Mezzan Holding Company KSCC

Consolidated Financial Statements for the Year Ended December 31, 2014

شركـــة ميـــزان القـــابضـــة
MEZZAN HOLDING CO.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

CONTENTS

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Building a better working world

INDEPENDENT AUDITORS' REPORT THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL-OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

9 February 2015
Kuwait

	Notes	*2014* *KD*	*2013* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	3	**65,348,325**	57,633,455
Intangible assets	4	**11,879,790**	2,205,073
Investment in associates	5	**983,559**	944,864
Investment properties	6	**-**	1,565,718
Financial assets available for sale		**763,423**	763,423
		78,975,097	63,112,533
Current assets			
Trade and other receivables	7	**46,351,457**	44,329,459
Inventories	8	**33,275,002**	31,332,050
Due from related parties	9	**54,913**	943,006
Bank balances and cash	10	**5,168,163**	14,950,567
		84,849,535	91,555,082
TOTAL ASSETS		**163,824,632**	154,667,615
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**3,987,982**	3,337,128
Loans and borrowings	11	**6,362,178**	11,132,973
Due to related parties	9	**600,000**	-
		10,950,160	14,470,101
Current liabilities			
Loans and borrowings	11	**24,587,610**	23,676,055
Trade and other payables	12	**33,711,600**	22,730,896
Due to related parties	9	**1,423,859**	2,740,501
Bank overdrafts	10	**4,492,424**	8,817,818
		64,215,493	57,965,270
TOTAL LIABILITIES		**75,165,653**	72,435,371
NET ASSETS		**88,658,979**	82,232,244
EQUITY			
Share capital	13	**29,650,000**	19,800,000
Statutory reserve	13	**11,406,071**	9,900,000
Voluntary reserve	13	**11,406,071**	9,900,000
Retained earnings		**34,179,265**	31,327,033
Foreign currency translation reserve		**(161,559)**	(179,789)
Fair value reserve		**38,568**	-
Equity attributable to equity holders of the Parent Company		**86,518,416**	70,747,244
Non-controlling interests		**2,140,563**	11,485,000
TOTAL EQUITY		**88,658,979**	82,232,244

Khalid Al Wazzan
(Chairman)

Mohammed Jassim Al Wazzan
(Vice Chairman)

The attached notes 1 to 25 form part of these consolidated financial statements.

	Notes	2014 KD	2013 KD
Revenue		**182,503,747**	142,376,724
Cost of revenue		**(136,617,348)**	(111,187,239)
GROSS PROFIT		**45,886,399**	31,189,485
Operating expenses			
General and administrative expenses		**(12,335,033)**	(12,024,232)
Selling and distribution expenses		**(17,592,945)**	(11,663,663)
Other income	14	**2,224,075**	4,513,365
Operating profit		**18,182,496**	12,014,955
Share of results of associates	5	**54,892**	116,622
Finance costs		**(1,058,866)**	(1,066,829)
Impairment of property, plant and equipment	3	**(806,254)**	-
Gain on bargain purchase	17	**-**	2,242,000
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**16,372,268**	13,306,748
Contribution to KFAS		**(135,546)**	(88,174)
Zakat		**(147,377)**	(124,734)
Board of Directors' remuneration	9	**(25,000)**	(25,000)
PROFIT FOR THE YEAR	15	**16,064,345**	13,068,840
Attributable to:			
Equity holders of the Parent Company		**14,752,784**	10,433,729
Non-controlling interests		**1,311,561**	2,635,111
		16,064,345	13,068,840
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	16	**49.76 Fils**	35.19 Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

	2014 *KD*	*2013* *KD*
Profit for the year	**16,064,345**	13,068,840
Other comprehensive income (loss):		
Other comprehensive income (loss) to be reclassified to consolidated profit or loss in subsequent periods		
Share of associate's fair value reserve	**38,568**	-
Foreign currency translation adjustment	**13,515**	(12,278)
Foreign currency translation adjustment recycled to income statement on disposal of an associate	**-**	102,934
Net other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods	**52,083**	90,656
Total comprehensive income for the year	**16,116,428**	13,159,496
Attributable to:		
Equity holders of the Parent Company	**14,809,582**	10,520,775
Non-controlling interests	**1,306,846**	2,638,721
	16,116,428	13,159,496

The attached notes 1 to 25 form part of these consolidated financial statements.

	Notes	*2014* *KD*	*2013* *KD*
OPERATING ACTIVITIES			
Profit for the year		**16,064,345**	13,068,840
Adjustments for:			
Depreciation	3 & 6	**4,318,825**	4,016,971
Amortisation and impairment of intangible assets	4	**256,601**	177,706
Provision for employees' end of service benefits		**932,135**	452,401
(Reversal of) allowance for obsolete and slow moving inventories	15	**(179,525)**	971,713
Allowance for bad and doubtful debts	7	**384,571**	1,285,085
Share of results of associates	5	**(54,892)**	(116,622)
Gain on bargain purchase	17	**-**	(2,242,000)
Impairment of property, plant and equipment	3	**806,254**	-
Gain on disposal of investment in an associate		**-**	(1,289,437)
Gain on disposal of property, plant and equipment	14	**(309,719)**	(2,155,438)
Gain on disposal of an investment property	9	**(952,964)**	
Finance costs		**1,058,866**	1,066,829
Foreign exchange gain	14	**(602,707)**	(105,648)
		21,721,790	15,130,400
Working capital changes:			
Trade and other receivables		**845,607**	(1,503,292)
Inventories		**(437,642)**	(859,320)
Net movement in amount due from / to related parties		**(759,229)**	(3,700,735)
Trade and other payables		**6,796,509**	1,023,746
Cash from operations		**28,167,035**	10,090,799
Employees' end of service benefits paid		**(643,057)**	(593,382)
Net cash from operating activities		**27,523,978**	9,497,417
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(10,984,716)**	(7,589,365)
Proceeds from disposal of property, plant and equipment		**474,641**	109,136
Proceeds from disposal of an investment property	6	**2,500,000**	-
Purchase of intangible assets	4	**(474,952)**	(362,347)
Proceeds from disposal of investment in an associate		**-**	4,501,928
Decrease (increase) in restricted balances with banks	10	**10,479,875**	(10,479,875)
Net cash (outflow) inflow on acquisition of subsidiaries	17	**(9,845,372)**	37,997
Net cash (outflow) on acquisition of shares in subsidiaries	18	**(648,329)**	-
Dividend income received from associates		**54,765**	279,832
Net cash used in investing activities		**(8,444,088)**	(13,502,694)
FINANCING ACTIVITIES			
Net movement in loans and borrowings		**(4,905,234)**	12,837,423
Dividends paid to equity holders of Parent Company		**(5,770,000)**	(4,680,000)
Dividends paid to non-controlling interests		**(2,340,684)**	(471,913)
Finance costs paid		**(1,058,866)**	(1,066,829)
Net cash (used in) from financing activities		**(14,074,784)**	6,618,681
Effect of foreign currency translation		**17,759**	94,315
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,022,865**	2,707,719
Cash and cash equivalents at 1 January		**(4,347,126)**	(7,054,845)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**675,739**	(4,347,126)

The attached notes 1 to 25 form part of these consolidated financial statements.

	Attributable to equity holders of the Parent Company								
	Share capital 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*
As at 1 January 2013	19,800,000	8,933,515	8,933,515	28,426,274	(266,835)	-	65,826,469	8,349,890	74,176,359
Profit for the year	-	-	-	10,433,729	-	-	10,433,729	2,635,111	13,068,840
Other comprehensive income	-	-	-	-	87,046	-	87,046	3,610	90,656
Total comprehensive income for the year	-	-	-	10,433,729	87,046	-	10,520,775	2,638,721	13,159,496
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	948,374	948,374
Arising on establishment of a subsidiary	-	-	-	-	-	-	-	19,928	19,928
Transfer to reserves	-	966,485	966,485	(1,932,970)	-	-	-	-	-
Dividends	-	-	-	(5,600,000)	-	-	(5,600,000)	-	(5,600,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(471,913)	(471,913)
As at 31 December 2013	19,800,000	9,900,000	9,900,000	31,327,033	(179,789)	-	70,747,244	11,485,000	82,232,244
Profit for the year	-	-	-	14,752,784	-	-	14,752,784	1,311,561	16,064,345
Other comprehensive income	-	-	-	-	18,230	38,568	56,798	(4,715)	52,083
Total comprehensive income for the year	-	-	-	14,752,784	18,230	38,568	14,809,582	1,306,846	16,116,428
Issue of bonus shares	9,850,000	-	-	(9,850,000)	-	-	-	-	-
Ownership changes in subsidiaries (Note 18 (i))	-	-	-	(51,421)	-	-	(51,421)	(396,908)	(448,329)
Ownership changes in subsidiaries (Note 18 (ii))	-	-	-	5,863,011	-	-	5,863,011	(7,063,011)	(1,200,000)
Transfers to reserves	-	1,506,071	1,506,071	(3,012,142)	-	-	-	-	-
Dividends (Note 21)	-	-	-	(4,850,000)	-	-	(4,850,000)	-	(4,850,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(3,191,364)	(3,191,364)
As at 31 December 2014	**29,650,000**	**11,406,071**	**11,406,071**	**34,179,265**	**(161,559)**	**38,568**	**86,518,416**	**2,140,563**	**88,658,979**

The attached notes 1 to 25 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 9 February 2015 and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend the consolidated financial statements after issuance.

The Parent Company is a closed shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. The registered office of the Parent Company is Building number 287, Area number 1, Aradiya, Kuwait. The principal activities of the Group are explained in note 2.4.

The principal activities of the Parent Company as per the Articles of Association are as follows:

a) Holding shares of Kuwaiti or foreign stock companies as well as holding shares or portions in limited liability companies whether Kuwaiti or foreign, or participating in establishing these companies with their types and managing them and sponsoring them at others.
b) Giving loans to companies in which this company holds shares and sponsoring them. In this case it is necessary that the participation ratio of the Parent company in the capital of the borrowing company should not be less than 20%.
c) Owning the intellectual property including patents, trademarks, industrial fees or any other rights related to them and leasing them to other companies to make use of them inside and outside Kuwait.
d) Holding movable or real estate necessary to carry out its activities within the limits allowed by law.
e) The Parent Company may have an interest or participate in any manner with bodies performing activities similar to its own or which may assist it achieve its purpose inside or outside Kuwait and it may establish or participate or buy such corporations or attach them to itself.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis modified to include the measurement at fair value of financial assets available for sale and derivative financial instruments.

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IFRS during the year:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the consolidated financial statements of the Group nor the Parent Company, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are not relevant to the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the year. These amendments have no material impact on the Group's consolidated financial statements.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

IFRS 9: Financial Instruments: Classification and Measurement
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

IFRS 15 Revenue from contracts with customers
The standard was issued in May 2014 and specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2017 and will replace mainly IAS 11 "Construction Contract", and IAS 18 "Revenue Recognition". The standard is not expected to have any impact on the financial position or performance of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statement includes the financial statements of the Parent Company and its subsidiaries. The subsidiaries of the Group are as follows:

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2014	*2013*	
Conserved Foodstuff Distribution Company W.L.L. [1]	Kuwait	**99.99%**	99%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Al Sabriya International General Trading Company W.L.L. [1]	Kuwait	**99.88%**	99%	General trading and contracting activities
Al Muntaser Pharmaceutical Company W.L.L. [1]	Kuwait	**99.99%**	99%	Whole sale and retail trade of cosmetics, medicines and other consumer items
Jassim Al Wazzan Sons General Trading Company W.L.L. [1]	Kuwait	**99.99%**	99%	Whole sale and retail trade of food stuff
Al Hoda Kuwaiti Foodstuff Company W.L.L. [1]	Kuwait	**99.98%**	99%	Exporting ,importing and trading of all kind of food stuff
Al Mansouria Consumer Trading Company W.L.L. [1]	Kuwait	**99.94%**	99%	Trading of household goods and cleaning materials
Al Wazzan Trading and Catering Services Company W.L.L. [1]	Kuwait	**99.99%**	99%	Providing catering services and general trading
National Canned Food Production and Trading Company W.L.L. [1]	Kuwait	**99.99%**	99%	Manufacturing and trading of all kinds of food stuffs
Oriental for Catering Services Company W.L.L. [1]	Kuwait	**99.98%**	99%	Exporting ,importing and trading of all kind of food stuff
Mezzan Industries Company W.L.L [1]	Kuwait	**99.98%**	99%	Manufacturing of Paper and nylon products
Kuwait Lube Oil Company K.S.C. (Closed)	Kuwait	**93.66%**	93.66%	Recycling and trading of oil, lubricants and related products
Arla Food Kuwait W.L.L.	Kuwait	**51%**	51%	Importing and trading of all kind of dairy products

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2014	*2013*	
Plastic Industries Company K.S.C. (Closed)	Kuwait	**55.58%**	55.58%	Manufacturing and trading of household goods
Kuwait Biscuit and Food Products Manufacturing Company W.L.L.("KBC")[1]	Kuwait	**99.99%**	51%	Manufacturing and trading of biscuits and related products
Gulf Pastries Manufacturing Company W.L.L. ("GPM")[1]	Kuwait	**99.98%**	51%	Manufacturing and sale of pastries and cakes
Kuwait Indo Trading Company W.L.L.("KITCO")[1]	Kuwait	**99.99%**	51%	Manufacturing and sale of food stuff
Mezzan Logistics for Transport and Storage Company K.S.C. (Closed)[2]	Kuwait	**96%**	96%	Logistics services and storage facilities
Emirates Star Services L.L.C.[1]	U.A.E.	**99%**	90%	Providing catering services and running restaurants
Qatar Star Services L.L.C.[3]	Qatar	**50%**	50%	Providing catering and cleaning services
Mezzan Saudi Trading Company L.L.C.[3]	Saudi Arabia	**100%**	100%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Mezzan Jordan Industries L.L.C.	Jordan	**100%**	100%	Manufacturing, whole sale and retail trade of cosmetics and other consumer items
Afia Trading Services FZE	U.A.E.	**100%**	100%	Trading in food services and providing related services
Al Wazzan Foodstuffs Factory L.L.C.[1]	U.A.E.	**99%**	51%	Manufacturing and trading of food stuffs
Tazweed Commercial Solutions Company P.S.C.[4]	Jordan	**50%**	50%	Providing catering and retail services
UNITRA International L.L.C. (Note 17)[2]	U.A.E.	**99.67%**	-	Trading of food and beverages
Middle East Trading Store L.L.C. (Note 17)[2]	U.A.E.	**99.67%**	-	Trading of food and beverages

The Parent Company also has branches in Qatar (Conserved Foodstuffs Distributing Company W.L.L. – Qatar branch) and Kingdom of Saudi Arabia (Conserved Foodstuff Distribution Factory Company – KSA branch). In addition, the Group owns a sole proprietorship concern (Khazan Meat Factory) in United Arab Emirates.

[1] During the year, the Parent Company has acquired additional equity interest from related parties [Note 9 and Note 18 (i) and (ii)]. The remaining shares are held by a subsidiary included within the Group and therefore the effective holding of the Group in these subsidiaries is 100%.

[2] The remaining shares are held by subsidiaries included within the Group and therefore the effective holding of the Group in these subsidiaries is 100%.

[3] The remaining shares in these subsidiaries are held by the other partner on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

[4] As per the terms of the incorporation, the Parent Company is entitled to receive 80% of share of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge Accounting
The Group makes use of financial instruments including borrowings to manage its foreign currency risks arising from net investments in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. A hedge is regarded as highly effective if the changes in the value of hedged item are offset by the changes in the value of hedging instruments between 80% and 125%.

Hedges of net investments in foreign operations
Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of income.

During the year, the Group has designated certain loans as hedging instruments for its exposure to foreign exchange risk on its net investments in foreign subsidiaries.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold and leasehold land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5 to 30 years
Plant and machinery	3 to 15 years
Tools and spare parts	2 to 5 years
Motor vehicles	5 to 7 years
Furniture, fixtures, office and computer equipment	3 to 8 years

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for the intended use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

Key money
Key money represents amounts paid in securing operating leases for the Group's branches. Key money is amortised over the term of lease contract or treated as an indefinite life asset (depending on the nature of the key money).

License fee
The license is assumed to have an indefinite useful life and is subject to impairment testing on at least an annual basis.

Computer software
Computer software is amortised over a period of 8 years which is determined to be the expected period over which benefit is derived from use of the software.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, except for reversal of impairment loss recognised for goodwill which is not reversed in a subsequent period, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee, but not control or joint control over those policies. The Group's investment in its associates, are accounted for using the equity method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
Under the equity method, investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of associates is shown in the consolidated statement of income and represents profit or loss after tax and excluding non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Impairment loss on an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and impairment, if any.

Investment properties are depreciated as follows;

Land	Not depreciated
Building	5 to 30 years

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Financial instruments - classification, measurement, recognition, de-recognition and offsetting

Classification
The Group classifies its financial instruments as "financial assets available for sale", "loans and receivables", "loans and borrowings" and "liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each financial instrument at the time of initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and measurement of financial assets and liabilities
The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

All financial assets are initially recognised at fair value plus, in the case of investments not at fair value, through profit or loss, directly attributable transaction costs.

All financial liabilities are initially measured at fair value of the consideration given plus transaction costs.

Financial assets available for sale
Financial assets available for sale comprise equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

These are financial assets principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. Available for sale investments are initially measured at fair value (transaction price) plus directly attributable transaction costs. After initial recognition, available for sale investments are remeasured at fair value. Unrealised gains and losses on remeasurement to fair value are reported as other comprehensive income and included in the cumulative changes in fair value reserve until the investment is sold or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment, if any.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using effective interest method less any provision for impairment. In the consolidated statement of financial position "trade receivables" "bank balances and cash" and "due from related parties" are classified as "loan and receivables".

Accounts receivable are stated at original invoice amount less impairment for any uncollectible amounts. An estimate for doubtful debts is made when collection of part of or the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derivative financial instruments
The Group uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to loan settlement and purchases of inventory from overseas suppliers. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss is recognised in the consolidated statement of income. The fair values of these derivatives are included in "other receivables" in case of positive fair value and "other payables" in case of negative fair value.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'Trade and other payables'.

Financial liabilities other than at fair value through profit and loss
These are financial liabilities other than those designated at fair value through profit and loss. These include trade and other payables.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. A financial asset, or a group of financial assets are impaired if there is any objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows, discounted at the current market rate of return for a similar financial asset;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for investments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of financial assets classified as available for sale are recognised in other comprehensive income.

Fair values

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset, or transfer the liability, takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short term deposits which mature within three months from inception, net of outstanding bank overdrafts.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Goods for resale	purchase cost on a weighted average basis.
Raw materials, packing materials and consumables	purchase cost on a weighted average basis.
Finished goods and work-in-progress	cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transit	purchase cost incurred up to the reporting date

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The computation of the benefits is based upon the employees' final salary, length of service, historical termination and resignation rate. The computed amount is discounted using weighted average cost of capital of the Group to the present value of such obligation subject to the completion of a minimum service period. The obligation as calculated and the expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to social security scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income, all differences are recognised in the consolidated statement of income.

Group Companies
Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised when related services are provided.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Significant accounting judgments and estimates
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to the following:

Impairment of trade receivables
An estimate of the collectible amount of trade accounts receivable and retentions is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment
A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)
Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of intangible assets (with indefinite life)
The Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of intangible assets with indefinite lives at 31 December 2014 were KD 10,732,978 (2013: KD 1,492,987). More details are given in Note 4.

Impairment of financial assets available for sale
The Group treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires considerable judgment.

Provision for employees' end of service benefits
The Group's management performs a detailed review of the provision for employees' end of service benefits considering the expected pattern of the future obligations based on historical termination and resignation rates. Management reviews the future obligations annually and would be adjusted where the management believes the previous estimates are required to be adjusted.

Material non-controlling interests
The Group's management considers any non-controlling interests which accounts for over 5% of the total equity of the Group as material. As at the reporting date, none of the non-controlling interests accounts for over 5% of the total equity. Hence, no disclosures are considered necessary.

As at 31 December 2014

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold land KD	Leasehold land KD	Buildings KD	Plant and machinery KD	Tools and spare parts KD	Motor vehicles KD	Furniture, fixtures, office and computer equipment KD	Capital work-in-progress KD	Total KD
Cost:									
As at 1 January 2014	11,877,820	5,753,146	37,568,427	40,491,222	2,302,220	8,511,534	7,097,778	1,505,342	115,107,489
Arising on acquisition of subsidiaries (Note 17)	-	-	67,189	-	-	24,559	272,547	32,029	396,324
Additions	2,222,611	21,000	402,308	1,087,085	77,094	532,559	554,125	7,433,582	12,330,364
Disposals	-	-	(3,411)	(38,743)	-	(518,163)	(12,598)	-	(572,915)
Transfers	-	-	650,695	1,272,945	3,706	-	25,198	(1,952,544)	-
Transfer to intangible assets (Note 4)	-	-	-	-	-	-	-	(136,863)	(136,863)
Exchange differences	112,493	-	484,140	301,895	13,634	58,259	62,256	55,687	1,088,364
As at 31 December 2014	**14,212,924**	**5,774,146**	**39,169,348**	**43,114,404**	**2,396,654**	**8,608,748**	**7,999,306**	**6,937,233**	**128,212,763**
Depreciation and impairment:									
As at 1 January 2014	-	-	13,581,912	28,533,854	2,158,074	6,723,057	6,477,137	-	57,474,034
Arising on acquisition of subsidiaries (Note 17)	-	-	64,631	-	-	22,548	222,044	-	309,223
Charge for the year	-	-	1,306,213	1,980,881	68,526	524,591	419,932	-	4,300,143
Impairment	304,294	-	-	463,132	-	-	38,828	-	806,254
Relating to disposals	-	-	(69)	(29,701)	-	(366,427)	(11,796)	-	(407,993)
Exchange differences	-	-	122,232	160,860	11,328	38,195	50,162	-	382,777
As at 31 December 2014	**304,294**	-	**15,074,919**	**31,109,026**	**2,237,928**	**6,941,964**	**7,196,307**	-	**62,864,438**
Net carrying amount									
As at 31 December 2014	**13,908,630**	**5,774,146**	**24,094,429**	**12,005,378**	**158,726**	**1,666,784**	**802,999**	**6,937,233**	**65,348,325**

3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Plant and machinery KD*	*Tools and spare parts KD*	*Motor vehicles KD*	*Furniture, fixtures, office and computer equipment KD*	*Capital work-in-progress KD*	*Total KD*
Cost:									
As at 1 January 2013	10,447,912	3,861,146	25,537,542	36,517,629	2,252,332	8,120,117	6,733,428	9,821,807	103,291,913
Arising on acquisition of a subsidiary	769,617	-	3,013,030	1,197,004	-	123,943	40,737	20,824	5,165,155
Additions	662,498	1,892,000	248,685	1,855,605	50,670	653,597	388,415	1,837,895	7,589,365
Disposals	-	-	(212,320)	(145,394)	(63)	(389,624)	(63,366)	(93,862)	(904,629)
Transfers	-	-	9,043,435	1,078,631	-	8,014	-	(10,130,080)	-
Exchange differences	(2,207)	-	(61,945)	(12,253)	(719)	(4,513)	(1,436)	48,758	(34,315)
As at 31 December 2013	11,877,820	5,753,146	37,568,427	40,491,222	2,302,220	8,511,534	7,097,778	1,505,342	115,107,489
Depreciation:									
As at 1 January 2013	-	-	11,633,851	26,231,794	2,064,662	6,517,955	5,898,978	-	52,347,240
Arising on acquisition of a subsidiary	-	-	992,794	629,120	-	110,253	31,689	-	1,763,856
Charge for the year	-	-	1,079,744	1,787,055	94,518	471,478	562,049	-	3,994,844
Relating to disposals	-	-	(117,730)	(103,604)	(45)	(373,889)	(13,663)	-	(608,931)
Exchange differences	-	-	(6,747)	(10,511)	(1,061)	(2,740)	(1,916)	-	(22,975)
As at 31 December 2013	-	-	13,581,912	28,533,854	2,158,074	6,723,057	6,477,137	-	57,474,034
Net carrying amount									
As at 31 December 2013	11,877,820	5,753,146	23,986,515	11,957,368	144,146	1,788,477	620,641	1,505,342	57,633,455

Capital work-in-progress comprises the cost of assets acquired which are under construction and are not available for use as at the reporting date.

Leasehold land represents land leased from the Government of Kuwait for periods ranging from 1 to 20 years and the leases are renewable upon the expiry of the leases. The management expects these leases to be renewed indefinitely and therefore, the cost of the acquisition of such leases amounting to KD 5,774,146 (2013: KD 5,753,146) is not depreciated.

Property, plant and equipment with a net book value of KD 5,758,631 (2013: KD 6,046,595) are secured against certain loans and borrowings granted to the Group (Note 11).

3 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year was allocated as follows:

	2014 *KD*	*2013* *KD*
Cost of sales	**2,276,543**	2,106,319
Selling and distribution expenses	**393,287**	143,817
General and administrative expenses	**1,630,313**	1,737,606
Included in consolidated statement of income	**4,300,143**	3,987,742
Included in value of finished goods	-	7,102
	4,300,143	3,994,844

4 INTANGIBLE ASSETS

	Goodwill *KD*	*Key money* *KD*	*License fee* *KD*	*Computer software* *KD*	*Asset under development* *KD*	***Total*** ***KD***
Cost:						
As at 1 January 2014	624,825	313,200	1,040,000	1,294,468	-	3,272,493
Arising on acquisition of subsidiaries (Note 17)	8,955,198	-	-	-	-	8,955,198
Additions	-	79,000	-	130,887	265,065	474,952
Transfer from property, plant and equipment (Note 3)	-	-	-	-	136,863	136,863
Exchange differences	363,658	-	-	726	-	364,384
As at 31 December 2014	**9,943,681**	**392,200**	**1,040,000**	**1,426,081**	**401,928**	**13,203,890**
Amortisation and impairment:						
As at 1 January 2014	-	222,563	274,838	570,020	-	1,067,421
Charge for the year	-	21,624	-	156,112	-	177,736
Impairment	-	-	78,865	-	-	78,865
Exchange differences	-	-	-	78	-	78
As at 31 December 2014	-	**244,187**	**353,703**	**726,210**	-	**1,324,100**
Net carrying amount:						
As at 31 December 2014	**9,943,681**	**148,013**	**686,297**	**699,871**	**401,928**	**11,879,790**

4 INTANGIBLE ASSETS (continued)

	Goodwill KD	*Key money KD*	*License fee KD*	*Computer software KD*	*Total KD*
Cost:					
As at 1 January 2013	626,113	258,000	875,000	1,207,778	2,966,891
Additions	-	55,200	220,000	87,147	362,347
Disposals	-	-	(55,000)	(428)	(55,428)
Foreign currency translation adjustment	(1,288)	-	-	(29)	(1,317)
As at 31 December 2013	624,825	313,200	1,040,000	1,294,468	3,272,493
Amortisation and impairment:					
As at 1 January 2013	-	199,931	262,583	431,843	894,357
Charge for the year	-	22,632	-	138,236	160,868
Impairment	-	-	16,838	-	16,838
Relating to disposals	-	-	(4,583)	(60)	(4,643)
As at 31 December 2013	-	222,563	274,838	570,019	1,067,420
Net carrying amount					
As at 31 December 2013	624,825	90,637	765,162	724,449	2,205,073

Amortisation charge for the year is included under general and administrative expenses.

5 INVESTMENT IN ASSOCIATES

The Parent Company has interest in the following unquoted associates:

Name of company	*Country of incorporation*	*Activity*	*Effective interest (%)*		*Carrying value*	
			2014	*2013*	*2014 KD*	*2013 KD*
International Paper Products W.L.L.	Kuwait	Manufacturing	**24.34**	24.34	**558,851**	532,397
National Textile Company K.S.C. (Closed)	Kuwait	Manufacturing	**31.65**	31.65	**424,708**	412,467
					983.559	944.864

Summarised financial information of the Group's investment in associates is as follows:

	2014 KD	*2013 KD*
Current assets	**3,584,855**	2,985,595
Non-current assets	**3,987,937**	2,874,089
Current liabilities	**(2,151,788)**	(2,277,988)
Non-current liabilities	**(1,132,991)**	(69,367)
Equity	**4,288,013**	3,512,329
Group's carrying amount of the investment in associates	**983,559**	944,864

5 INVESTMENT IN ASSOCIATES (continued)

Summarised statement of income for associates is as follows:	*2014* *KD*	*2013* *KD*
Revenue	**2,507,017**	42,509,036
Cost of revenue	**(1,894,842)**	(35,927,035)
Other expenses	**(381,113)**	(6,152,549)
Profit for the year	**231,062**	429,452
Total comprehensive income for the year	**391,096**	429,452
Group's share of results for the year	**54,892**	116,622

The associates had no contingent liabilities or capital commitments as at 31 December 2013 or 2014.

The management of the Parent Company has assessed the carrying value of the associates. As at 31 December 2014, there are no indications that the carrying value of these associates is impaired. Therefore, no impairment is required to be recognised in respect of these associates in the consolidated statement of income.

6 INVESTMENT PROPERTIES

The cost less accumulated depreciation of the investment properties as at 31 December 2014 was KD Nil (2013: KD 1,565,718). Depreciation charge for the year amounted to KD 18,682 (2013: KD 22,127). During the year, the Group sold the investment property to a related party for KD 2,500,000 [Note 9 (i)].

7 TRADE AND OTHER RECEIVABLES

	2014 *KD*	*2013* *KD*
Trade receivables	**46,157,906**	42,854,146
Less: Allowance for bad and doubtful debts	**(4,369,956)**	(5,459,283)
	41,787,950	37,394,863
Advance to suppliers (net of provision)	**2,866,481**	3,499,842
Prepaid expenses	**722,909**	586,823
Deposits	**643,956**	585,932
Staff receivables	**76,078**	138,547
Other receivables	**254,083**	2,123,452
	46,351,457	44,329,459

As at 31 December 2014, trade receivables with a carrying value of KD 4,369,956 (2013: KD 5,459,283) were impaired and fully provided for.

7 TRADE AND OTHER RECEIVABLES (continued)

The movement in the allowance for bad and doubtful debts on trade receivables was as follows:

	2014 *KD*	*2013* *KD*
As at 1 January	**5,459,283**	6,303,178
Arising on acquisition of subsidiaries	**110,627**	-
Charge for the year	**384,571**	1,285,085
Amounts written off	**(1,628,097)**	(2,140,539)
Exchange differences	**43,574**	11,559
As at 31 December	**4,369,958**	5,459,283

The allowance for bad and doubtful debts for the year is included in general and administrative expenses.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for bad and doubtful debts.

As at 31 December, the ageing analysis of trade receivables that were not impaired is as follows:

		Past due but not impaired					*Total*
	Neither past due nor impaired *KD*	*< 30 days* *KD*	*30 to 60 days* *KD*	*60 to 90 days* *KD*	*90 to 120 days* *KD*	*> 120 days* *KD*	*KD*
2014	**22,770,272**	**6,334,313**	**4,734,653**	**1,582,236**	**2,082,009**	**4,284,467**	**41,787,950**
2013	19,162,185	7,195,606	5,451,481	2,232,087	1,794,521	1,558,983	37,394,863

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable.

8 INVENTORIES

	2014 *KD*	*2013* *KD*
Goods for resale	**24,093,912**	21,555,892
Raw materials, packing materials and consumables	**10,014,368**	9,545,232
Finished goods and work in progress	**1,172,747**	2,460,009
Goods in transit	**150,152**	546,276
	35,431,179	34,107,409
Less: Allowance for obsolete and slow moving inventories	**(2,156,177)**	(2,775,359)
	33,275,002	31,332,050

8 INVENTORIES (continued)

The movement in the allowance for obsolete and slow moving inventories was as follows:

	2014 *KD*	*2013* *KD*
As at 1 January	**2,775,359**	2,206,511
Arising on acquisition of subsidiaries	**53,711**	-
(Reversal of) charge for the year	**(179,525)**	971,713
Amounts written off	**(500,627)**	(402,865)
Exchange differences	**7,259**	-
As at 31 December	**2,156,177**	2,775,359

9 RELATED PARTY TRANSACTIONS

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 consolidated financial statements are as follows:

	Major shareholders KD	*Associates KD*	*Other related parties KD*	***2014 Total KD***	*2013 Total KD*
Consolidated statement of financial position:					
Due from related parties	-	-	54,913	**54,913**	943,006
Due to related parties	1,311,670	9,392	702,797	**2,023,859**	2,740,501

The amounts due from/to related parties are interest free and are receivable/payable on demand.

	Major shareholders KD	*Associates KD*	*Other related parties KD*	***2014 Total KD***	*2013 Total KD*
Consolidated statement of income:					
Revenue	43,886	-	157,541	**201,427**	165,871
Cost of revenue	(30,837)	-	-	**(30,837)**	(21,761)
Other income	-	-	1,535,586	**1,535,586**	2,340,999
General and administrative expenses	-	-	(179,304)	**(179,304)**	341,769

Other related parties transactions:

i) During the year, the Group sold an investment property with a net carrying value of KD 1,547,036 to a relatec party for a consideration of KD 2,500,000 resulting in a gain of KD 952,964 (Note 14).

ii) During the year, the Parent Company acquired non-controlling interests in certain subsidiaries from a related party and minority shareholders for a consideration of KD 1,648,329(Note 18).

iii) During 2013, the Parent Company acquired 51% equity interest in Al Wazzan Foodstuff Factory from majoı shareholders of the Parent Company resulting in a gain on bargain purchase of KD 2,242,000 (Note 17).

9 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Remuneration paid or accrued in relation to key management (which is deemed for this purpose to comprise of Directors, the Chief Executive Officer and other Senior Officers) was as follows:

	2014	*2013*
	KD	*KD*
Salaries and other short-term benefits	**1,626,488**	1,676,712
Employees' end of service benefits	**40,770**	72,799
	1,667,258	1,749,511

The Board of Directors' remuneration of KD 25,000 (2013: KD 25,000) in respect of the year ended 31 December 2014 is subject to approval by the ordinary General Assembly of the equity holders of the Parent Company.

10 CASH AND CASH EQUIVALENTS

	2014	*2013*
	KD	*KD*
Bank balances and cash	**5,168,163**	14,950,567
Bank overdrafts	**(4,492,424)**	(8,817,818)
Restricted bank balance*	**-**	(10,479,875)
Cash and cash equivalents included in consolidated statement of cash flows	**675,739**	(4,347,126)

Bank overdrafts are repayable on demand and carry effective interest rates of up to 4% (2013: 5.5%) per annum.

* During 2013, the Parent Company had deposited KD 10,479,875 into an 'Escrow account' for the purpose of acquiring equity interests in UNITRA and METS and the balance was considered a restricted bank balance. During the year, this deposit was utilised to pay for the consideration of the acquisition.

11 LOANS AND BORROWINGS

Currency	*Current*		*Non – current*	
	2014	*2013*	*2014*	*2013*
	KD	*KD*	*KD*	*KD*
Kuwaiti Dinars	**11,027,845**	14,259,800	**92,250**	620,415
UAE Dirhams	**-**	472,029	**-**	-
US Dollars	**13,559,765**	7,722,092	**6,269,928**	10,454,350
Qatari Riyals	**-**	1,222,134	**-**	58,208
	24,587,610	23,676,055	**6,362,178**	11,132,973

Loans and borrowings carry interest at commercial rates.

Loans and borrowings of KD 620,415 (2013: KD 1,280,415) are secured against certain property, plant and equipment (Note 3).

12 TRADE AND OTHER PAYABLES

	2014	*2013*
	KD	*KD*
Trade payable	**23,399,054**	15,463,206
Accrued expenses	**9,192,012**	5,659,360
Other payables	**1,088,246**	1,339,617
Advance from customers	**32,288**	268,713
	33,711,600	22,730,896

13 SHARE CAPITAL AND RESERVES

a) Share capital

	2014	*2013*
	KD	*KD*
Authorised, issued and fully paid up in cash:		
296,500,000 (2013: 198,000,000) shares of 100 (2013: 100) fils	**29,650,000**	19,800,000

On 24 August 2014, the shareholders at the Extra-ordinary General Assembly approved issuance of 98,500,000 bonus shares of 100 fils each. As a result, the shares of the Parent Company increased to 296,500,000.

b) Statutory reserve
In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital.

Distribution of the statutory reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of such dividend.

c) Voluntary reserve
In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution in General Assembly of the Parent Company's shareholders upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution.

14 OTHER INCOME

	2014	*2013*
	KD	*KD*
Gain on disposal of property, plant and equipment	**309,719**	2,155,438
Gain on sale of an investment property (Note 9)	**952,964**	-
Other income	**358,685**	320,331
Foreign exchange gain	**602,707**	105,648
Write back of provision no longer required	**-**	642,511
Gain on disposal of an investment in an associate	**-**	1,289,437
	2,224,075	4,513,365

15 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2014 ***KD***	*2013* *KD*
Staff costs	**23,744,801**	19,684,614
Rental – operating leases	**4,633,869**	2,967,138
(Write back of) /allowance for obsolete and slow moving inventories (Note 8)	**(179,525)**	971,713
Inventories recognised as expense upon sale of goods and rendering services	**127,213,555**	98,995,089

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	2014 ***KD***	*2013* *KD*
Profit for the year	**14,752,784**	10,433,729
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the year [Note 13(a)]	**296,500,000**	296,500,000
Basic and diluted earnings per share	**49.76 Fils**	35.19 Fils

Basic and diluted earnings per share for the comparative year is adjusted to reflect the effect of bonus shares issued on 24 August 2014 (Note 13).

17 BUSINESS COMBINATION

On 9 January 2014, the Parent Company acquired 100% equity interest in UNITRA International L.L.C. ("UNITRA") and Middle East Trading Store L.L.C. ("METS") (collectively referred to as "acquiree companies"), companies incorporated in the United Arab Emirates (U.A.E.). Principal activity of the acquiree companies is trading in food and beverages.

During the year, the Group finalized the Purchase Price Allocation ("PPA") exercise and determined that the fair value of the assets and liabilities acquired do not materially differ from their provisionally determined fair values as at the acquisition date.

The consideration paid and the values of assets acquired and liabilities assumed are summarized as follows:

17 BUSINESS COMBINATION (continued)

	UNITRA *KD*	*METS* *KD*	*Total* *KD*
Assets:			
Property, plant and equipment	77,704	9,397	**87,101**
Trade and other receivables	2,250,084	603,822	**2,853,906**
Inventories	902,784	263,367	**1,166,151**
Bank balances and cash	641,258	15,466	**656,724**
	3,871,830	892,052	**4,763,882**
Liabilities:			
Employees' end of service benefits	321,194	10,658	**331,852**
Trade and other payables	2,593,720	291,412	**2,885,132**
	2,914,914	302,070	**3,216,984**
Total identifiable net assets at fair values	956,916	589,982	**1,546,898**
Consideration paid			**10,502,096**
Goodwill			**8,955,198**
Consideration paid			**10,502,096**
Cash and cash equivalents acquired			**(656,724)**
Net cash outflow on acquisition			**9,845,372**

From the date of acquisition, UNITRA and METS has contributed KD 20,542,126 and KD 2,809,573 of revenue respectively and profit of KD 2,228,865 and KD 58,570 respectively to profit before contribution to KFAS and Zakat of the Group. The pre-acquisition revenues and results are immaterial to the Group as they represents only 8 days of operations.

Year ended 31 December 2013
On 31 January 2013, the Parent Company acquired 51% equity interest of Al Wazzan Foodstuffs Factory L.L.C. ("Snack Factory"), a company incorporated in the U.A.E. from a related party (Note 9 (iii)). The provisional gain on bargain purchase of KD 2,242,000 on acquisition of Snack Factory was recognised in the consolidated statement of income for the year ended 31 December 2013. Net cash inflow on acquisition of 51% equity interest of Al Wazzan Foodstuffs Factory L.L.C. ("Snack Factory") was KD 37,997.

The management of the Parent Company completed the PPA exercise during the year and this did not result in any change to the previously recognised fair values of assets acquired, liabilities assumed and gain on bargain purchase. Accordingly, there is no impact on the consolidated financial statement.

18 ACQUISITION OF NON-CONTROLLING INTERESTS

i) During the year, the Parent Company acquired additional equity interest in certain subsidiaries from a related party (Note 9 (ii)) for a total consideration of KD 448,329.

ii) During the year, the Parent Company entered into an agreement with the minority shareholders to acquire the remaining shares held by them in certain subsidiaries (Kuwait Indo Trading Company W.L.L. (KITCO), Gulf Pastries Manufacturing Company W.L.L. (GPM), Kuwait Biscuit and Food Products Manufacturing Company W.L.L. (KBC) and Al Wazzan Foodstuff Factory) (Note 9 (ii)) for a total consideration of KD 1,200,000 to be paid by the Parent Company and 18,383,563 existing shares of the Parent Company to be transferred by the shareholders of the Parent Company. The agreement required KD 1,200,000 to be paid by the Parent Company over a period of 3 years and accordingly it has been classified under 'due to related parties' in the consolidated statement of financial position. This transaction resulted in a difference of KD 5,863,011 and is recorded directly in equity in 'Retained earnings' in accordance with IFRS 10: *Consolidated Financial Statement.* During the year, KD 200,000 was paid in cash whereas the balance of KD 1,000,000 is payable as at 31 December 2014 and included in amount due to related parties.

19 CONTINGENCIES AND COMMITMENTS

(a) Contingencies:

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

	2014 *KD*	*2013* *KD*
Letters of guarantee	**11,546,095**	9,522,527
Letters of credit	**4,628,563**	1,274,721
	16,174,658	10,797,248

Letters of credit, guarantees (including standby letters of credit) 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 claims

In addition to the above, the Group is involved in various incidental claims and legal proceedings matters. The legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying consolidated financial statements.

(b) Commitments:

	2014 *KD*	*2013* *KD*
Capital expenditure commitments		
Future estimated capital expenditure contracted for at the reporting date:		
Property, plant and equipment	**968,508**	4,460,135
Intangible assets	**55,258**	582,300
	1,023,766	5,042,435
Operating lease commitments:		
Future minimum lease payments:		
Within one year	**1,913,819**	1,663,378
After one year but not more than five years	**1,806,413**	959,486
Total operating lease expenditure contracted for at the reporting date	**3,720,232**	2,622,864

20 SEGMENTAL INFORMATION

For management reporting purposes, the Group is organised into five major operating segments 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:

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 namely meat products, cakes, biscuits, potato chips, snacks, canned food products, dairy products and water.
Fast Moving Consumer Goods ("FMCG")	:	FMCG mainly comprises of distribution of health and beauty products, medicines, medical products and household products.
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.
Industrial	:	Industrial comprises of the manufacturing of goods including plastic materials, lube oil and cartons used for packaging.
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.
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.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments. Taxation and Board of Directors' remuneration are managed on an overall basis and are not allocated to the corporate segments.

As at 31 December 2014

20 SEGMENTAL INFORMATION (continued)

a) The following table presents information regarding the Group's operating segments.

	Year ended 31 December 2014								
	Food				*Non-food*			*Corporate*	
	Food KD	***Catering KD***	***Services KD***	***Sub-total KD***	***FMCG KD***	***Industrial KD***	***Sub-total KD***	***KD***	***Total segment KD***
Revenue	92,417,266	27,521,113	13,251,783	**133,190,162**	42,800,530	6,398,195	**49,198,725**	114,860	**182,503,747**
Operating profit	11,492,611	2,483,167	2,553,332	**16,529,110**	1,632,635	(83,349)	**1,549,286**	104,100	**18,182,496**
Segment profit	10,263,453	2,386,476	2,314,120	**14,964,049**	1,192,142	(94,719)	**1,097,423**	310,796	**16,372,268**
Total assets	77,207,368	18,881,038	7,547,504	**103,635,910**	44,116,939	8,965,995	**53,082,934**	7,105,788	**163,824,632**
Total liabilities	16,249,844	7,649,376	2,061,742	**25,960,962**	8,227,076	3,258,297	**11,485,373**	37,719,318	**75,165,653**
Other disclosures:									
Depreciation and amortisation	2,102,161	970,930	228,829	**3,301,920**	334,126	468,860	**802,986**	391,655	4,496,561
Investment in associates	-	-	-	-	-	-	-	983,559	**983,559**
Capital expenditure (excluding goodwill)	6,906,462	772,529	2,970,706	**10,649,697**	222,268	1,241,775	**1,464,043**	691,576	12,805,316
Impairment of property, plant and equipment	513,472	53,568	239,212	**806,252**	-	-	-	-	**806,252**
Impairment of intangible assets	-	-	-	-	78,865	-	**78,865**	-	**78,865**

20 SEGMENTAL INFORMATION (continued)

	Year ended 31 December 2013								
	Food				*Non-food*			*Corporate*	
	Food KD	*Catering KD*	*Services KD*	*Sub-total KD*	*FMCG KD*	*Industrial KD*	*Sub-total KD*	*KD*	*Total segment KD*
Revenue	63,275,091	25,020,600	4,058,952	92,354,643	41,578,815	8,304,878	49,883,693	138,388	142,376,724
Operating profit	6,363,920	648,183	997,831	8,009,934	1,862,545	(487,017)	1,375,528	2,629,493	12,014,955
Segment profit	5,504,667	648,168	997,831	7,150,666	1,300,887	(507,020)	793,867	5,124,307	13,068,840
Total assets	61,604,580	16,131,377	5,673,335	83,409,292	42,273,590	8,087,195	50,360,785	20,897,538	154,667,615
Total liabilities	12,749,633	6,833,277	960,523	20,543,433	6,503,388	2,357,847	8,861,235	43,030,703	72,435,371
Other disclosures:									
Depreciation and amortisation	1,871,761	873,098	151,420	2,896,279	353,080	464,270	817,350	464,210	4,177,839
Investment in associates	-	-	-	-	-	-	-	944,864	944,864
Capital expenditure	5,496,933	837,276	453,255	6,787,464	351,777	462,118	813,895	350,353	7,951,712
Impairment of intangible assets	-	-	-	-	16,838	-	16,838	-	16,838

20 SEGMENTAL INFORMATION (continued)

b) The following table presents information regarding the Group's geographical segments.

	Kuwait KD	*Saudi Arabia KD*	*U.A.E KD*	*Qatar KD*	*Jordan KD*	*Afghanistan KD*	*Sub-total KD*
Year ended 31 December 2014							
Revenue	122,655,242	-	31,617,301	17,144,134	3,762,659	7,324,411	**182,503,747**
Non-current assets	53,124,199	4,749,600	7,461,660	10,702,794	2,742,282	194,562	**78,975,097**
Year ended 31 December 2013							
Revenue	120,566,443	-	5,713,372	15,055,836	6,505	1,034,568	142,376,724
Non-current assets	44,080,051	2,298,696	5,363,735	8,710,284	2,613,917	45,850	63,112,533

21 PROPOSED DIVIDENDS

The Board of Directors of the Parent Company recommended a cash dividend of KD 8,700,000 (2013: KD 4,850,000) in respect of the year ended 31 December 2014,which is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. They are monitored through the Group's strategic planning process.

The Group's principal financial liabilities comprise bank overdrafts, trade and other payables, loan and borrowings and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, due to related parties, trade receivables and financial assets available for sale which arise directly from its operations.

The management of the Group is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

22.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade and other receivables, amounts due from related parties and financial assets available for sale.

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure is the carrying amount as disclosed in Note 7. The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2014 and 31 December 2013.

The Group sells its products and renders services to a large number of customers. Its 5 largest customers account for 34% of outstanding trade receivables at 31 December 2014 (2013: 28%).

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

22.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring that bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of sale/rendering services, unless otherwise covered by a specific contract or agreement. The Group's terms of trade with its principal suppliers generally require the amounts to be paid within periods ranging from 30 to 60 days from the date of purchase unless otherwise covered

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Liquidity risk (continued)

by specific contract or agreement. The maturity profile is monitored by Group's management to ensure adequate liquidity is maintained.

Liquidity risk is managed by the finance department of the Parent Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2014	***On demand KD***	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Loans and borrowings	**-**	**2,109,000**	**25,404,576**	**6,869,124**	**34,382,700**
Trade and other payables	**-**	**33,711,600**	**-**	**-**	**33,711,600**
Due to related parties	**1,023,859**	**100,000**	**300,000**	**600,000**	**2,023,859**
Bank overdrafts	**4,492,424**	**-**	**-**	**-**	**4,492,424**
Total undiscounted liabilities	**5,516,283**	**35,920,600**	**25,704,576**	**7,469,124**	**74,610,583**
Commitments	**-**	**868,812**	**154,954**	**-**	**1,023,766**

2013	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	1,296,632	22,471,686	11,386,367	35,154,685
Trade and other payables	-	22,730,896	-	-	22,730,896
Due to related parties	2,740,501	-	-	-	2,740,501
Bank overdrafts	8,817,818	-	-	-	8,817,818
Total undiscounted liabilities	11,558,319	24,027,528	22,471,686	11,386,367	69,443,900
Commitments	-	1,159,468	2,132,967	1,750,000	5,042,435

Included in loans and borrowings is an amount of KD 21,543,147 (2013: KD 21,321,892) which represents revolving facilities and the management is confident that the facilities will be renewed on expiry.

22.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

22.3.1 Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank overdrafts and loans and borrowings with floating interest rates.

The Group's policy is to manage its interest cost by availing competitive credit facilities from the local and regional financial institutions and constantly monitoring interest rate fluctuations.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3.1 Interest rate risk (continued)

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would equally impact the Group's profit before contribution to KFAS, Zakat and Board of Directors' remuneration as follows:

Currency	*Increase of 25 basis points* *Decrease in profit before KFAS, Zakat and Board of Director's remuneration*	
	2014	*2013*
	KD	*KD*
Kuwaiti Dinar	**27,800**	(56,572)
US Dollar	**49,574**	(45,441)
Qatari Riyals	**-**	(4,334)
U.A.E. Dirhams	**-**	(2,703)

The decrease in the basis points will have an opposite impact on the net interest income. There is no direct impact on the Group's other comprehensive income.

22.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group is mainly exposed to foreign currency risk on its trade receivables, trade accounts payables denominated in foreign currencies and net investment in foreign operations.

The table below analyses the effect on profit before contribution to KFAS, Zakat and Board of Director's remuneration (due to change in the fair value of monetary assets and liabilities) and other comprehensive income of an assumed 5% strengthening in the value of the currency rate against the KD from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or other comprehensive income, whereas a positive amount reflects a net potential increase.

	Change in currency rate by + 5%			
Currency	*Effect on profit before KFAS, Zakat and Board of Director's remuneration*		*Effect on other comprehensive income*	
	2014	*2013*	***2014***	*2013*
	KD	*KD*	***KD***	*KD*
U.A.E. Dirhams	**360,333**	64,859	**734,010**	-
Euro	**(45,638)**	2,570	**-**	-
British Pound	**(4,178)**	(8,959)	**-**	-
Saudi Riyals	**200,881**	(43,607)	**-**	-
US Dollars	**(454,855)**	(117,560)	**(970,184)**	-
Jordanian Dinar	**169,800**	7,960	**-**	-
Qatari Riyal	**204,161**	5,798	**-**	-

An equivalent weakening in each of the abovementioned currencies against the KD would result in an equivalent but opposite impact.

22.3.3 Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. The Group manages this through diversification of investments in terms of industry concentration. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets available for sale.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3.3 Equity price risk (continued)

The Group has unquoted financial assets available for sale which are carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

22.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

22.5 Operation risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, trade and other receivables, bank balances and cash and due from related parties. Financial liabilities consist of bank overdrafts, loans and borrowing, trade and other payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

The fair values of financial instruments, except unquoted equity securities carried at cost, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to variable rate financial instruments.

24 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the net fair values of derivative financial instruments, together with the notional amounts analysed by maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk.

24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2014	***Positive fair value KD***	***Negative fair value KD***	***Notional amount KD***	***Notional amounts by term to maturity: Up to 3 months KD***	***Notional amounts by term to maturity: 3-12 months KD***
Forward foreign exchange contracts	10,936	-	**1,862,455**	**1,862,455**	-

2013	*Positive fair Value KD*	*Negative fair value KD*	*Notional amount KD*	*Notional amounts by term to maturity: Up to 3 months KD*	*Notional amounts by term to maturity: 3-12 months KD*
Forward foreign exchange contracts	13,171	(14,471)	8,960,145	6,474,500	2,485,645

The forward foreign exchange contracts are fair valued using valuation technique as described in note 2 above and are classified under level 2 fair value hierarchy.

25 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

Based on considerations of various stakeholders, capital at the Parent Company is monitored in terms of debt/equity ratio, which is net debt divided by total capital plus net debt. The Parent Company includes within net debt, loans and borrowings and bank overdrafts less bank balances and cash. Total capital represents total equity attributable to the equity holders of the Parent Company.

	2014 KD	*2013 KD*
Loans and borrowings	**30,949,788**	34,809,028
Bank overdrafts	**4,492,424**	8,817,818
Restricted bank balance	**-**	10,479,875
Less: Bank balances and cash	**(5,168,163)**	(14,950,567)
Net debt	**30,274,049**	39,156,154
Equity attributable to the equity holders of the Parent Company	**86,518,416**	70,747,244
Total capital plus net debt	**116,792,465**	109,903,398
Debt : Equity ratio	**26:74**	36:64

The Parent Company manages the capital needs of its subsidiaries to ensure that their capital is adequate to support the business and financial exposure.

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