 31 December 2017							
Opening net book amount	331,268	1,493,934	848,746	415,397	361,367	11,149,885	14,600,597
Exchange differences	-	58,696	32,710	124	573	-	92,103
Additions	1,602,379	616,831	403,989	238,397	265,457	12,077,571	15,204,624
Disposals	-	-	-	(704)	(7,326)	-	(8,030)
Depreciation charge	(384,824)	(197,556)	(158,025)	(169,783)	(295,475)	-	(1,205,663)
Depreciation relating to disposals	-	-	-	-	1,597	-	1,597
Transfers	1,243,700	1,420,050	-	-	-	(2,663,750)	-
Closing net book amount	2,792,523	3,391,955	1,127,420	483,431	326,193	20,563,706	28,685,228
At 31 December 2017							
Cost	30,608,320	13,343,338	5,179,446	2,942,584	2,116,494	20,563,706	74,753,888
Accumulated depreciation	(27,815,797)	(9,951,383)	(4,052,026)	(2,459,153)	(1,790,301)	-	(46,068,660)
Net book amount	2,792,523	3,391,955	1,127,420	483,431	326,193	20,563,706	28,685,228
Year ended 31 December 2018							
Opening net book amount	2,792,523	3,391,955	1,127,420	483,431	326,193	20,563,706	28,685,228
Exchange differences	-	(74,854)	(41,264)	(921)	(754)	-	(117,793)
Additions	284,176	314,594	3,734,201	176,072	81,939	9,385,354	13,976,336
Depreciation charge	(929,219)	(161,776)	(189,265)	(193,954)	(159,126)	-	(1,633,340)
Transfers	-	14,051,817	24,108	-	100,000	(14,175,925)	-
Closing net book amount	2,147,480	17,521,736	4,655,200	464,628	348,252	15,773,135	40,910,431
At 31 December 2018							
Cost	30,892,496	27,634,895	8,896,491	3,117,735	2,297,679	15,773,135	88,612,431
Accumulated depreciation	(28,745,016)	(10,113,159)	(4,241,291)	(2,653,107)	(1,949,427)	-	(47,702,000)
Net book amount	2,147,480	17,521,736	4,655,200	464,628	348,252	15,773,135	40,910,431

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8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* Projects in progress represent cost of building a new vessel which are expected to be completed during the year ending 31 December 2019.

Machinery and equipment included in property, plant and equipment with a carrying value of KD 111,446 (2017: KD 126,867) are mortgaged as a security against bank borrowing (Note 20).

The depreciation charge for the year has been allocated in the consolidated statement of income as follows:

	2018	2017
Operating costs	1,006,060	542,427
Marketing expenses	161,180	174,113
General and administrative expenses	466,100	489,123
	<u>1,633,340</u>	<u>1,205,663</u>

9. INVESTMENTS IN ASSOCIATES

The details of the Group's associates are as follows:

Name of the associate	Country of incorporation	Activity	Voting rights and equity interest		2018	2017
			2018	2017		
			%	%		
Portland Pellet Suppliers	Australia	Livestock trading	50	50	366,609	376,347
					<u>366,609</u>	<u>376,347</u>

*On 22 January 2017, the Group acquired the remaining 51% of its former associate "Emirates Livestock and Meat Products Trading Company L.L.C." to become a fully owned subsidiary which resulted in no goodwill, gain or loss (Note 1).

Summarised financial information of the Group's associate is set out below:

Portland Pellet Suppliers

	2018	2017
Assets		
Current assets	632,740	624,959
Non-current assets	322,865	347,497
	<u>955,605</u>	<u>972,456</u>
Liabilities		
Current liabilities	222,387	219,762
Net assets of the associate	733,218	752,694
Group's share of the associate's net assets	<u>366,609</u>	<u>376,347</u>
Revenues	1,149,721	944,117
Expenses	(919,277)	(913,294)
Profit for the year	230,444	30,823
Group's share of associate's results	<u>115,222</u>	<u>15,412</u>
Dividends received	90,244	149,260

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10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (PREVIOUSLY CLASSIFIED AS AVAILABLE FOR SALE INVESTMENT AND INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS)

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following:

	<u>2018</u>	<u>2017</u>
Quoted securities	974,720	-
Unquoted local securities	318,895	-
Unquoted foreign securities	510,281	-
	<u>1,803,896</u>	<u>-</u>

The fair value of local quoted securities are based on its year end bid price in active market.

The fair value of the investment in funds are determined by the manager of the fund based on the latest net asset value as of 31 December 2018.

Financial assets previously classified as available-for-sale financial assets (2017):

	<u>2018</u>	<u>2017</u>
Quoted securities	-	60,350
Unquoted local securities	-	593,747
Unquoted foreign securities	-	168,732
	<u>-</u>	<u>822,829</u>

11 FINANCIAL ASSETS AT AMORTISED COSTS (PREVIOUSLY CLASSIFIED AS HELD TO MATURITY INVESTMENTS)

Financial assets at amortised costs represent local bonds and Sukuk. During the year ended 31 December 2018, the Group has local Sukuk at annual yield rates ranging from 5.5% to 6.5% and local bonds at annual interest rates ranging from 6.5% to 7%. Bonds are classified as non-current on the basis of their maturities.

12 INVENTORIES

	<u>2018</u>	<u>2017</u>
Livestock and meat – (net)	2,505,496	3,366,158
Fodder	257,462	37,490
Intestine	110,227	17,273
Medicines, fertilisers and others	463,516	114,336
	<u>3,336,701</u>	<u>3,535,257</u>
Goods in transit	-	1,892,085
Production materials and spare parts	726,130	1,398,293
	<u>4,062,831</u>	<u>6,825,635</u>

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13 TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	7,519,114	11,609,282
Accrued Government subsidy*	16,330,630	16,330,630
	23,849,744	27,939,912
Provision for doubtful debts	(13,247,077)	(12,920,187)
	10,602,667	15,019,725
Advances to suppliers	3,256,744	7,187,424
Prepaid expenses	424,828	295,575
Refundable deposits	32,539	85,270
Deferred tax assets	10,460	58,870
Staff receivables	48,986	-
Others	712,637	727,000
	15,088,861	23,373,864

* Pursuant to Council of Ministers resolution No. 1308 dated 11 September 2011 regarding the Parent Company's purchase and transfer of livestock to Kuwait port (CIF) and selling the same at cost plus 15% margin, the Ministerial Decree No. 409 which was issued on 8 July 2012 regarding the Ministry of Commerce and Industry's financial support of KD 16.835 per head of sheep live or chilled or completely frozen which was entered into Kuwait from whatever source or means, and in effect until 1 November 2012.

The Government subsidy due from Ministry of Commerce and Industry (the "Ministry") as a result of the subsidy granted to the Parent Company to meet the increased prices of certain foodstuff and consumer goods in accordance with the previous ministerial Decrees' amounted to KD 16,330,630 as at 31 December 2018 (2017: KD 16,330,630) which includes KD 1,665,502 recognised by the Group in excess of the amount stated in the Council of Ministers' Decree No. 1308 dated 11 September 2011 for covering the costs incurred for clearance, transportation, medical care, nutrition, dead livestock, and transportation to slaughterhouse, selling and marketing expenses and other livestock expenses. To date, the Group's subsidy has not been approved by the Ministry due to a dispute regarding the subsidy per head. Further, there are legal cases filed by the Parent Company against the Ministry claiming the subsidy due amount. The court had appointed experts to look into the matter related to one of the legal cases. On 1 March 2017, a verdict was issued by the Court of First Instances in favour of the Parent Company in relation to this legal case for an amount of KD 2,294,156. On 30 March 2017, management has appealed against the verdict demanding the full amount of KD 3,462,353 relating to this legal case which is currently pending. As at 31 December 2018, the provision for impairment maintained against the total accrued Government subsidy balance amounted to KD 12,730,079 (2017: KD 12,730,079).

The movement of the provision for doubtful debts is as follows:

	2018	2017
At 1 January	12,920,187	13,130,070
Provision addition during the period	339,098	-
Write-off during the year	-	(207,747)
Foreign exchange differences	(12,208)	(2,136)
At 31 December	13,247,077	12,920,187

The Group does not hold any collateral in relation to these receivables. Trade receivables are non-interest bearing.

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14 CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Cash on hand and at banks	1,576,672	2,920,906
Time deposits maturing within 3 months from placement date	1,613,100	-
Cash at investment portfolios	88,016	47,646
	<u>3,277,788</u>	<u>2,968,552</u>

- The average annual effective interest rate on time deposits is 1.65% as at 31 December 2018 (2017: Nil).

15 SHARE CAPITAL

As at 31 December 2018 the authorised, issued and fully paid up share capital of the Parent Company comprise of 216,590,575 shares of 100 fils each (2017: 216,590,575 shares). All shares are paid in cash.

16 TREASURY SHARES

	<u>2018</u>	<u>2017</u>
Number of shares	7,377,383	7,377,383
Percentage to issued shares (%)	3.41%	3.41%
Market value	1,340,249	1,689,421

The Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

17 STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit before contribution to KFAS, Zakat and Board of Directors remuneration is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such transfers when the reserve equals 50% of share capital. Distribution of the Parent Company's statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount. In accordance with the resolution of the Annual General Assembly meeting held on 31 March 2010, the transfer to the statutory reserve was ceased as it exceeded 50% of the Parent Company's share capital.

18 VOLUNTARY RESERVE

As required by the Parent Company's Articles of Association, a percentage of the profit for the year proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. The General Assembly may resolve to discontinue such transfers upon recommendation by the Board of Directors. Transfer to voluntary reserve has been made for the year ended 31 December 2018 amounting to KD 284,841.

The Parent Company's Ordinary Annual General Assembly meeting ("AGM") held on 4 May 2017 approved the utilisation of voluntary reserve for the extinguishment of accumulated losses as at 31 December 2017 amounting to KD 5,508,240 and distribution of cash dividends of 5 fils per share (after deducting the treasury shares) amounting to KD 1,046,066 (Note 33).

Notes to the consolidated financial statements
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19 OTHER RESERVES

	Change in fair value reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Total
At 1 January 2018	(15,432)	38,052	22,620
Changes in fair value	(17,132)	-	(17,132)
Foreign currency translation differences	-	(147,387)	(147,387)
At 31 December 2018	(32,564)	(109,335)	(141,899)
At 1 January 2017	(33,807)	(70,235)	(104,042)
Changes in fair value	(161,504)	-	(161,504)
Transferred to consolidated statement of income on impairment	179,879	-	179,879
Foreign currency translation differences	-	108,287	108,287
At 31 December 2017	(15,432)	38,052	22,620

20 BANK BORROWING

	2018	2017	
Bank borrowing	20,220,494	16,369,341	
	Maturity date	2018	2017
	31 December 2019	-	5,600,000
	31 December 2020	5,300,000	5,600,000
	31 December 2021	5,300,000	169,341
	31 December 2022	5,300,000	
	31 December 2023	1,820,494	
Non-current portion	17,720,494	11,369,341	
Current portion	2,500,000	5,000,000	
	20,220,494	16,369,341	

Bank borrowing denominated in Kuwaiti Dinars ("KD") obtained from a local bank with a maximum limit amounted to KD 28,000,000 and carry an effective interest rate of 3.5% (2017: 3.5%) per annum. The bank borrowing is used to finance manufacturing equipment, construction of buildings and the new vessel which will be pledged upon completion of the construction.

Bank borrowing is secured by the following:

- Machinery and equipment included in property, plant and equipment amounting to KD 111,446 (2017: KD 126,867) (Note 8).

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21	TRADE AND OTHER PAYABLES	2018	2017
	Trade payables	4,126,248	1,698,243
	Advances from customers	62,955	334,844
	Dividends payable (Note 31)	71,369	62,235
	Accrued expenses	2,837,431	2,669,862
	Refundable deposits	183,153	10,000
	Board of Directors' remuneration	-	126,000
	Provision for NLST, Zakat and KFAS	3,600	135,254
	Other payables	366,830	278,059
		7,651,586	5,314,497
22	OTHER OPERATING INCOME	2018	2017
	Interest income	80,331	76,665
	Slaughterhouse shops rent	202,514	-
	Miscellaneous income	145,816	161,566
		428,661	238,231
23	MARKETING EXPENSES	2018	2017
	Staff costs	689,327	616,269
	General administrative expenses	408,455	354,937
	Depreciation	152,759	162,975
	Rent	291,048	322,355
	Advertisements, business promotion	251,926	292,568
	Insurance	6,204	5,829
		1,799,719	1,754,933
24	GENERAL AND ADMINISTRATIVE EXPENSES	2018	2017
	Staff costs	1,463,708	1,596,641
	General administrative expenses	830,035	729,465
	Depreciation	270,946	296,969
	Rent	33,122	37,515
	Insurance	129,682	116,994
	Provision for impairment of receivables	339,098	-
		3,066,591	2,777,584

Notes to the consolidated financial statements
For the year ended 31 December 2018
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25 OTHER OPERATING EXPENSES

During the year ended 31 December 2018, an amount of KD 1,878,714 incurred as operating expenses which represent mainly vessel expenses during the import interruption period.

26 NET INVESTMENTS INCOME

	2018	2017
<i>Financial assets at fair value through other comprehensive income (previously classified as investments at fair value through profit or loss)</i>		
Change in fair value	-	(22,055)
Realised gain on sale	-	17,089
Dividends income	-	-
Portfolios management fees	-	(4,532)
	-	(9,498)
<i>Financial assets at fair value through other comprehensive income (previously classified as available for sale investment)</i>		
Dividends income	-	38,555
Gain on sale of available for sale investments	-	4,207
	-	42,762
<i>Financial assets at amortised costs (previously classified as held to maturity investments)</i>		
Interest income	165,730	150,963
	165,730	184,227

27 GAIN ON SALE OF LEASEHOLD RIGHT IN LAND

During the year ended 31 December 2017, an amount of KD 1,140,000 representing gain on sale of utilisation right of a land in Al Rai area.

28 STAFF COSTS

Staff costs are allocated as follows:

	2018	2017
Operating costs	2,018,732	1,839,988
Marketing expenses	689,327	616,269
General and administrative expenses	1,463,708	1,596,641
	4,171,767	4,052,898

29 BASIC AND DILUTED EARNINGS PER SHARE (FILS)

Basic and diluted earnings per share is calculated based on dividing the profit for the year by the weighted average number of common shares outstanding during the year as follows:

	2018	2017
(Loss) / profit for the year	(3,543,498)	2,599,465
Weighted average number of outstanding shares less treasury shares	209,213,192	209,213,192
Earnings per share (fils)	(16.94)	12.42

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30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<u>2018</u>	<u>2017</u>
Letters of guarantee	<u>1,226,362</u>	<u>1,524,431</u>

As at 31 December 2018, the Group has capital commitments for new vessel, buildings and manufacturing equipment amounting to KD 12,723,715 (2017: KD 16,075,555).

31 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of the Group's major shareholders, directors, key management personnel, their close family members, and entities controlled or significantly influenced by the Parent Company. In the ordinary course of business, and subject to the approval of the Group's management, transactions were made with such related parties during the year ended 31 December.

The details of significant related party transactions and balances are as follows:

Transactions	<u>2018</u>	<u>2017</u>
Key management benefits	376,445	361,682
Board of Directors' remuneration	-	126,000
Balances	<u>2018</u>	<u>2017</u>
End of service benefits	271,282	235,003
Salaries and short term benefits	49,472	82,842
Dividends payable (Note 21)	71,369	62,235
Board of Directors' accrued remuneration (Note 21)	-	126,000

All transactions with related parties are subject to the Shareholders' General Assembly approval.

The Board of Directors' remuneration for 2018 amounted to KD Nil (2017: KD 126,000) is subject to the approval of the shareholders in the General Assembly of the Parent Company.

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32. Operating segments

32.1 Operating segments for the revenues and results

An operating segment is a component of an entity that engages in business activities from which it earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group conducts its activities through three main segments:

- Commercial segment includes purchasing, transporting, ranching and selling the live and slaughtered sheep and all skins, intestines and fertilisers. Purchasing and selling fodder and also purchasing and selling chilled and frozen meat in wholesale and retail.
- Food processing segment includes meat processing and its classification in all products and selling it in wholesale.
- Investments segment include investment portfolios managed by specialised companies, and deposits.

The segments results are reported to the senior executive management of the Group, as well as the revenues and results of the Group's business, assets and liabilities are reported in accordance with the above mentioned segments. The revenues, profits, assets and liabilities are measured according to the same accounting basis followed in preparing the consolidated financial statements. The following is the segment analysis which is consistent with the internal reports submitted to the management:

32.1.1 Segment revenue

	Commercial segment		Food processing segment		Investments segment		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Kuwait	35,877,838	47,392,647	743,344	5,966,324	165,730	184,227	36,786,912	53,543,198
UAE	7,351,377	8,249,585	-	-	-	-	7,351,377	8,249,585
Australia	1,730,445	1,692,554	-	-	-	15,412	1,730,445	1,707,966
Total	44,959,660	57,334,786	743,344	5,966,324	165,730	199,639	45,868,734	63,500,749
Unallocated items							-	-
Miscellaneous revenues							-	1,378,231
Total revenue							45,868,734	64,878,980

32.1.2 Segment results

	Commercial segment		Food processing segment		Investments segment		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Kuwait	(1,862,851)	2,297,987	(226,109)	(826,992)	165,730	4,348	(1,923,230)	1,475,343
UAE	(657,406)	38,024	-	-	-	-	(657,406)	38,024
Australia	(437,807)	(39,547)	-	-	-	15,412	(437,807)	(24,135)
South Africa	(26,505)	-	-	-	-	-	(26,505)	-
Total	(2,984,569)	2,296,464	(226,109)	(826,992)	165,730	19,760	(3,044,948)	1,489,232
Unallocated items								
Unallocated other income							-	1,378,231
Uncollected other cost							(498,550)	(267,998)
(Loss) / profit for the year							(3,543,498)	2,599,465

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32. Operating segments

32.2 Segmental distribution of assets and liabilities

	Commercial segment		Food processing segment		Investments segment		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets	55,294,680	55,782,586	5,066,631	6,070,693	7,882,407	4,960,520	68,243,718	66,813,799
Liabilities	29,240,531	23,032,129	125,600	150,000	-	-	29,366,131	23,182,129

32.3 Geographical distribution of assets and liabilities

	2018			
	Kuwait	UAE	Australia	Total
Assets	61,050,815	4,558,336	2,634,567	68,243,718
Liabilities	28,282,245	650,748	433,138	29,366,131
	2017			
	Kuwait	UAE	Australia	Total
Assets	59,318,280	3,620,932	3,874,587	66,813,799
Liabilities	22,279,365	344,765	557,999	23,182,129

33. ANNUAL GENERAL ASSEMBLY MEETING

The Parent Company's Ordinary Annual General Assembly meeting ("AGM") held on 29 March 2018 approved the annual consolidated financial statements for the financial year ended 31 December 2017 and the following:

- Transfer to the voluntary reserve amounted to KD 284,841 against the retained earnings.
- Distribution of cash dividends of 5 fils per share amounting to KD 1,046,066 for the year ended 31 December 2017.
- Board of Directors remuneration amounting to KD 126,000 for the financial year ended 31 December 2017.

34. Amendments to the consolidated financial statements

The Board of Directors, in their meeting held on 18 February 2019 to authorise the issuance of the Group's consolidated financial statements, approved a remuneration of KD 6,000 to its independent director for services during the year ended 31 December 2018. Accordingly, the consolidated financial statements issued on 28 February 2019 included an accrual for this amount. However, on 14 March 2019, and as a result of the Board of Directors's consideration of the independent director's request not to be paid this amount, the Board of Directors revoked the remuneration approval. As a result of this matter, the consolidated financial statements have been amended as follows:

	As previously issued	Amendment	After amendment
Trade and other payables	7,657,586	(6,000)	7,651,586
Accumulated losses	(2,280,940)	6,000	(2,274,940)
Board of Directors' remuneration	(6,000)	6,000	-
Loss for the year	(3,549,498)	6,000	(3,543,498)
Basic and diluted loss per share (fils)	(16.97)	0.03	(16.94)

There were no other amendments made to the consolidated financial statements.