



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

Interim condensed consolidated financial information (Unaudited)  
and review report for the six month period ended 30 June 2017



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## **The Board of Directors**

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

### **Report on review of interim condensed consolidated financial information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of 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 30 June 2017, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of review*


We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

### **Report on review of other legal and regulatory requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that nothing has come to our attention indicating any violations of the Companies Law No. 1 of 2016, and its Executive Regulation nor of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the six month period ended 30 June 2017, that might have had a material effect on the business of the Group or its consolidated financial position.

  
\_\_\_\_\_  
**Qais M. Al-Nisf**  
License No. 38 "A"  
BDO Al Nisf & Partners

  
\_\_\_\_\_  
**Khalid Ebrahim Al-Shatti**  
License No. 175A  
PricewaterhouseCoopers  
(Al-Shatti & Co.)

**Kuwait: 14 August 2017**

Interim condensed consolidated statement of financial position (Unaudited)

As at 30 June 2017

(All amounts are in Kuwaiti Dinar)

	Notes	30 June 2017	31 December 2016 (Audited)	30 June 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	22,845,594	14,611,547	6,505,350
Investments in associates		465,693	513,986	577,720
Available for sale investments	6	986,949	1,024,559	1,066,447
Held to maturity investments	7	2,733,302	2,427,352	1,200,000
		<u>27,031,538</u>	<u>18,577,444</u>	<u>9,349,517</u>
<b>Current assets</b>				
Inventories	8	4,722,474	4,275,227	4,635,052
Trade and other receivables	9	21,406,166	16,622,889	15,795,389
Investments at fair value through profit or loss		1,042,472	939,791	941,729
Cash and cash equivalents	10	8,305,081	11,231,046	14,621,769
		<u>35,476,193</u>	<u>33,068,953</u>	<u>35,993,939</u>
<b>Total assets</b>		<u>62,507,731</u>	<u>51,646,397</u>	<u>45,343,456</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		21,659,057	21,659,057	21,659,057
Share premium		4,967,805	4,967,805	4,967,805
Treasury shares	11	(1,647,126)	(1,647,126)	(1,647,126)
Statutory reserve		11,825,560	11,825,560	11,825,560
Voluntary reserve	20	4,204,289	10,758,595	10,758,595
Other reserves	12	(9,223)	(104,042)	45,215
Retained earnings/(accumulated losses)		2,101,801	(5,508,240)	(7,374,953)
<b>Total equity</b>		<u>43,102,163</u>	<u>41,951,609</u>	<u>40,234,153</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		1,483,741	1,415,440	1,427,295
Bank borrowing	13	9,505,756	2,556,714	-
		<u>10,989,497</u>	<u>3,972,154</u>	<u>1,427,295</u>
<b>Current liabilities</b>				
Bank borrowing	13	2,500,000	-	-
Trade and other payables	14	5,916,071	5,722,634	3,682,008
		<u>8,416,071</u>	<u>5,722,634</u>	<u>3,682,008</u>
<b>Total liabilities</b>		<u>19,405,568</u>	<u>9,694,788</u>	<u>5,109,303</u>
<b>Total equity and liabilities</b>		<u>62,507,731</u>	<u>51,646,397</u>	<u>45,343,456</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Bader N. AlSubaiee  
Chairman

Osama Khaled Bodai  
Chief Executive Officer

**Interim condensed consolidated statement of income (Unaudited)**  
For the six month period ended 30 June 2017  
(All amounts are in Kuwaiti Dinar)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
Operating revenues		19,399,243	15,484,985	32,234,725	24,784,961
Operating costs		(17,650,240)	(13,550,399)	(29,312,761)	(21,186,194)
<b>Gross profit</b>		1,749,003	1,934,586	2,921,964	3,598,767
Other operating income	15	54,393	73,908	1,264,825	218,898
Marketing expenses		(542,242)	(434,266)	(950,700)	(646,691)
General and administrative expenses		(628,824)	(699,725)	(1,250,935)	(1,199,201)
Other operating expenses		-	-	-	(108,698)
<b>Operating profit</b>		632,330	874,503	1,985,154	1,863,075
Net investment income		39,397	69,319	87,287	124,655
Group's share in associates' results		(7,457)	26,611	(6,141)	113,578
Gain on disposal of an associate		-	199,788	-	199,788
Foreign currency exchange gain/(loss)		21,589	(12,151)	136,603	(155,351)
<b>Profit before subsidiaries' tax and deductions</b>		685,859	1,158,070	2,202,903	2,145,745
Income tax on subsidiaries		-	(147)	-	(28,196)
<b>Profit after subsidiaries' tax and before deductions</b>		685,859	1,157,923	2,202,903	2,117,549
National Labor Support Tax ("NLST")		(17,147)	(28,614)	(55,073)	(52,979)
Zakat		(6,859)	(11,446)	(22,029)	(21,192)
Board of Directors' remuneration		(12,000)	(12,000)	(24,000)	(24,000)
<b>Profit for the period</b>		649,853	1,105,863	2,101,801	2,019,378
<b>Basic and diluted earnings per share (fils)</b>	16	3.11	5.29	10.05	9.65

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of comprehensive income (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
<b>Profit for the period</b>		<u>649,853</u>	<u>1,105,863</u>	<u>2,101,801</u>	<u>2,019,378</u>
<b>Other comprehensive income items:</b>					
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>					
Available for sale investments:					
- Change in fair value	12	(23,181)	754	(13,014)	(16,526)
Foreign currency translation differences	12	<u>(37,392)</u>	<u>12,905</u>	<u>107,833</u>	<u>22,789</u>
<b>Other comprehensive (loss)/income for the period</b>		<u>(60,573)</u>	<u>13,659</u>	<u>94,819</u>	<u>6,263</u>
<b>Total comprehensive income for the period</b>		<u>589,280</u>	<u>1,119,522</u>	<u>2,196,620</u>	<u>2,025,641</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of changes in equity (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves	Retained earnings/ (accumulated losses)	Total equity
<b>At 1 January 2017</b>	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 period	-	-	-	-	-	-	2,101,801	2,101,801
Other comprehensive income for the period	-	-	-	-	-	94,819	-	94,819
Total comprehensive income for the period	-	-	-	-	-	94,819	2,101,801	2,196,620
Extinguishment of accumulated losses (Note 20)	-	-	-	-	(5,508,240)	-	5,508,240	-
Dividends (Note 20)	-	-	-	-	(1,046,066)	-	-	(1,046,066)
<b>At 30 June 2017</b>	<u>21,659,057</u>	<u>4,967,805</u>	<u>(1,647,126)</u>	<u>11,825,560</u>	<u>4,204,289</u>	<u>(9,223)</u>	<u>2,101,801</u>	<u>43,102,163</u>
<b>At 1 January 2016</b>	21,659,057	4,967,805	(1,647,126)	11,825,560	10,758,595	38,952	(9,394,331)	38,208,512
Profit for the period	-	-	-	-	-	-	2,019,378	2,019,378
Other comprehensive income for the period	-	-	-	-	-	6,263	-	6,263
Total comprehensive income for the period	-	-	-	-	-	6,263	2,019,378	2,025,641
<b>At 30 June 2016</b>	<u>21,659,057</u>	<u>4,967,805</u>	<u>(1,647,126)</u>	<u>11,825,560</u>	<u>10,758,595</u>	<u>45,215</u>	<u>(7,374,953)</u>	<u>40,234,153</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of cash flows (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar)

	Notes	For the six months ended 30 June	
		2017	2016
<b>OPERATING ACTIVITIES</b>			
Profit for the period		2,101,801	2,019,378
<i>Adjustments for:</i>			
Depreciation	5	600,429	532,433
Interests on deposits and call accounts		(48,636)	(70,060)
Net investment income		(87,287)	(124,655)
Group's share in associates' results		6,141	(113,578)
Gain on disposal of an associate		-	(199,788)
Gain on disposal of property, plant and equipment		(1,363)	-
Foreign currency exchange (gain)/loss		(136,603)	155,351
Employees' end of service benefits		134,995	140,195
		<u>2,569,477</u>	<u>2,339,276</u>
<i>Changes in working capital:</i>			
Inventories		(447,247)	1,217,924
Trade and other receivables		(4,711,932)	(5,231,536)
Trade and other payables		251,798	(3,314)
<b>Cash flows used in operations</b>		<u>(2,337,904)</u>	<u>(1,677,650)</u>
Employees' end of service benefits paid		(66,301)	(99,532)
<b>Net cash flows used in operating activities</b>		<u>(2,404,205)</u>	<u>(1,777,182)</u>
<b>INVESTMENT ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(8,776,245)	(3,157,950)
Proceeds from disposal of property, plant and equipment		7,828	-
Acquisition of a subsidiary, net of cash acquired		30,543	-
Dividends received from associates		34,920	34,345
Proceeds from disposal of an associate		-	199,788
Proceeds on sale of available for sale investments		24,596	31,433
Purchase of held to maturity investments		(305,950)	(1,200,000)
Investments at fair value through profit or loss		(85,240)	6,177,715
Interest received on deposits and call accounts		48,636	70,060
<b>Net cash flows (used in)/generated from investing activities</b>		<u>(9,020,912)</u>	<u>2,155,391</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(967,824)	-
Proceeds from bank borrowing		9,449,042	-
<b>Net cash flows generated from financing activities</b>		<u>8,481,218</u>	<u>-</u>
Net foreign exchange differences		17,934	7,081
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(2,943,899)</u>	<u>378,209</u>
Cash and cash equivalents at the beginning of the period		11,231,046	14,236,479
<b>Cash and cash equivalents at the end of the period</b>	10	<u>8,305,081</u>	<u>14,621,769</u>

The Parent Company has the following non-cash transaction during the period which is not presented in the interim condensed consolidated statement of cash flows:

**Non-cash transaction:**

Extinguishment of accumulated losses against voluntary reserve	20	<u>5,508,240</u>	<u>-</u>
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The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.



**Notes to the interim condensed consolidated financial information (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar 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 association 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 in the Parent Company. The Parent Company is listed on Kuwait Stock Exchange.

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 the 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 the Parent Company's objectives.
7. To import and export marine equipment necessary for the 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.

**Notes to the interim condensed consolidated financial information (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**1. INCORPORATION AND ACTIVITIES (CONTINUED)**

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

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (together referred to as the "Group").

Name of the subsidiary	Voting rights and equity interest (%)			Activity	Country of incorporation
	30 June 2017	31 December 2016 (Audited)	30 June 2016		
Rural Export and Trading (WA) PTY Ltd.	100	100	100	Trade in livestock and meat	Australia
Trans Emirates Livestock Trading Company L.L.C. (formerly Emirates Livestock and Meat Products Trading Company L.L.C.)	100	49	49	Trade in livestock and meat	UAE

- 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 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.
- The financial information of the subsidiaries has been consolidated based on financial information prepared by management as at 30 June 2017.
- The total assets of subsidiaries amounted to KD 5,957,666 as at 30 June 2017 (31 December 2016: KD 5,243,221 and 30 June 2016: 5,441,898) and their respective total liabilities amounted KD 623,825 as at 30 June 2017 (31 December 2016: KD 506,138 and 30 June 2016: KD 540,109). Their revenue amounted to KD 3,698,874 for the six month period ended 30 June 2017 (30 June 2016: KD 3,411,027). Their profit amounted to KD 43,235 for the six month period ended 30 June 2017 (30 June 2016: KD 98,039).

The interim condensed consolidated financial information for the period ended 30 June 2017 were authorised for issue by Parent Company's Board of Directors on 14 August 2017.

**Notes to the interim condensed consolidated financial information (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial information have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). The interim condensed consolidated financial information does not include all the information and notes required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

Operating results for the six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further information, refer to the annual audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the Group.

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and amendments effective as of 1 January 2017. The nature and effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

The following is an explanation of new standards and amendments applicable as of 1 January 2017, as well as clarification of standards issued but not effective yet:

**a) New standards and amendments effective from 1 January 2017**

No new or amended standards have been effective for the current period that result in any material impact on the accounting policies, financial position or performance of the Group.

**b) Standards and interpretations issued but not effective**

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

*IFRS 9 Financial Instruments*

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

The Group’s management anticipates that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group’s consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group’s management undertakes a detailed review.

**Notes to the interim condensed consolidated financial information (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**2. BASIS OF PREPARATION (CONTINUED)**

**b) Standards and interpretations issued but not effective (Continued)**

*IFRS 15 - Revenue from contracts with customers*

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

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

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

*IFRS 16 – Leases*

The standard will affect primarily the accounting for the Group's operating leases.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

**3. JUDGEMENT AND ESTIMATES**

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the financial year ended 31 December 2016.

**4. 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.

**Notes to the interim condensed consolidated financial information (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**4. FAIR VALUE ESTIMATION (CONTINUED)**

The table below gives information about how the fair values of the financial assets are determined:

Financial assets	Fair value as at			Valuation date	Fair value hierarchy	Valuation technique(s) and key inputs
	30 June 2017	31 December 2016 (Audited)	30 June 2016			
<b>Available for sale investments</b>						
Quoted shares	48,480	82,149	84,829	30 June	Level 1	Bid prices
Unquoted shares	711,061	715,002	754,210	30 June	Level 2	Technical valuation
<b>Total</b>	<b>759,541</b>	<b>797,151</b>	<b>839,039</b>			
<b>Investments at fair value through profit or loss</b>						
Quoted shares	955,007	852,326	845,138	30 June	Level 1	Bid prices
Unquoted shares	87,465	87,465	96,591	30 June	Level 3	Technical valuation
<b>Total</b>	<b>1,042,472</b>	<b>939,791</b>	<b>941,729</b>			

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses.

The carrying value of other financial assets and liabilities does not significantly differ from their fair values as at the interim condensed consolidated financial information date.

**5. PROPERTY, PLANT AND EQUIPMENT**

	30 June 2017	31 December 2016 (Audited)	30 June 2016
Opening balance	14,611,547	3,866,863	3,866,863
Additions*	8,776,245	11,854,531	3,157,950
Disposals (net)	(6,465)	-	-
Depreciation charge	(600,429)	(1,104,045)	(532,433)
Foreign currency translation differences	64,696	(5,802)	12,970
	<b>22,845,594</b>	<b>14,611,547</b>	<b>6,505,350</b>

\*Additions include capital work in progress representing building of a new vessel, manufacturing equipments and construction of buildings amounting to KD 8,014,084 (year ended 31 December 2016: KD 10,703,781, period ended 30 June 2016: KD 2,744,985).

For the period ended 30 June 2017, depreciation charges amounting to KD 336,880, KD 93,552 and KD 169,997 (year ended 31 December 2016: KD 682,351, KD 160,496 and KD 261,198; period ended 30 June 2016: KD 357,402, KD 35,890 and KD 139,141) were charged to operating costs, marketing expenses and general and administrative expenses, respectively.

Machinery and equipment included in property, plant and equipment with a carrying value of KD 169,543 (year ended 31 December 2016: KD 190,523, period ended 30 June 2016: Nil) are mortgaged as a security against bank borrowing (Note 13).

**Notes to the interim condensed consolidated financial information (Unaudited)**

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**6. AVAILABLE FOR SALE INVESTMENTS**

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
Quoted securities	48,480	82,149	84,829
Unquoted local securities	582,405	567,036	593,815
Unquoted foreign securities	356,064	375,374	387,803
	<u>986,949</u>	<u>1,024,559</u>	<u>1,066,447</u>

- Available for sale investments include unquoted local securities of KD 227,408 as of 30 June 2017 (31 December 2016: KD 227,408 and 30 June 2016: KD 227,408), are carried at cost less impairment as its fair value cannot be reliably measured.

- Valuation techniques of available for sale investments are disclosed in Note 4.

**7. HELD TO MATURITY INVESTMENTS**

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
Local bonds and Sukuk	2,733,302	2,427,352	1,200,000

During the period ended 30 June 2017, the Group has local Sukuk at annual return income of 5.50% and local bonds at annual interest rates ranging from 6.25% to 6.50%. Bonds are classified as non-current on the basis of their maturities.

**8. INVENTORIES**

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
Livestock and meat (net)	1,138,435	1,675,475	2,844,755
Fodder	134,399	228,426	294,553
Intestine	79,195	97,907	165,341
Medicines, fertilisers and others	164,581	38,342	27,558
	<u>1,516,610</u>	<u>2,040,150</u>	<u>3,332,207</u>
Goods in transit	2,128,269	1,313,052	56,563
Production materials and spare parts	1,077,595	922,025	1,246,282
	<u>4,722,474</u>	<u>4,275,227</u>	<u>4,635,052</u>

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For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**9. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2017</b>	<b>31 December 2016 (Audited)</b>	<b>30 June 2016</b>
Trade receivables	12,621,288	9,899,372	8,360,722
Accrued Government subsidy*	16,330,630	16,330,630	16,330,630
	<u>28,951,918</u>	<u>26,230,002</u>	<u>24,691,352</u>
Provision for doubtful debts	(13,128,571)	(13,130,070)	(13,126,207)
	<u>15,823,347</u>	<u>13,099,932</u>	<u>11,565,145</u>
Advances to suppliers	4,878,329	2,946,619	3,620,621
Prepaid expenses	305,691	183,994	192,344
Refundable deposits	19,354	13,277	11,070
Deferred tax assets	46,598	44,259	50,643
Staff advance	24,966	10,363	7,955
Others	307,881	324,445	347,611
	<u>21,406,166</u>	<u>16,622,889</u>	<u>15,795,389</u>

\* 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 30 June 2017 (KD 16,330,630 as at 31 December 2016, KD 16,330,630 as at 30 June 2016) 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. On 1 March 2017, a verdict was issued by the Court of First Instances in favour of the Parent Company 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 the legal case. At the reporting date, the provision for impairment maintained against this balance amounted to KD 12,730,079 as at 30 June 2017 (KD 12,730,079 as at 31 December 2016, KD 12,730,079 as at 30 June 2016).

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**10. CASH AND CASH EQUIVALENTS**

	<b>30 June 2017</b>	<b>31 December 2016 (Audited)</b>	<b>30 June 2016</b>
Cash on hand and at banks	3,152,950	4,498,986	5,788,976
Time deposits maturing within 3 months from placement date	5,038,138	6,621,151	7,507,067
Cash at investment portfolios	113,993	110,909	1,325,726
	<u>8,305,081</u>	<u>11,231,046</u>	<u>14,621,769</u>

The annual average effective interest rate on deposits is 1.17% as at 30 June 2017 (31 December 2016: 1.13% and 30 June 2016: 1.38%).

**11. TREASURY SHARES**

	<b>30 June 2017</b>	<b>31 December 2016 (Audited)</b>	<b>30 June 2016</b>
Number of shares	7,377,383	7,377,383	7,377,383
Percentage of issued shares (%)	3.41%	3.41%	3.41%
Market value	1,623,024	1,578,760	1,386,948

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.

**12. OTHER RESERVES**

	<b>Change in fair value reserve of available for sale investments</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
<b>At 1 January 2017</b>	(33,807)	(70,235)	(104,042)
Change in fair value of available for sale investments	(13,014)	-	(13,014)
Foreign currency translation differences	-	107,833	107,833
<b>At 30 June 2017</b>	<u>(46,821)</u>	<u>37,598</u>	<u>(9,223)</u>
<b>At 1 January 2016</b>	24,619	14,333	38,952
Change in fair value of available for sale investments	(16,526)	-	(16,526)
Foreign currency translation differences	-	22,789	22,789
<b>At 30 June 2016</b>	<u>8,093</u>	<u>37,122</u>	<u>45,215</u>



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For the six month period ended 30 June 2017

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**13. BANK BORROWING**

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
Non-current portion	9,505,756	2,556,714	-
Current portion	2,500,000	-	-
	<u>12,005,756</u>	<u>2,556,714</u>	<u>-</u>

Bank borrowing denominated in Kuwaiti Dinars ("KD") obtained from a local bank carry an effective interest rate of 3.5% (year ended 31 December 2016: 3.5%, period ended 30 June 2016: Nil) per annum. The bank borrowing is used to finance the building of a new vessel, manufacturing equipments and construction of buildings.

Bank borrowing is secured by the following:

- Machinery and equipment included in property, plant and equipment amounting to KD 169,543 (year ended 31 December 2016: KD 190,523, period ended 30 June 2016: Nil) (Note 5).
- It also requires, among many other matters, security over all the Parent Company's bank accounts held with the bank.

**14. TRADE AND OTHER PAYABLES**

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
Trade payables	3,327,602	2,889,758	1,076,785
Advances from customers	-	-	34,648
Dividends payable (Note 18)	110,625	32,383	125,655
Accrued expenses	1,698,140	1,418,188	1,331,581
Accrued bonus expense	160,971	473,144	182,495
Accrued leave	169,782	170,068	203,140
Refundable deposits	10,000	10,000	20,000
Due to related parties (Note 18)	-	-	48,345
Board of Directors' remuneration (Note 18)	24,000	126,000	24,000
National Labour Support Tax ("NLST")	55,073	103,785	155,870
Zakat	22,029	41,514	62,349
Other payables	337,849	457,794	417,140
	<u>5,916,071</u>	<u>5,722,634</u>	<u>3,682,008</u>

**15. OTHER OPERATING INCOME**

Other operating income includes an amount of KD 1,088,000 representing gain on sale of utilisation right of a land in Al Rai area.

**Notes to the interim condensed consolidated financial information (Unaudited)**

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**16. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing profit for the period by the weighted average number of common shares outstanding (less treasury shares) during the period as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Profit for the period	649,853	1,105,863	2,101,801	2,019,378
Weighted average number of outstanding shares less treasury shares	209,213,192	209,213,192	209,213,192	209,213,192
Earnings per share (fils)	3.11	5.29	10.05	9.65

The Parent Company had no outstanding dilutive shares.

**17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b> <b>(Audited)</b>	<b>2016</b>
Letters of guarantee	1,517,981	428,375	700,106

As at 30 June 2017, the Group has capital commitments for new vessel, buildings and manufacturing equipments amounting KD 18,616,013 (31 December 2016: KD 27,105,833 and 30 June 2016: KD 2,896,853).

**18. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent, major shareholders, directors and key management personnel of the Group, 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 period ended 30 June.

Details of significant related party transactions and balances are as follows:

<b>Transactions</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Management fees paid to associates	-	24,164	-	48,345
Key management benefits	55,253	42,110	107,077	70,187
Board of Directors' remuneration	12,000	12,000	24,000	24,000

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

**18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

<b>Balances</b>	<b>30 June 2017</b>	<b>31 December 2016 (Audited)</b>	<b>30 June 2016</b>
Key management long term balances	146,223	118,106	99,622
Key management short term balances	33,765	27,823	20,643
Dividends payable (Note 14)	110,625	32,383	125,655
Due to related parties (Note 14)	-	-	48,345
Board of Directors' accrued remuneration (Note 14)	24,000	126,000	24,000

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

Amount due to related parties is interest free and will be settled on demand.

**19. OPERATING SEGMENTS**

**19.1. Operating segments for the revenues and results**

An operating segment is a component of an entity that engages in business activities from which it may 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 fertilizers. 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 annual consolidated financial statements. The following is the segment analysis which is consistent with the internal reports submitted to the management:

Notes to the interim condensed consolidated financial information (Unaudited)

For the six month period ended 30 June 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

19. OPERATING SEGMENTS (CONTINUED)

19.1. Operating segments for the revenues and results (Continued)

19.1.1. Segment revenue

	Commercial segment		Food processing segment		Investments segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	KD 000's							
Kuwait	24,411	17,732	3,500	3,037	137	348	28,048	21,117
UAE	3,588	3,249	-	-	-	-	3,588	3,249
Australia	776	855	-	-	-	90	776	945
<b>Total</b>	<b>28,775</b>	<b>21,836</b>	<b>3,500</b>	<b>3,037</b>	<b>137</b>	<b>438</b>	<b>32,412</b>	<b>25,311</b>
<b>Unallocated items:</b>								
Miscellaneous revenues							1,311	131
<b>Total revenue</b>							<b>33,723</b>	<b>25,442</b>

19.1.2. Segment results

	Commercial segment		Food processing segment		Investments segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	KD 000's							
Kuwait	3,396	1,791	(466)	(23)	137	348	3,067	2,116
UAE	15	(77)	-	-	-	-	15	(77)
Australia	(31)	23	-	-	-	90	(31)	113
<b>Total</b>	<b>3,380</b>	<b>1,737</b>	<b>(466)</b>	<b>(23)</b>	<b>137</b>	<b>438</b>	<b>3,051</b>	<b>2,152</b>
<b>Unallocated items:</b>								
Other unallocated revenues							1,354	131
Other unallocated costs							(2,303)	(264)
<b>Profit for the period</b>							<b>2,102</b>	<b>2,019</b>

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**19. OPERATING SEGMENTS (CONTINUED)**

**19.2. Segmental distribution of assets and liabilities**

	Commercial segment		Food processing segment		Investments segment		Total	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Assets	43,776	30,360	5,664	5,663	13,068	15,623	62,508	51,646
Liabilities	19,350	9,639	56	56	-	-	19,406	9,695

KD 000's

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

19. OPERATING SEGMENTS (CONTINUED)

19.3. Geographical distribution of assets and liabilities

	30 June 2017			
	Kuwait	UAE	Australia	Total
	KD 000's			
Assets	56,307	3,080	3,121	62,508
Liabilities	18,782	331	293	19,406

	31 December 2016 (Audited)			
	Kuwait	UAE	Australia	Total
	KD 000's			
Assets	46,403	2,284	2,959	51,646
Liabilities	9,189	263	243	9,695

	30 June 2016			
	Kuwait	UAE	Australia	Total
	KD 000's			
Assets	39,606	2,712	3,025	45,343
Liabilities	4,568	336	205	5,109

20. ANNUAL GENERAL ASSEMBLY MEETING

The Parent Company's Ordinary Annual General Assembly meeting ("AGM") held on 4 May 2017 approved the annual consolidated financial statements for the financial year ended 31 December 2016 and the following:

- Extinguishment of accumulated losses as at 31 December 2015 against voluntary reserve.
- Distribution of cash dividends of 5 fils per share amounting to KD 1,046,066 for the year ended 31 December 2016 (31 December 2015:Nil) through utilisation of the voluntary reserve after deducting the treasury shares.