**MEZZAN HOLDING COMPANY K.S.C.P. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

**30 SEPTEMBER 2018**

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MEZZAN HOLDING COMPANY K.S.C.P.**

*Introduction*
We have reviewed the accompanying interim condensed consolidated statement of financial position of Mezzan Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2018 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 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 International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity."* A review of interim 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 IAS 34.

**Report on 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, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended and its executive regulation, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the nine-month period ended 30 September 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

8 November 2018
Kuwait

A member firm of Ernst & Young Global Limited

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

| | Notes | 30 September 2018 KD | (Audited) 31 December 2017 KD | 30 September 2017 KD |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **81,611,775** | 77,113,969 | 72,095,005 |
| Intangible assets | | **13,528,368** | 13,566,688 | 13,616,859 |
| Investment in associates | | **1,208,791** | 1,124,307 | 1,014,041 |
| Investment properties | 3 | **4,118,025** | 4,176,695 | 4,205,942 |
| Biological assets | | **593,353** | 696,571 | 720,709 |
| Investment securities | | **1,733,785** | 763,423 | 763,423 |
| | | **102,794,097** | 97,441,653 | 92,415,979 |
| **Current assets** | | | | |
| Trade and other receivables | 4 | **71,661,359** | 60,202,793 | 70,446,928 |
| Inventories | 5 | **33,142,848** | 37,516,148 | 36,640,007 |
| Bank balances and cash | 7 | **16,190,297** | 15,726,298 | 21,034,230 |
| | | **120,994,504** | 113,445,239 | 128,121,165 |
| **TOTAL ASSETS** | | **223,788,601** | 210,886,892 | 220,537,144 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Employees' end of service benefits | | **4,547,722** | 4,449,137 | 4,327,201 |
| Loans and borrowings | 8 | **2,914,920** | 3,991,185 | 4,357,800 |
| | | **7,462,642** | 8,440,322 | 8,685,001 |
| **Current liabilities** | | | | |
| Loans and borrowings | 8 | **50,682,061** | 39,651,640 | 42,689,700 |
| Trade and other payables | 9 | **44,029,309** | 41,153,404 | 44,118,925 |
| Bank overdrafts | 7 | **8,379,616** | 6,555,908 | 12,677,689 |
| | | **103,090,986** | 87,360,952 | 99,486,314 |
| **TOTAL LIABILITIES** | | **110,553,628** | 95,801,274 | 108,171,315 |
| **NET ASSETS** | | **113,234,973** | 115,085,618 | 112,365,829 |
| **EQUITY** | | | | |
| Share capital | | **31,132,500** | 31,132,500 | 31,132,500 |
| Treasury shares | 13 | **(3,524,110)** | (37,500) | - |
| Statutory reserve | | **16,601,335** | 16,601,335 | 15,234,911 |
| Voluntary reserve | | **16,601,335** | 16,601,335 | 15,234,911 |
| Retained earnings | | **47,267,972** | 46,296,483 | 46,211,499 |
| Foreign currency translation reserve | | **(499,692)** | (554,967) | (556,798) |
| Fair value reserve | | **1,000,370** | 46,403 | 46,403 |
| **Equity attributable to equity holders of the Parent Company** | | **108,579,710** | 110,085,589 | 107,303,426 |
| Non-controlling interests | | **4,655,263** | 5,000,029 | 5,062,403 |
| **TOTAL EQUITY** | | **113,234,973** | 115,085,618 | 112,365,829 |

Abdul Rahman Jassim Mohammed Al Wazzan
(Chairman)

Garrett Walsh
(Chief Executive Officer)

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 30 September 2018

| | | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|---|
| | *Notes* | ***2018 KD*** | *2017 KD* | ***2018 KD*** | *2017 KD* |
| Revenue | | **52,046,134** | 49,808,318 | **161,482,730** | 157,620,929 |
| Cost of revenue | | **(41,633,474)** | (37,119,647) | **(126,400,926)** | (117,058,398) |
| **GROSS PROFIT** | | **10,412,660** | 12,688,671 | **35,081,804** | 40,562,531 |
| Selling and distribution expenses | | **(4,249,290)** | (5,458,457) | **(12,587,969)** | (16,710,629) |
| General and administrative expenses | | **(4,350,374)** | (3,890,608) | **(12,783,110)** | (11,960,273) |
| Other income | 10 | **133,543** | 172,960 | **629,385** | 349,593 |
| **OPERATING PROFIT** | | **1,946,539** | 3,512,566 | **10,340,110** | 12,241,222 |
| Share of results of associates | | **-** | - | **84,484** | - |
| Finance costs | | **(738,342)** | (638,718) | **(2,031,264)** | (1,607,862) |
| **PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION** | | **1,208,197** | 2,873,848 | **8,393,330** | 10,633,360 |
| Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") | | **(20,286)** | (29,468) | **(85,121)** | (102,917) |
| National Labour Support Tax ("NLST") | | **(32,344)** | (76,005) | **(216,354)** | (273,405) |
| Zakat | | **(12,938)** | (30,401) | **(85,726)** | (108,627) |
| Board of Directors' remuneration | | **(25,000)** | (25,000) | **(75,000)** | (75,000) |
| **PROFIT FOR THE PERIOD** | | **1,117,629** | 2,712,974 | **7,931,129** | 10,073,411 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent Company | | **1,217,680** | 2,785,898 | **8,049,944** | 10,121,839 |
| Non-controlling interests | | **(100,051)** | (72,924) | **(118,815)** | (48,428) |
| | | **1,117,629** | 2,712,974 | **7,931,129** | 10,073,411 |
| Basic and diluted earnings per share attributable to the equity holders of the Parent Company | 11 | **3.95 fils** | 8.95 fils | **26.01 fils** | 32.51 fils |

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 30 September 2018

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***KD*** | *KD* | ***KD*** | *KD* |
| **Profit for the period** | **1,117,629** | 2,712,974 | **7,931,129** | 10,073,411 |
| **Other comprehensive (loss) income:** | | | | |
| ***Other comprehensive income to be reclassified to profit or loss in subsequent periods:*** | | | | |
| Net gain (loss) on hedge arising during the period | **35,538** | 15,776 | **(70,484)** | (21,104) |
| Exchange differences on translation of foreign operations | **(103,173)** | (156,650) | **98,540** | (466,780) |
| **Other comprehensive (loss) income for the period** | **(67,635)** | (140,874) | **28,056** | (487,884) |
| **Total comprehensive income for the period** | **1,049,994** | 2,572,100 | **7,959,185** | 9,585,527 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | **1,183,021** | 2,651,687 | **8,105,219** | 9,663,861 |
| Non-controlling interests | **(133,027)** | (79,587) | **(146,034)** | (78,334) |
| | **1,049,994** | 2,572,100 | **7,959,185** | 9,585,527 |

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months ended 30 September 2018

| | Notes | *Nine months ended 30 September* 2018 KD | 2017 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period before tax and directors' remuneration | | **8,393,330** | 10,633,360 |
| *Adjustments to reconcile profit to net cash flows:* | | | |
| Depreciation | | **3,908,967** | 3,599,010 |
| Amortisation of intangible assets | | **267,226** | 237,874 |
| Share of results of associates | | **(84,484)** | - |
| Provision for employees' end of service benefits | | **987,067** | 1,024,464 |
| (Reversal of) provision for obsolete and slow moving inventories | | **(9,715)** | 73,189 |
| Allowance for credit losses on trade and other receivables | | **210,279** | 276,189 |
| (Gain) loss on disposal of property, plant and equipment | 10 | **(49,320)** | 1,151 |
| Impairment of property, plant and equipment | 10 | **-** | 261,839 |
| Gain on revaluation of biological assets | | **(61,201)** | (105,990) |
| Loss on disposal of biological assets | | **43,809** | 46,037 |
| Write-off of biological assets | | **13,733** | 18,053 |
| Finance costs | | **2,031,264** | 1,607,862 |
| Dividend income | 10 | **(81,563)** | (73,406) |
| Net foreign exchange differences | 10 | **(56,371)** | (13,405) |
| | | **15,513,021** | 17,586,227 |
| *Working capital adjustments*: | | | |
| Trade and other receivables | | **(11,912,182)** | (861,273) |
| Inventories | | **4,380,279** | (101,709) |
| Net movement in related party receivables / payables | | **691,297** | (373,528) |
| Trade and other payables | | **1,780,494** | (2,007,192) |
| **Net cash generated from operations** | | **10,452,909** | 14,242,525 |
| Employees' end of service benefits paid | | **(901,102)** | (745,963) |
| **Net cash flows from operating activities** | | **9,551,807** | 13,496,562 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(8,198,686)** | (10,271,403) |
| Proceeds from disposal of property, plant and equipment | | **145,696** | 618,738 |
| Purchase of intangible assets | | **(188,914)** | (190,557) |
| Proceeds from disposal of intangible assets | | **16,797** | - |
| Acquisition of non-controlling interests | | **-** | (7,054) |
| Proceeds from disposal of biological assets | | **106,877** | 74,067 |
| Dividend income received | 10 | **81,563** | 73,406 |
| Investment securities, net movement | | **(16,395)** | - |
| **Net cash flows used in investing activities** | | **(8,053,062)** | (9,702,803) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans and borrowings | | **18,868,500** | 19,408,650 |
| Repayment of loans and borrowings | | **(8,914,344)** | (12,146,370) |
| Dividends paid to equity holders of the Parent Company | 12 | **(6,848,050)** | (8,717,100) |
| Dividends paid to non-controlling interests | | **(198,732)** | (196,522) |
| Purchase of treasury shares | | **(3,486,610)** | - |
| Finance costs paid | | **(2,031,264)** | (1,607,862) |
| **Net cash flows used in financing activities** | | **(2,610,500)** | (3,259,204) |
| Effect of foreign exchange differences | | **(247,954)** | (142,361) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(1,359,709)** | 392,194 |
| Cash and cash equivalents at 1 January | | **9,170,390** | 7,964,347 |
| **CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER** | 7 | **7,810,681** | 8,356,541 |
| **Non-cash transactions excluded from the statement of cash flows are as follows:** | | | |
| Impact on recognition of ECL on trade receivables | | **(230,405)** | - |

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

Mezzan Holding Company K.S.C.P. and Subsidiaries

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2018

| | *Attributable to equity holders of the Parent Company* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital KD* | *Treasury shares KD* | *Statutory reserve KD* | *Voluntary reserve KD* | *Retained earnings KD* | *Foreign currency translation reserve KD* | *Fair value reserve KD* | *Sub total KD* | *Non-controlling interests KD* | *Total KD* |
| **Balance at 1 January 2018 before the adoption of IFRS 9 (Audited)** | 31,132,500 | (37,500) | 16,601,335 | 16,601,335 | 46,296,483 | (554,967) | 46,403 | 110,085,589 | 5,000,029 | 115,085,618 |
| Transition adjustment on initial application of IFRS 9 (Note 2.2) | - | - | - | - | (230,405) | - | 953,967 | 723,562 | - | 723,562 |
| Adjusted balance as at 1 January 2018 | 31,132,500 | (37,500) | 16,601,335 | 16,601,335 | 46,066,078 | (554,967) | 1,000,370 | 110,809,151 | 5,000,029 | 115,809,180 |
| Profit (loss) for the period | - | - | - | - | 8,049,944 | - | - | 8,049,944 | (118,815) | 7,931,129 |
| Other comprehensive income (loss) | - | - | - | - | - | 55,275 | - | 55,275 | (27,219) | 28,056 |
| Total comprehensive income (loss) for the period | - | - | - | - | 8,049,944 | 55,275 | - | 8,105,219 | (146,034) | 7,959,185 |
| Purchase of treasury shares | - | (3,486,610) | - | - | - | - | - | (3,486,610) | - | (3,486,610) |
| Cash dividends (Note 12) | - | - | - | - | (6,848,050) | - | - | (6,848,050) | - | (6,848,050) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (198,732) | (198,732) |
| **As at 30 September 2018** | **31,132,500** | **(3,524,110)** | **16,601,335** | **16,601,335** | **47,267,972** | **(499,692)** | **1,000,370** | **108,579,710** | **4,655,263** | **113,234,973** |
| As at 1 January 2017 | 31,132,500 | - | 15,234,911 | 15,234,911 | 44,803,621 | (98,820) | 46,403 | 106,353,526 | 5,347,452 | 111,700,978 |
| Profit (loss) for the period | - | - | - | - | 10,121,839 | - | - | 10,121,839 | (48,428) | 10,073,411 |
| Other comprehensive loss | - | - | - | - | - | (457,978) | - | (457,978) | (29,906) | (487,884) |
| Total comprehensive income (loss) for the period | - | - | - | - | 10,121,839 | (457,978) | - | 9,663,861 | (78,334) | 9,585,527 |
| Cash dividends (Note 12) | - | - | - | - | (8,717,100) | - | - | (8,717,100) | - | (8,717,100) |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | - | (196,522) | (196,522) |
| Acquisition of non-controlling interest without change in control | - | - | - | - | 3,139 | - | - | 3,139 | (10,193) | (7,054) |
| As at 30 September 2017 | 31,132,500 | - | 15,234,911 | 15,234,911 | 46,211,499 | (556,798) | 46,403 | 107,303,426 | 5,062,403 | 112,365,829 |

## 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Mezzan Holding Company K.S.C.P. (the "Parent Company") and Subsidiaries (collectively the "Group") for the nine months ended 30 September 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 8 November 2018.

The Parent Company is a shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. The registered office of the Parent Company is Building no. 287, Block 1, Aradiya, Kuwait. The Group is principally engaged in manufacturing, sale and distribution of food and non-food products. The shares of the Parent Company are publicly traded on Kuwait Stock Exchange ("Boursa Kuwait").

## 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting.*

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2017.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company.

## 2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the change in accounting policy detailed below for adoption of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* effective from from 1 January 2018.

***IFRS 15 – Revenue from Contracts with Customers***
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group's adoption of IFRS 15 under modified retrospective method had no material impact on the interim condensed consolidated financial information of the Group.

***IFRS 9 – Financial Instruments***
The Group has adopted IFRS 9 - *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

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

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

(1) Financial assets carried at amortised cost;
(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and
(3) Financial assets carried at fair value through profit or loss (FVTPL)

**2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)**

***IFRS 9 – Financial Instruments (continued)***
*a) Classification of financial assets (continued)*

*(1) Financial assets at amortised cost:*
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(a) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(a) Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) SPPI test
As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

(i) Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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

## 2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

***IFRS 9 – Financial Instruments (continued)***
*a) Classification of financial assets (continued)*

*(2) Financial assets at fair value through other comprehensive income (FVOCI) (continued):*

(i) Debt instruments at FVOCI (continued)
FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in interim condensed consolidated statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

(ii) Equity instruments at FVOCI

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

This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity investments were classified as AFS financial assets.

*(3) Financial assets at fair value through profit or loss (FVTPL)*

Financial assets at FVTPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. As at 30 September 2018, the Group does not have any FVTPL.

*b) Impairment of financial assets*
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience as adjusted for forward-looking factors.

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

The Group considers a financial asset in default when contractual payment are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

*c) Hedge accounting*
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 did not have a significant impact on the Group's interim condensed consolidated financial information.

## 2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

*IFRS 9 – Financial Instruments (continued)*

*d) Transition*

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

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and fair value reserve as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
   - The determination of the business model within which a financial asset is held.
   - The designation and revocation of previous designations of certain financial assets as measured at FVOCI.

*Impact of adopting IFRS 9*

The impact of this change in accounting policy as at 1 January 2018 has been to decrease retained earnings by KD 230,405 and increase fair value reserve by KD 953,967 as follows:

| | *Retained earnings* *KD* | *Fair value reserve* *KD* |
|---|---|---|
| Closing balance under IAS 39 as at 31 December 2017 | 46,296,483 | 46,403 |
| *Impact on reclassification and re-measurement:* | | |
| Re-measurement of investment securities (equity) from available-for-sale to FVOCI | - | 953,967 |
| Total re-measurement impact on opening balance | - | 953,967 |
| *Impact on recognition of ECL on trade receivables :* | | |
| ECL under IFRS 9 for trade receivables at amortised cost | (230,405) | - |
| Total ECL impact on opening balance | (230,405) | - |
| **Total transition adjustment on adoption of IFRS 9 as at 1 January 2018** | **(230,405)** | **953,967** |
| Opening balance under IFRS 9 on date of initial application as 1 January 2018 | **46,066,078** | **1,000,370** |

**2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)**

***IFRS 9 – Financial Instruments (continued)***

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

| | *Original classification under IAS 39* | *New classification under IFRS 9* | *Original carrying amount under IAS 39* | *Re-measurement ECL* | *Re-measurement others* | *New carrying amount under IFRS 9* |
|---|---|---|---|---|---|---|
| | | | *KD 000's* | *KD 000's* | *KD 000's* | *KD 000's* |
| **Financial assets** | | | | | | |
| Bank balances and cash | Loans and receivables | Amortised cost | 15,726 | - | - | 15,726 |
| Trade receivables | Loans and receivables | Amortised cost | 41,100 | (230) | - | 40,870 |
| Other receivables | Loans and receivables | Amortised cost | 1,554 | - | - | 1,554 |
| Investment securities – Unquoted equity | AFS | FVOCI | 763 | - | 954 | 1,717 |
| Other assets | Loans and receivables | Amortised cost | 37 | - | - | 37 |
| **Total financial assets** | | | **59,180** | **(230)** | **954** | **59,904** |

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

**Judgments, estimates and assumptions**
In the process of applying the Group's accounting policies, management has made the following judgments, which has the most significant effect in the amounts recognised in the consolidated financial statements:

*Classification of financial assets - policy applicable from 1 January 2018*
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

*Impairment of financial assets at amortised cost - policy applicable from 1 January 2018*
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. 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

**3 INVESTMENT PROPERTIES**

The movement in investment properties is, as follows:

| | *30 September 2018 KD* | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| As at 1 January | **4,176,695** | 4,336,091 | 4,336,091 |
| Depreciation | **(75,924)** | (102,077) | (76,461) |
| Net foreign exchange differences | **17,254** | (57,319) | (53,688) |
| | **4,118,025** | 4,176,695 | 4,205,942 |

## 3 INVESTMENT PROPERTIES (continued)

Management has estimated the economic useful life of the buildings to be 5-30 years.

Investment properties include land of KD 1,618,388 (31 December 2017: KD 1,611,592 and 30 September 2017: KD 1,612,991) that has an indefinite economic life and is therefore not depreciated.

The fair value of the investment properties as at 31 December 2017 was estimated by independent valuers to be KD 5,172,366. Management does not anticipate significant change in fair value during the nine months ended 30 September 2018.

All of the Group's investment properties are categorised within Level 3. During the nine months ended 30 September 2018, there were no transfers between the levels in the fair value hierarchy.

## 4 TRADE AND OTHER RECEIVABLES

| | ***30 September 2018 KD*** | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| Trade receivables | **53,007,658** | 45,522,137 | 53,801,537 |
| Less: Allowance for credit loss | **(4,592,412)** | (4,421,313) | (4,353,142) |
| Trade receivables – net of credit loss allowance | **48,415,246** | 41,100,824 | 49,448,395 |
| Advances to suppliers | **17,597,895** | 14,776,705 | 15,522,655 |
| Prepaid expenses | **1,543,597** | 2,035,260 | 2,392,293 |
| Refundable deposits | **842,510** | 698,509 | 678,340 |
| Receivables from related parties (Note 6) | **35,382** | 37,098 | 54,766 |
| Other receivables | **3,226,729** | 1,554,397 | 2,350,479 |
| | **71,661,359** | 60,202,793 | 70,446,928 |

## 5 INVENTORIES

| | ***30 September 2018 KD*** | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| Goods for resale (at lower of cost and net realizable value) | **20,088,563** | 25,554,313 | 24,175,260 |
| Raw materials and consumables (at cost) | **9,941,250** | 9,636,822 | 9,830,547 |
| Finished goods (at lower of cost and net realizable value) and work in progress (at cost) | **1,773,326** | 1,395,928 | 1,211,748 |
| Goods in transit (at cost) | **2,206,562** | 1,897,019 | 2,347,598 |
| | **34,009,701** | 38,484,082 | 37,565,153 |
| Less: Allowance for obsolete and slow moving inventories | **(866,853)** | (967,934) | (925,146) |
| | **33,142,848** | 37,516,148 | 36,640,007 |

The write downs and reversals are included in 'cost of revenue' in the statement of profit or loss.

## 6 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant balances and transactions with related parties included in the interim condensed consolidated financial information are, as follows:

| | *Major shareholders* | *Associates* | *Other related parties* | ***30 September 2018*** | *(Audited) 31 December 2017* | *30 September 2017* |
|---|---|---|---|---|---|---|
| | *KD* | *KD* | *KD* | ***KD*** | *KD* | *KD* |
| **Interim condensed consolidated statement of financial position:** | | | | | | |
| Receivables from related parties (Note 4) | - | - | 35,382 | **35,382** | 37,098 | 54,766 |
| Payables to related parties (Note 9) | 103,667 | 9,504 | 1,040,595 | **1,153,766** | 464,185 | 982,546 |

Outstanding balances with related parties are unsecured, interest free and have no fixed repayment schedule.

| | *Major shareholders* | *Other related parties* | *Three months ended 30 September* | |
|---|---|---|---|---|
| | | | ***2018*** | *2017* |
| | *KD* | *KD* | ***KD*** | *KD* |
| **Interim condensed consolidated statement of profit or loss:** | | | | |
| Revenue | 4,339 | 41,836 | **46,175** | 49,524 |
| Cost of revenue | - | (1,463,871) | **(1,463,871)** | (1,166,243) |
| General and administrative expenses | - | (107,302) | **(107,302)** | (106,060) |

| | *Major shareholders* | *Other related parties* | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | | | ***2018*** | *2017* |
| | *KD* | *KD* | ***KD*** | *KD* |
| **Interim condensed consolidated statement of profit or loss:** | | | | |
| Revenue | 12,427 | 130,106 | **142,533** | 153,655 |
| Cost of revenue | - | (3,419,740) | **(3,419,740)** | (2,839,498) |
| General and administrative expenses | - | (338,266) | **(338,266)** | (332,579) |

**Key management personnel**

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | ***2018*** | *2017* | ***2018*** | *2017* |
| | ***KD*** | *KD* | ***KD*** | *KD* |
| **Key management compensation:** | | | | |
| Salaries and other short-term benefits | **360,594** | 331,154 | **1,187,578** | 1,193,891 |
| Employees' end of service benefits | **22,899** | 17,245 | **65,423** | 50,677 |
| | **383,493** | 348,399 | **1,253,001** | 1,244,568 |

The Board of Directors at their meeting held on 18 March 2018 proposed directors' remuneration of KD 100,000 for the year ended 31 December 2017. The remuneration was approved by the shareholders at the AGM held on 18 April 2018.

## 7 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

| | *30 September 2018 KD* | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| Bank balances and cash | **16,190,297** | 15,726,298 | 21,034,230 |
| Bank overdrafts | **(8,379,616)** | (6,555,908) | (12,677,689) |
| **Cash and cash equivalents included in interim condensed consolidated statement of cash flows** | **7,810,681** | 9,170,390 | 8,356,541 |

Bank overdrafts are repayable on demand and carry an average effective interest rate of 4.00% (31 December 2017: 3.75% and 30 September 2017: 3.50%) per annum.

## 8 LOANS AND BORROWINGS

| *Currency* | *Current* | | | *Non-current* | | |
|---|---|---|---|---|---|---|
| | *30 September 2018 KD* | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* | *30 September 2018 KD* | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
| Kuwaiti Dinars | **18,864,601** | 10,997,800 | 13,998,600 | - | - | - |
| US Dollars | **30,360,000** | 27,202,500 | 27,238,500 | - | - | - |
| Saudi Riyal | **1,457,460** | 1,451,340 | 1,452,600 | **2,914,920** | 3,991,185 | 4,357,800 |
| | **50,682,061** | 39,651,640 | 42,689,700 | **2,914,920** | 3,991,185 | 4,357,800 |

## 9 TRADE AND OTHER PAYABLES

| | *30 September 2018 KD* | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| Trade payables | **32,463,206** | 27,106,089 | 29,348,672 |
| Accrued expenses | **8,295,338** | 7,303,673 | 7,973,478 |
| Advances from customers | **15,760** | 19,290 | 17,600 |
| Payables to related parties (Note 6) | **1,153,766** | 464,185 | 982,546 |
| Other payables | **2,101,239** | 6,260,167 | 5,796,629 |
| | **44,029,309** | 41,153,404 | 44,118,925 |

## 10 OTHER INCOME

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | *2018 KD* | *2017 KD* | *2018 KD* | *2017 KD* |
| Gain (loss) on disposal of property, plant and equipment | **338** | (1,606) | **49,320** | (1,151) |
| Impairment of property, plant and equipment | - | - | - | (261,839) |
| Net foreign exchange differences | **44,400** | (93,218) | **56,371** | 13,405 |
| Dividend income | - | - | **81,563** | 73,406 |
| Other income | **88,805** | 267,784 | **442,131** | 525,772 |
| | **133,543** | 172,960 | **629,385** | 349,593 |

## 11 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | ***2018 KD*** | *2017 KD* | ***2018 KD*** | *2017 KD* |
| Profit for the period | **1,217,680** | 2,785,898 | **8,049,944** | 10,121,839 |
| | ***Shares*** | *Shares* | ***Shares*** | *Shares* |
| Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period | **307,979,822** | 311,325,000 | **309,524,978** | 311,325,000 |
| **Basic and diluted EPS (fils)** | **3.95 fils** | 8.95 fils | **26.01 fils** | 32.51 fils |

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information, which would require the restatement of EPS.

## 12 DISTRIBUTIONS MADE AND PROPOSED

- The Parent Company's Board of Directors in their meeting held on 18 March 2018 proposed cash dividends of 22 fils per share (aggregating to KD 6,848,050) for the year ended 31 December 2017. The 2017 proposed dividends were approved by the shareholders at the AGM on 18 April 2018.
- The Parent Company's Board of Directors in their meeting held on 12 February 2017 proposed cash dividends of 28 fils per share (aggregating to KD 8,717,100) for the year ended 31 December 2016. This proposal has been approved by the shareholders at the AGM on 10 April 2017.

## 13 TREASURY SHARES

| | ***30 September 2018*** | *(Audited) 31 December 2017* | *30 September 2017* |
|---|---|---|---|
| Number of shares | **4,964,388** | 50,000 | - |
| Percentage of share capital | **1.59 %** | 0.016% | - |
| Cost ("KD") | **3,524,110** | 37,500 | - |
| Market value ("KD") | **3,345,998** | 38,750 | - |

An amount equivalent to the cost of purchase of the treasury shares has been earmarked as non-distributable from reserves throughout the holding period of treasury shares as per CMA requirements.

## 14 CONTINGENCIES AND COMMITMENTS

### (a) Contingencies:

As at the reporting date, the Group had the following contingent liabilities in respect of letter of guarantee granted by banks from which it is anticipated that no material liabilities will arise:

| | ***30 September 2018 KD*** | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| Letters of guarantee | **17,955,048** | 14,894,886 | 14,926,180 |

Letters of guarantee commit the Group to make payments on behalf of subsidiaries in the event of a specific act, generally related to the import or export of goods and performance guarantees.

**Legal claim contingency**
The Group is involved in various legal claims in the ordinary course of business. Management does not believe that such proceedings (including litigation) will have a material effect on the Group's results and financial position.

### (b) Commitments:

| | ***30 September 2018 KD*** | *(Audited) 31 December 2017 KD* | *30 September 2017 KD* |
|---|---|---|---|
| ***Capital expenditure commitments*** | | | |
| Future estimated capital expenditure contracted for as at the reporting date: | | | |
| Property, plant and equipment | **6,029,868** | 10,824,279 | 10,685,201 |
| Intangible assets | **478,338** | 272,931 | 358,932 |
| | **6,508,206** | 11,097,210 | 11,044,133 |
| ***Operating lease commitments - Group as a lessee:*** | | | |
| Future minimum rentals payable under operating leases: | | | |
| Within one year | **1,739,726** | 3,595,019 | 2,360,563 |
| After one year but not more than five years | **186,392** | 346,254 | 445,100 |
| Total operating lease expenditure contracted for as at the reporting date | **1,926,118** | 3,941,273 | 2,805,663 |

**15 SEGMENT INFORMATION**

For management reporting purposes, the Group is organised into five major operating segments and a corporate segment based on internal reporting provided to the chief operating decision maker. The chief operating decision maker, is the person responsible for allocating resources to and assessing the performance of the operating segments. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

***(a) Food***

| | | |
|---|---|---|
| Food | : | Food comprises all the businesses that relate to the food industry including food and beverages, wholesale trading, manufacturing and retail. The segment deals in a variety of products mainly meat products, cakes, biscuits, potato chips, snacks, canned food products, dairy products and water. |
| Catering | : | Catering comprises of food services for short term and long-term delivery of cooked food as well as on site operation of food facilities and catering for one off events. |
| Services | : | Services includes provision/sale of a variety of services/goods respectively to major customers predominantly including sales and delivery of foods as well as ancillary storage, logistics, repairs and maintenance services and sale of non-food items. |

***(b) Non-food***

| | | |
|---|---|---|
| Fast Moving Consumer Goods ("FMCG") | : | FMCG mainly comprises of distribution of health and beauty products, medicines, medical products and household products. |
| Industrial | : | Industrial comprises of the manufacturing of goods including plastic materials, lube oil and cartons used for packaging. |
| **(c) Corporate** | : | Corporate comprises of central assets, liabilities and support functions for the entire Group. The corporate provides management, information systems and technology, human resource, procurement and finance support to other segments. The Group maintains a central treasury function and manages the cash and borrowing position centrally. |

The Group's chief executive officer reviews the internal management reports of each reportable segment at least quarterly. Segment performance is evaluated based on segmental return on investments. Statutory contributions and Board of Directors' remuneration are managed on an overall basis and are not allocated to the operating segment.

**15 SEGMENT INFORMATION (continued)**

a) The following tables present information of the Group's operating segments.

| | *30 September 2018 (Unaudited)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Food* | | | | *Non-food* | | | *Corporate* | |
| | *Food KD* | *Catering KD* | *Services KD* | ***Sub-total KD*** | *FMCG KD* | *Industrial KD* | ***Sub-total KD*** | ***KD*** | ***Total KD*** |
| Revenue | 77,618,245 | 29,064,493 | 11,282,353 | **117,965,091** | 39,449,049 | 3,997,951 | **43,447,000** | **70,639** | **161,482,730** |
| Segment profit (loss) | 4,601,026 | 536,425 | 2,539,121 | **7,676,572** | 3,024,231 | 306,399 | **3,330,630** | **(2,613,872)** | **8,393,330** |
| Total assets | 117,133,621 | 29,154,594 | 10,681,484 | **156,969,699** | 44,926,626 | 9,875,111 | **54,801,737** | **12,017,165** | **223,788,601** |
| Total liabilities | 22,293,326 | 10,034,023 | 2,229,972 | **34,557,321** | 7,557,284 | 2,247,857 | **9,805,141** | **66,191,166** | **110,553,628** |

| | *30 September 2017 (Unaudited)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Food* | | | | *Non-food* | | | *Corporate* | |
| | *Food KD* | *Catering KD* | *Services KD* | *Sub-total KD* | *FMCG KD* | *Industrial KD* | *Sub-total KD* | *KD* | *Total KD* |
| Revenue | 84,592,060 | 21,592,368 | 10,162,974 | 116,347,402 | 36,845,817 | 4,134,841 | 40,980,658 | 292,869 | 157,620,929 |
| Segment profit (loss) | 7,585,552 | 45,441 | 2,256,104 | 9,887,097 | 2,397,225 | 474,537 | 2,871,762 | (2,125,499) | 10,633,360 |
| Total assets | 111,312,795 | 25,671,842 | 11,960,371 | 148,945,008 | 49,143,275 | 10,502,924 | 59,646,199 | 11,945,937 | 220,537,144 |
| Total liabilities | 22,830,864 | 7,491,030 | 2,331,749 | 32,653,643 | 8,118,418 | 2,858,149 | 10,976,567 | 64,541,105 | 108,171,315 |

**15 SEGMENT INFORMATION (continued)**

| | *31 December 2017 (Audited)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Food* | | | | *Non-food* | | | *Corporate* | |
| | *Food* *KD* | *Catering* *KD* | *Services* *KD* | *Sub-total* *KD* | *FMCG* *KD* | *Industrial* *KD* | *Sub-total* *KD* | *KD* | *Total* *KD* |
| Total assets | 107,583,058 | 25,448,756 | 11,500,144 | 144,531,958 | 45,784,368 | 10,590,265 | 56,374,633 | 9,980,301 | 210,886,892 |
| Total liabilities | 18,854,188 | 7,306,416 | 2,191,531 | 28,352,135 | 10,671,494 | 2,082,345 | 12,753,839 | 54,695,300 | 95,801,274 |

**15 SEGMENT INFORMATION (continued)**

b) The following table presents information regarding the Group's geographical area of operations.

| | *Kuwait KD* | *KSA KD* | *U.A.E KD* | *Qatar KD* | *Jordan KD* | *Afghanistan KD* | *Iraq KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|
| ***30 September 2018 (Unaudited)*** | | | | | | | | |
| **Revenue** | **115,315,931** | **3,024,187** | **17,733,800** | **15,987,041** | **3,748,199** | **4,082,864** | **1,590,708** | **161,482,730** |
| **Non-current assets** | **67,846,707** | **8,545,911** | **11,421,005** | **12,942,094** | **1,992,818** | **45,562** | **-** | **102,794,097** |
| *31 December 2017 (Audited)* | | | | | | | | |
| Non-current assets | 63,814,618 | 8,593,111 | 10,821,216 | 12,028,448 | 2,114,637 | 69,623 | - | 97,441,653 |
| *30 September 2017 (Unaudited)* | | | | | | | | |
| Revenue | 105,763,568 | 3,646,852 | 24,550,346 | 14,980,674 | 4,185,686 | 3,027,962 | 1,465,841 | **157,620,929** |
| Non-current assets | 60,452,111 | 8,493,278 | 9,846,382 | 11,456,590 | 2,089,714 | 77,904 | - | **92,415,979** |

## 16 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

***Non-financial instruments:***
Investment property is fair valued and is categorised within level 3 fair value hierarchy.

The fair value of investment properties under the Level 3 hierarchy was determined using the market comparable approach.

***Financial instruments:***
Financial instruments comprise of financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial assets at fair value through profit or loss is fair valued and is classified under fair value hierarchies as given below:

| | *Level 3* *KD* | *Total* *KD* |
|---|---|---|
| ***30 September 2018*** | | |
| Investment securities | 1,773,785 | **1,773,785** |
| ***31 December 2017 and 30 September 2017*** | | |
| Investment securities | - | - |
| | - | - |

Due to application of IFRS 9, equity securities previously stated at cost (under IAS 39) were measured at fair value and classified as level 3 for the first time.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

| | *As at 1 January 2018* *KD* | *Reclassification due to adoption of IFRS 9* *KD* | *Other movements* *KD* | *As at 30 September 2018* *KD* |
|---|---|---|---|---|
| *Financial assets at fair value through other comprehensive income:* Equity securities | - | **1,717,390** | **16,395** | **1,733,785** |

**Description of significant unobservable inputs to valuation**

| | *Valuation techniques* | *Significant unobservable inputs* | *Range* | *Sensitivity of the input to fair value* |
|---|---|---|---|---|
| Unquoted investment securities | Market approach | DLOM * | 20% - 30% | Increase (decrease) in the discount would decrease (increase) the fair value. |

* Discount for lack of marketability ("DLOM") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market rates.

## 17 SUBSEQUENT EVENTS

Subsequent to the reporting period, an industrial property owned by a subsidiary, and classified as property, plant and equipment with a total carrying value of KD 136,870 was sold for a total consideration of KD 1,225,000. The resultant gain from this transaction is KD 1,088,129, which will be recorded in the subsequent period.