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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mezzan Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of goodwill

As at 31 December 2018, the carrying value of goodwill amounted to KD 11.46 million (2017: KD 11.39 million), representing 5.25% (2017: 5.40%) of the total assets of the Group. The majority of goodwill has been allocated to cash-generating units (CGUs) acquired in a business combination as disclosed in Note 4 to the consolidated financial statements.

The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less cost to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).

The Group engaged an external expert to assist with the impairment testing.

Our audit procedures included, among others, the following:

- We have involved our internal valuation specialists to assist us in challenging the methodology used in the impairment assessment and evaluating the appropriateness of key assumptions applied in the impairment analysis, such as the discount rate and terminal growth rate.
- We have evaluated whether the management's external expert has the necessary competence, capabilities and objectivity for audit purposes.
- We validated the cash flow projections used in the valuation and whether these are consistent with management's approved business plan. We have also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the reasonableness of the cash flow forecasts.
- We evaluated the adequacy of the Group's disclosures concerning goodwill in Note 4 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Expected credit losses (ECL) for trade receivables

As at 31 December 2018, trade receivables amounted to KD 42.13 million (2017: KD 41.1 million), representing 19.33% (2017: 19.5%) of total assets of the Group. Effective from 1 January 2018, the Group has applied the simplified approach under IFRS 9: *'Financial Instruments'* ("IFRS 9") to measure ECL on trade receivables, which allows for lifetime ECL to be recognised from initial recognition of the trade receivables. The Group determines the ECL on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the individual trade receivables and the economic environment. Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- We have assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information.
- We have also tested the application controls associated with the completeness and accuracy of the information included in the debtors' ageing report. Further, in order to evaluate the appropriateness of management judgements, we verified, on a sample basis, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.
- We also considered the adequacy of the Group's disclosures relating to ECL, management's assessment of the credit risk and their responses to such risks in Note 7 and Note 21.1 to the consolidated financial statements.

Allowances against inventories

The Group is in the business of manufacturing, trading and distribution of various products relating to food industry, fast moving consumer goods, catering and other industrial products and is subject to changing consumer demands and market trends, increasing the level of judgment involved in estimating allowances for obsolete and slow moving inventories. Judgment is required to assess the appropriate level of allowance for items, which may be ultimately destroyed or sold below cost as a result of a reduction in consumer demand. Such judgments include management's expectations for future sales and inventory liquidation plans. Estimation process of the allowance is disclosed in Note 2.5 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Allowances against inventories (continued)

Our audit procedures included, among others, the following:

- We reviewed the basis for the allowance by understanding and challenging the key assumptions used. In doing so, we understood the aging profile of the inventory, identification of obsolete and damaged inventories and the process for identifying specific problem inventory. Furthermore, we recalculated the inventory allowance based on the above key assumptions to assess the mathematical accuracy of the calculation.
- We also considered the adequacy of the Group's disclosures relating to inventory and related allowances in Note 8 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

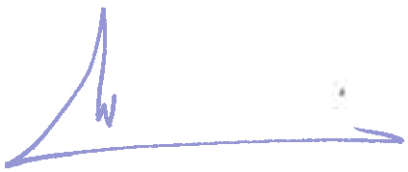
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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



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

24 March 2019
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 KD	2017 KD
ASSETS			
Non-current assets			
Property, plant and equipment	3	**80,209,212**	77,113,969
Intangible assets	4	**13,528,571**	13,566,688
Investment in associates	5	**1,241,225**	1,124,307
Investment properties	6	**4,095,856**	4,176,695
Biological assets		**585,810**	696,571
Investment securities		**1,692,239**	763,423
		101,352,913	97,441,653
Current assets			
Trade and other receivables	7	**58,897,761**	60,202,793
Inventories	8	**40,971,215**	37,516,148
Bank balances and cash	10	**16,677,660**	15,726,298
		116,546,636	113,445,239
TOTAL ASSETS		**217,899,549**	210,886,892
LIABILITIES			
Non-current liabilities			
Employees' defined benefit obligations	11	**5,845,501**	4,449,137
Loans and borrowings	12	**2,552,760**	3,991,185
		8,398,261	8,440,322
Current liabilities			
Loans and borrowings	12	**50,702,971**	39,651,640
Trade and other payables	13	**39,341,645**	41,153,404
Bank overdrafts	10	**8,906,974**	6,555,908
		98,951,590	87,360,952
TOTAL LIABILITIES		**107,349,851**	95,801,274
NET ASSETS		**110,549,698**	115,085,618
EQUITY			
Share capital	14	**31,132,500**	31,132,500
Treasury shares	14	**(4,463,160)**	(37,500)
Statutory reserve	14	**16,601,335**	16,601,335
Voluntary reserve	14	**16,601,335**	16,601,335
Retained earnings		**46,891,407**	46,296,483
Foreign currency translation reserve		**(468,207)**	(554,967)
Fair value reserve		**975,219**	46,403
Other reserve	14	**(1,210,669)**	-
Equity attributable to equity holders of the Parent Company		**106,059,760**	110,085,589
Non-controlling interests		**4,489,938**	5,000,029
TOTAL EQUITY		**110,549,698**	115,085,618

Abdul Rahman Jassim Mohammed Al Wazzan
(Chairman)

Garrett Walsh
(Chief Executive Officer)

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Revenue		**207,471,048**	204,548,025
Cost of revenue		**(163,452,214)**	(151,109,967)
GROSS PROFIT		**44,018,834**	53,438,058
Operating expenses			
General and administrative expenses		**(18,549,573)**	(16,696,874)
Selling and distribution expenses		**(16,844,976)**	(22,397,516)
Other income	15	**1,886,735**	1,578,812
Operating profit		**10,511,020**	15,922,480
Share of results of associates	5	**116,918**	110,266
Finance costs		**(2,764,974)**	(2,188,176)
Impairment of property, plant and equipment	3	**-**	(260,829)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**7,862,964**	13,583,741
Kuwait Foundation for the Advancement of Sciences ("KFAS")		**(81,510)**	(122,978)
National Labour Support Tax ("NLST")		**(229,982)**	(358,805)
Zakat		**(91,177)**	(142,788)
Directors' remuneration	9	**(75,000)**	(100,000)
PROFIT FOR THE YEAR	16	**7,385,295**	12,859,170
Attributable to:			
Equity holders of the Parent Company		**7,673,379**	12,939,671
Non-controlling interests		**(288,084)**	(80,501)
		7,385,295	12,859,170
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	17	**24.87 Fils**	41.56 Fils

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 *KD*	*2017* *KD*
Profit for the year	**7,385,295**	12,859,170
Other comprehensive income:		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Net (loss) gain on hedge of investment in foreign operations	**(75,034)**	2,969
Exchange difference on translation of foreign operations	**124,236**	(519,323)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	**49,202**	(516,354)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(25,151)**	-
Remeasurement loss on defined benefit plans	**(1,196,386)**	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(1,221,537)**	-
Other comprehensive loss for the year	**(1,172,335)**	(516,354)
Total comprehensive income for the year	**6,212,960**	12,342,816
Attributable to:		
Equity holders of the Parent Company	**6,524,319**	12,483,524
Non-controlling interests	**(311,359)**	(140,708)
	6,212,960	12,342,816

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the year before tax and Directors' remuneration		7,862,964	13,583,741
Adjustments to reconcile profit before tax and Board of Directors' remuneration to net cash flows:			
Depreciation	3 & 6	5,377,644	4,845,642
Amortisation of intangible assets	4	372,139	314,719
Provision for employees' end of service benefits		1,288,637	1,331,380
Provision for obsolete and slow-moving inventories	8	50,787	146,559
Allowance for expected credit losses (2017: Provision for impairment of trade receivables)	7	769,574	532,978
Share of results of associates	5	(116,918)	(110,266)
Impairment of property, plant and equipment	3	-	260,829
Gain on disposal of property, plant and equipment and intangible assets	15	(1,113,324)	(10,466)
Gain on revaluation of biological assets		(116,148)	(137,980)
Loss on disposal of biological assets		61,371	51,744
Write-off of biological assets		24,927	35,299
Finance costs		2,764,974	2,188,176
Dividend income	15	(81,563)	(73,406)
Net foreign exchange differences	15	(152,356)	4,843
		16,992,708	22,963,792
Working capital adjustments:			
Trade and other receivables		288,505	9,112,339
Inventories		(3,507,206)	(1,051,074)
Net movement in amounts due from / to related parties		542,378	(874,221)
Trade and other payables		(2,676,876)	(4,637,223)
Cash from operations		11,639,509	25,513,613
Employees' end of service benefits paid		(1,099,985)	(928,097)
Net cash flows from operating activities		10,539,524	24,585,516
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(8,794,159)	(16,646,577)
Proceeds from disposal of property, plant and equipment		1,779,951	441,128
Purchase of intangible assets	4	(286,599)	(287,609)
Proceeds from disposal of intangible assets		16,797	28,000
Acquisition of non-controlling interests		-	(7,054)
Proceeds from disposal of biological assets		140,611	107,242
Dividend income received	15	81,563	73,406
Net cash flows used in investing activities		(7,061,836)	(16,291,464)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		10,855,341	7,024,780
Repayment of loans and borrowings		(1,438,425)	(2,464,802)
Purchase of treasury shares		(4,425,660)	(37,500)
Dividends paid to equity holders of Parent Company		(6,848,050)	(8,717,100)
Dividends paid to non-controlling interests		(198,732)	(196,522)
Finance costs paid		(2,764,974)	(2,188,176)
Net cash flows used in financing activities		(4,820,500)	(6,579,320)
Effect of foreign currency differences		(56,892)	(508,689)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,399,704)	1,206,043
Cash and cash equivalents at 1 January		9,170,390	7,964,347
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	7,770,686	9,170,390
Non-cash transactions excluded from the statement of cash flows are as follows:			
Impact on recognition of ECL on trade receivables		(230,405)	-

The attached notes 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company										
	Share capital KD	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Retained earnings KD*	*Foreign currency translation reserve KD*	*Fair value reserve KD*	*Other reserve KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2018 as previously reported (audited)	31,132,500	(37,500)	16,601,335	16,601,335	46,296,483	(554,967)	46,403	-	110,085,589	5,000,029	115,085,618
Transition adjustment on initial application of IFRS 9 at 1 January 2018 (Note 2.2)	-	-	-	-	(230,405)	-	953,967	-	723,562	-	723,562
As at 1 January 2018 (restated)	31,132,500	(37,500)	16,601,335	16,601,335	46,066,078	(554,967)	1,000,370	-	110,809,151	5,000,029	115,809,180
Profit for the year	-	-	-	-	7,673,379	-	-		7,673,379	(288,084)	7,385,295
Other comprehensive income (loss)	-	-	-	-	-	86,760	(25,151)	(1,210,669)	(1,149,060)	(23,275)	(1,172,335)
Total comprehensive income (loss) for the year	-	-	-	-	7,673,379	86,760	(25,151)	(1,210,669)	6,524,319	(311,359)	6,212,960
Purchase of treasury shares	-	(4,425,660)	-	-	-	-	-	-	(4,425,660)	-	(4,425,660)
Cash dividends (Note 20)	-	-	-	-	(6,848,050)	-	-	-	(6,848,050)	-	(6,848,050)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(198,732)	(198,732)
As at 31 December 2018	**31,132,500**	**(4,463,160)**	**16,601,335**	**16,601,335**	**46,891,407**	**(468,207)**	**975,219**	**(1,210,669)**	**106,059,760**	**4,489,938**	**110,549,698**

The attached notes 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company									
	Share capital KD	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Retained earnings KD*	*Foreign currency translation reserve KD*	*Fair value Reserve KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2017	31,132,500	-	15,234,911	15,234,911	44,803,621	(98,820)	46,403	106,353,526	5,347,452	111,700,978
Profit (loss) for the year	-	-	-	-	12,939,671	-	-	12,939,671	(80,501)	12,859,170
Other comprehensive loss	-	-	-	-	-	(456,147)	-	(456,147)	(60,207)	(516,354)
Total comprehensive income (loss) for the year	-	-	-	-	12,939,671	(456,147)	-	12,483,524	(140,708)	12,342,816
Transfers to reserves	-		1,366,424	1,366,424	(2,732,848)	-	-	-	-	-
Purchase of treasury shares	-	(37,500)	-	-	-	-	-	(37,500)	-	(37,500)
Cash dividends (Note 20)	-	-	-	-	(8,717,100)	-	-	(8,717,100)	-	(8,717,100)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(196,522)	(196,522)
Acquisition of non-controlling interest without change in control	-	-	-	-	3,139	-	-	3,139	(10,193)	(7,054)
As at 31 December 2017	31,132,500	(37,500)	16,601,335	16,601,335	46,296,483	(554,967)	46,403	110,085,589	5,000,029	115,085,618

The attached notes 1 to 24 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Mezzan Holding Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 21 March 2019. The shareholders have the power to amend the consolidated financial statements at the annual general assembly meeting (AGM).

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

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 units in limited liability companies whether Kuwaiti or foreign, or participating in establishing these companies, managing them and sponsoring them on behalf of others.
b) Providing loans to companies in which the Parent Company holds shares or sponsors. In such cases, it is necessary that the participation ratio of the Parent Company in the share capital of the borrowing company not to be less than 20%.
c) Owning intellectual property including patents, trademarks, industrial fees or any other related rights and leasing them to other companies to make use of them inside Kuwait and abroad.
d) Holding movable or real estate assets necessary to carry out its activities within the limits allowed by law.

The Group is allowed to conduct the above-mentioned operations in the State of Kuwait or abroad by its own or as an agent on behalf of other parties. The Group may have an interest or in any way be associated with entities engaged on activities similar to its own or which may assist the Group in achieving its objectives in Kuwait or abroad, or may establish, participate in or acquire these entities or affiliate itself to it.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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").

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets and investment securities that have been measured at fair value.

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 POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15: *Revenue from Contracts with Customers*
The Group has adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 1 January 2018 using a modified retrospective method of adoption by not restating the comparative information.

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 15: *Revenue from Contracts with Customers (continued)*
IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The overall impact assessment in application of IFRS 15 for the Group has been carried out by the management based on comprehensive analysis to evaluate implications on adopting IFRS 15 for the Group.

Sale of goods
For contracts with customers in which the sale of goods are generally expected to be the only performance obligation, adoption of IFRS 15 did not have any material impact on the Group's revenue and income.

Revenue recognition from sale of goods is expected to occur at a point in time when control of the goods are transferred to the customer, generally on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised at a point in time when related services are provided. For contracts with customers in which the rendering of services are generally expected to be the only performance obligation, adoption of IFRS 15 did not have any material impact on the Group's revenue and income.

Based on its assessment, the Group did not have any material impact on the application of IFRS 15 in transition to result in significant impact on its past results. Accordingly, no restatements have been made to the consolidated financial statements despite the adoption of the standard on modified retrospective approach.

IFRS 9 - *Financial Instruments*
The Group has applied IFRS 9 and related consequential amendment to other IFRS in advance of their effective date. The date of initial application (i.e. the date on which the Group has assessed its existing financial assets) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018.

IFRS 9 introduces new requirements for a) the classification and measurement of financial assets, b) impairment for financial assets and c) general hedge accounting. Details of these new requirement as well as their impact on the Group's consolidated financial statements are described below. The Group has not entered into any derivative transactions during the year and not have any outstanding derivative as at date of initial application, hence no related disclosures are included below.

Classification and measurement of financial assets and financial liabilities
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets such as trade receivables, amounts due from related parties and bank balances and cash that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Equity investments in non-listed companies classified as AFS financial assets as at 31 December 2017 are classified and measured as Equity instruments designated at fair value through OCI beginning 1 January 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.
- There were no financial liabilities which the Group has elected to designate at fair value through profit or loss ("FVTPL") at the date of initial application of IFRS 9.

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using the effective interest rate method. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 9 - *Financial Instruments (continued)*

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' ('ECL') model. The new impairment model outlines a 'three stage' model ('general approach') for impairment based on the changes in credit quality since the initial recognition. Under the general approach, ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition (i.e. 'good' exposures), an allowance is to be provided for credit losses that result from default events 'that are possible' within the next 12 months (a 12 month ECL – Stage 1 of the model).

For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the default (a lifetime ECL – Stage 2 of the model).

Financial assets are assessed as credit impaired (Stage 3 of the model) when one or more events that have a detrimental impact on the estimated future cash flows of those assets have occurred.

An alternative to the 'general approach' is the 'simplified approach' that can be applied to trade receivables or contract assets that do not contain a significant financing component. The loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

The Group has elected to apply the simplified approach. Under the simplified approach, the Group shall apply forward looking provision matrix to calculate the impairment allowance.

For an explanation of how the Group applies the impairment requirements of IFRS 9, refer to the policy under Note 2.4 "Impairment of financial assets".

Impact of initial application of IFRS 9 on equity
The impact of this change in accounting policy relating to classification and measurement of financial assets as at 1 January 2018 is tabulated below:

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

No significant changes were noted in financial liabilities as the Group classified all its financial liabilities at amortised under IAS 39 and the same classification has been carried forward under IFRS 9.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 9 - *Financial Instruments (continued)*

Classification of financial assets on the date of initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39:

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

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

Hedge accounting

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

Amendments to IAS 40 - *Transfers of Investment Property*

The amendment is applied prospectively, however, retrospective application in accordance with IAS 8 is permitted if possible without the use of hindsight. The amendment clarifies when an entity should transfer property, including property under construction or development into, or out of, investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This is effective for accounting periods beginning on or after 1 January 2018. There has been no change in use of any of the Group's investment properties.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

The standards that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. This listing of standards issued is those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

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 the reporting date. 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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.

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 consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The consolidated financial statements of the Group include:

Name of company	*Country of incorporation*	*Legal ownership % at 31 December*		*Principal activities*
		2018	*2017*	
Conserved Foodstuff Distribution Company W.L.L. [1]	Kuwait	**99.99%**	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%**	99.88%	General trading and contracting activities
Al Muntaser Pharmaceutical Company W.L.L. [1]	Kuwait	**99.99%**	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%**	99.99%	Whole sale and retail trade of food stuff
Al Hoda Kuwaiti Foodstuff Company W.L.L. [1]	Kuwait	**99.98%**	99.98%	Exporting ,importing and trading of all kind of food stuff
Al Mansouria Consumer Trading Company W.L.L. [1]	Kuwait	**99.94%**	99.94%	Trading of household goods and cleaning materials
Al Wazzan Trading and Catering Services Company W.L.L. 1	Kuwait	**99.99%**	99.99%	Providing catering services and general trading
National Canned Food Production and Trading Company W.L.L. [1]	Kuwait	**99.99%**	99.99%	Manufacturing and trading of all kinds of food stuffs
Oriental for Catering Services Company W.L.L. [1]	Kuwait	**99.98%**	99.98%	Exporting ,importing and trading of all kind of food stuff
Mezzan Industries Company W.L.L[1]	Kuwait	**99.98%**	99.98%	Manufacturing of paper and nylon products
Kuwait Lube Oil Company K.S.C. (Closed)	Kuwait	**93.76%**	93.76%	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
Plastic Industries Company K.S.C. (Closed)	Kuwait	**55.82%**	55.82%	Manufacturing and trading of household goods
Kuwait Biscuit and Food Products Manufacturing Company W.L.L.("KBC') [1]	Kuwait	**99.99%**	99.99%	Manufacturing and trading of biscuits and related products
Gulf Pastries Manufacturing Company W.L.L. ("GPM') [1]	Kuwait	**99.98%**	99.98%	Manufacturing and sale of pastries and cakes
Kuwait Indo Trading Company W.L.L.("KITCO') [1]	Kuwait	**99.99%**	99.99%	Manufacturing and sale of food stuff

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name of company	*Country of incorporation*	*Legal ownership % at 31 December*		*Principal activities*
		2018	*2017*	
Mezzan Logistics for Transport and Storage Company K.S.C. (Closed) [1]	Kuwait	**96%**	96%	Logistics services and storage facilities
Emirates Star Services L.L.C. [1]	U.A.E.	**99%**	99%	Providing catering services and running restaurants
Qatar Star Services L.L.C. [2]	Qatar	**50%**	50%	Providing catering and cleaning services
Mezzan Saudi Trading Company L.L.C.	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 products and providing related services
Al Wazzan Foodstuffs Factory L.L.C. [1]	U.A.E.	**99%**	99%	Manufacturing and trading of food stuffs
Tazweed Commercial Solutions Company P.S.C. [3]	Jordan	**50%**	50%	Providing catering and retail services
UNITRA International L.L.C. [1]	U.A.E.	**99.67%**	99.67%	Trading of food and beverages
Middle East Trading Store L.L.C. [1]	U.A.E.	**99.67%**	99.67%	Trading of food and beverages
Mezzan Foods Company L.L.C. [4]	Saudi Arabia	**70%**	70%	Manufacturing and distribution of food and beverage products

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

[2] 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%.

[3] As per the terms of the incorporation, the Parent Company is entitled to receive 75% of share of profit or loss.

[4] Subsidiary of Mezzan Saudi Trading Company L.L.C.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge of net investment in foreign operations
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group 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 profit or loss.

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 IFRS 9 either in consolidated statement of profit or loss 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. Other contingent consideration that is not within the scope of IFRS 9, is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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 profit or loss.

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.

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 up to their residual values, 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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
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 profit or loss 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 profit or loss 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 profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as 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 profit or loss.

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 profit or loss when the asset is derecognised.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

A summary of the policies applied to the Group's intangible assets is, as follows:

	Goodwill	Key money	Licenses	Computer software
Useful lives	Indefinite	Finite (based on the minimum lease term)	Indefinite	Finite (8 years)
Amortisation method used	No amortisation	Amortised on a straight-line basis over the minimum lease term	No amortisation	Amortised on a straight-line basis over the expected period over which benefits are 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 profit or loss.

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 profit or loss.

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.

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 profit or loss 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 profit or loss and represents profit or loss after tax and excluding non-controlling interests in the subsidiaries of the associate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
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 in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal is recognised in profit or loss.

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 (building only) 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 profit or loss 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 – initial recognition, subsequent measurement and derecognition
In the current year, the Group has adopted IFRS 9 *Financial Instruments*. See section 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

b) Classification and subsequent measurement

Financial assets

Financial assets - Policy effective from 1 January 2018 (IFRS 9)
On initial recognition, a financial asset is measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL.

The Group's financial assets includes trade receivables, due from related parties, bank balances and cash which are measured at amortised cost and equity investment in non-listed company which is measured as FVOCI.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

▸ Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
▸ Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
▸ Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses arerecognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
▸ Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

b) Classification and subsequent measurement (continued)

Financial assets - Policy effective before 1 January 2018 (IAS 39)
The Group classifies its financial assets at initial recognition into the following categories and is subsequently measured in accordance with IAS 39 as:

▸ Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
▸ Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
▸ Loans and receivables	Measured at amortised cost using the effective interest method.
▸ Available-for-sale financial assets (AFS)	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include trade and other payables, due to related parties and bank overdrafts.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

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

c) Derecognition

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
Policy effective from 1 January 2018 (IFRS 9)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a three stage approach to measure the expected credit loss as follows:

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group's methodology for specific provisions remains largely unchanged.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Policy effective before 1 January 2018 (IAS 39)

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss. Impairment is determined as follows:

(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 profit or loss.
(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 amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Impairment of financial assets (continued)

Policy effective before 1 January 2018 (IAS 39) (continued)
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. Reversal of impairment losses are recognised in the consolidated statement of profit or loss to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date.

Fair value
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.

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 consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the consolidated 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Biological assets
Biological assets comprise livestock and are measured at cost, on initial recognition and at each reporting date, at their fair value less cost to sell, with any resultant gain or loss recognized in the consolidated statement of profit or loss.

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The employees are entitled to an end of service indemnity payable under the respective country regulations based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The present value of end of service indemnity payable, which is unfunded, is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Further, with respect to its national employees, the Group also 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.

Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

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 profit or loss.

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 consolidated statement of comprehensive income, foreign exchange differences are recognised directly in consolidated statement of comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of profit or loss, all differences are recognised in the consolidated statement of profit or loss.

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 consolidated statement of 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 profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition applied from 1 January 2018
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 60 days upon delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group has no material contracts with a right of return and volume rebates.

(ii) Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when the customer pays for that good will be one year or less. The Group does not receive any long term advances from customers.

Rendering of services
Revenue from rendering of service is recognised at the point in time when the service is rendered to the customer.

Revenue recognition applied up to 31 December 2017
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 profit or loss net of any reimbursement.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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.

National Labour Support Tax (NLST)

Contribution to NLST is calculated at 2.5% of the taxable profit of the Group in accordance with Law No. 19 of 2000, National Labor Support Tax Law and the Ministry of Finance resolution No. 24/2006.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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 consolidated statement of financial position date are disclosed as an event after the consolidated 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.

Group as lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Group as a lessee

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 profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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 are 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.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Classification of financial assets

Effective from 1 January 2018 (IFRS 9)
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Effective before 1 January 2018 (IAS 39)
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. 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 and amortisation charge would be adjusted where management believes the useful lives differs 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 consolidated 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.

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 2018 were KD 12,543,442 (2017: KD 12,496,327). Refer to Note 4 for more details.

Impairment of financial assets at amortised cost

Effective before 1 January 2018 (IAS 39)

An estimate of the collectible amount of trade receivables 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.

Effective from 1 January 2018 (IFRS 9)

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 adjusts where the management believes the previous estimates are required to be adjusted. Refer to the policy under Note 2.4 "Employees' end of service benefits".

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.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

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 2018	12,764,707	5,774,146	41,632,773	46,790,705	2,577,884	9,972,067	8,978,954	17,198,545	145,689,781
Additions	-	-	839,323	2,559,018	-	745,340	663,102	3,987,376	8,794,159
Transfers	-	-	5,357,081	7,593,809	2,061	488,588	295,038	(13,736,577)	-
Disposals	(136,871)	-	(243,682)	(589,057)	(6,345)	(867,984)	(110,917)	-	(1,954,856)
Write-offs	-	-	(21,649)	(3,028,282)	(304,696)	(162,114)	(3,504,453)	-	(7,021,194)
Exchange differences	18,967	-	160,596	160,398	5,548	25,306	22,453	14,302	407,570
As at 31 December 2018	**12,646,803**	**5,774,146**	**47,724,442**	**53,486,591**	**2,274,452**	**10,201,203**	**6,344,177**	**7,463,646**	**145,915,460**
Depreciation and impairment:									
As at 1 January 2018	313,784	-	19,057,192	31,856,934	2,476,598	6,767,558	8,103,746	-	68,575,812
Charge for the year	-	-	1,506,236	2,302,427	28,235	832,277	606,782	-	5,275,957
Relating to disposals	-	-	(243,680)	(347,653)	(6,344)	(590,371)	(110,674)	-	(1,298,722)
Relating to write-offs	-	-	(21,646)	(3,022,013)	(304,642)	(162,082)	(3,500,318)	-	(7,010,701)
Exchange differences	1,607	-	50,245	72,930	5,016	15,406	18,698	-	163,902
As at 31 December 2018	**315,391**	-	**20,348,347**	**30,862,625**	**2,198,863**	**6,862,788**	**5,118,234**	-	**65,706,248**
Net book value:								-	
As at 31 December 2018	**12,331,412**	**5,774,146**	**27,376,095**	**22,623,966**	**75,589**	**3,338,415**	**1,225,943**	**7,463,646**	**80,209,212**

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 2017	12,816,818	5,774,146	41,238,276	46,003,489	2,560,351	9,942,340	8,719,784	4,140,275	131,195,479
Additions	-	-	694,275	1,271,228	33,211	732,043	514,800	13,401,020	16,646,577
Disposals	-	-	-	(146,454)	(4,381)	(651,544)	(218,682)	(279,015)	(1,300,076)
Exchange differences	(52,111)	-	(299,778)	(337,558)	(11,297)	(50,772)	(36,948)	(63,735)	(852,199)
As at 31 December 2017	12,764,707	5,774,146	41,632,773	46,790,705	2,577,884	9,972,067	8,978,954	17,198,545	145,689,781
Depreciation and impairment:									
As at 1 January 2017	318,223	-	17,780,993	29,769,036	2,439,274	6,587,968	7,894,885	-	64,790,379
Charge for the year	-	-	1,372,405	2,077,228	43,251	807,964	442,717	-	4,743,565
Impairment	-	-	-	251,506	8,485	-	838	-	260,829
Relating to disposals	-	-	-	(103,728)	(4,380)	(596,674)	(196,832)	-	(901,614)
Exchange differences	(4,439)	-	(96,206)	(137,108)	(10,032)	(31,700)	(37,862)	-	(317,347)
As at 31 December 2017	313,784	-	19,057,192	31,856,934	2,476,598	6,767,558	8,103,746	-	68,575,812
Net book value:									
As at 31 December 2017	12,450,923	5,774,146	22,575,581	14,933,771	101,286	3,204,509	875,208	17,198,545	77,113,969

Capital work-in-progress comprises assets under construction. These are transferred to respective asset groups when it is available for use.

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 (2017: KD 5,774,146) is not depreciated.

3 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year was allocated as follows:

	2018 KD	*2017 KD*
Cost of revenue	**3,061,261**	2,639,142
Selling and distribution expenses	**467,610**	437,499
General and administrative expenses	**1,747,086**	1,666,924
	5,275,957	4,743,565

4 INTANGIBLE ASSETS

	Goodwill KD	*Computer Software KD*	*Other intangible assets KD*	*Asset under development KD*	*Total KD*
Cost:					
As at 1 January 2018	11,392,430	2,454,312	1,740,534	107,082	15,694,358
Additions	-	286,599	-	-	286,599
Transfers	-	107,082	-	(107,082)	-
Disposals	-	-	(16,797)	-	(16,797)
Exchange differences	63,911	522	-	-	64,433
As at 31 December 2018	**11,456,341**	**2,848,515**	**1,723,737**	-	**16,028,593**
Amortisation and impairment:					
As at 1 January 2018	-	1,540,129	587,541	-	2,127,670
Charge for the year	-	356,444	15,695	-	372,139
Exchange differences	-	213	-	-	213
As at 31 December 2018	-	**1,896,786**	**603,236**	-	**2,500,022**
Net book value:					
As at 31 December 2018	**11,456,341**	**951,729**	**1,120,501**	-	**13,528,571**

	Goodwill KD	*Computer software KD*	*Other intangible assets KD*	*Asset under development KD*	*Total KD*
Cost:					
As at 1 January 2017	11,560,943	2,423,298	1,572,400	79,533	15,636,174
Additions	-	31,726	228,334	27,549	287,609
Disposals	-	-	(60,200)	-	(60,200)
Exchange differences	(168,513)	(712)	-	-	(169,225)
As at 31 December 2017	11,392,430	2,454,312	1,740,534	107,082	15,694,358
Amortisation and impairment:					
As at 1 January 2017	-	1,240,922	572,368	-	1,813,290
Charge for the year	-	299,546	15,173	-	314,719
Exchange differences	-	(339)	-	-	(339)
As at 31 December 2017	-	1,540,129	587,541	-	2,127,670
Net book value:					
As at 31 December 2017	11,392,430	914,183	1,152,993	107,082	13,566,688

4 INTANGIBLE ASSETS (continued)

Amortisation charge for the year is included within general and administrative expenses in the consolidated statement of profit or loss.

Goodwill acquired through business combination and license with indefinite lives are allocated to food and fast moving consumer goods cash generating units ("CGU"), which are an operating and reportable segments, and are tested for impairment.

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on five year financial budgets approved by Group management. The discount rate applied to cash flow projections is 8.67% (2017: 8.1%) and cash flows beyond the 5 year period are extrapolated using rate of 2.9% (2017: 3.5%).

As a result of the analysis, the recoverable amount of the CGU based on value in use as at 31 December 2018 was estimated to be KD 13,953,896 (2017: KD 21,181,499), hence exceeding carrying value by KD 2,497,555 of that date (2017: KD 9,789,069). Accordingly, management did not identify an impairment loss during the year ended 31 December 2018 (2017: Nil).

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Revenue;
- Earnings before depreciation;
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Revenue and earnings before depreciation
Revenue and earnings before depreciation assumptions are based on average values achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Growth rates
Assumptions are based on industry research by the management.

Sensitivity to changes in assumptions
Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the intangible asset to exceed its recoverable amount. These are summarised below:

- A rise in the discount rate to 9.2% (i.e. +0.5%) would result in a decrease in value in use by KD 1,067,657.
- A reduction in the long-term growth rate to 2.4% (i.e. -0.5%) would result in a decrease in value in use by KD 894,371.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

5 INVESTMENT IN ASSOCIATES

Set out below are the associates of the Group as at 31 December:

Name of company	*Country of incorporation*	*Activities*	*Equity interest (%)*		*Carrying value*	
			2018	*2017*	*2018*	*2017*
					KD	*KD*
International Paper Products W.L.L.	Kuwait	Manufacturing	**24.34**	24.34	**866,224**	746,426
National Textile Company K.S.C. (Closed)	Kuwait	Manufacturing	**31.65**	31.65	**375,001**	377,881
					1,241,225	1,124,307

The following tables illustrate the summarised financial information of the Group's associates:

	2018 ***KD***	*2017* *KD*
Current assets	**4,227,157**	3,777,463
Non-current assets	**4,874,007**	4,577,663
Current liabilities	**(3,675,811)**	(2,337,974)
Non-current liabilities	**(791,251)**	(1,484,374)
Equity	**4,634,102**	4,532,778
Group's carrying amount of the investment in associates	**1,241,225**	1,124,307

	2018 ***KD***	*2017* *KD*
Revenue	**3,395,179**	2,678,101
Cost of sales	**(2,761,232)**	(1,774,290)
Other expenses	**(423,858)**	(619,697)
Profit for the year	**210,089**	284,114
Total comprehensive income for the year	**210,089**	284,114
Group's share of profit for the year	**116,918**	110,266

The associates had no contingent liabilities or capital commitments as at 31 December 2018 or 2017.

The associates are private companies and there is no quoted market price available for its shares/units.

At the end of each reporting date, the Group determines whether there is objective evidence the investment in associates is impaired. If such indicators exists, the entire carrying value of the investment is associate will be tested for impairment by comparing the carrying value of the investment to its recoverable amount. Management determined that no indicators of impairment exists at the reporting date and accordingly concluded that impairment assessment is not required for its investment in associates.

5 INVESTMENT IN ASSOCIATES (continued)

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

Reconciliation to carrying amount	*2018* *KD*	*2017* *KD*
At 1 January	**1,124,307**	1,014,041
Share of profit	**116,918**	110,266
At 31 December	**1,241,225**	1,124,307

6 INVESTMENT PROPERTIES

The movement in investment properties is as follows:

	2018 *KD*	*2017* *KD*
As at 1 January	**4,176,695**	4,336,091
Charge for the year	**(101,687)**	(102,077)
Exchange differences	**20,848**	(57,319)
As at 31 December	**4,095,856**	4,176,695

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

Investment properties include land of KD 1,619,787 (31 December 2017: KD 1,611,592). Land has an indefinite useful life and therefore is not depreciated.

For the purpose of fair value disclosures, the Group engages independent real estate valuers with recognised and relevant experience in the location and categories of the investment property being valued. As at 31 December 2018, the fair value of investment properties amounted to KD 7,742,164 (2017: KD 5,172,366) based on the lower of the two valuations.

The fair value of the properties was determined using the market comparison method. Under the market comparison approach, fair value is estimated based on comparable transactions. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

7 TRADE AND OTHER RECEIVABLES

	2018 *KD*	*2017* *KD*
Trade receivables	**47,510,505**	45,522,137
Less: Allowance for expected credit losses (2017: provision for impairment of trade receivables)	**(5,379,015)**	(4,421,313)
Trade receivables – net of doubtful debt allowance	**42,131,490**	41,100,824
Advance to suppliers	**11,366,086**	14,776,705
Prepaid expenses	**1,528,200**	2,035,260
Deposits	**837,394**	698,509
Receivables from related parties (Note 9)	**34,524**	37,098
Other receivables	**3,000,067**	1,554,397
	58,897,761	60,202,793

The net carrying value of trade receivables is considered a reasonable approximation of fair value. Note 21.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

7 TRADE AND OTHER RECEIVABLES (continued)

Movements in the impairment allowance for trade receivables are as follows:

	2018 **KD**	*2017* KD
As at 1 January (under IAS 39)	**4,421,313**	3,984,518
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9 (Note 2.2)	**230,405**	-
Opening provision for impairment of trade receivables	**4,651,718**	3,984,518
Allowance recognised in profit or loss during the year	**769,574**	532,978
Amounts written off	**(56,249)**	(73,978)
Exchange differences	**13,972**	(22,205)
As at 31 December	**5,379,015**	4,421,313

The above comparative for impairment provisions refers to IAS 39 measurement basis which applied on incurred loss model, whereas the current year applies IFRS 9 which is on expected loss model.

8 INVENTORIES

	2018 **KD**	*2017* KD
Goods for resale (at lower of cost and net realizable value)	**28,357,400**	25,554,313
Raw materials, packing materials and consumables (at cost)	**9,709,988**	9,636,822
Finished goods (at lower of cost and net realizable value) and work in progress (at cost)	**2,034,215**	1,395,928
Goods in transit (at cost)	**1,754,750**	1,897,019
	41,856,353	38,484,082
Less: allowance for obsolete and slow-moving inventories	**(885,138)**	(967,934)
	40,971,215	37,516,148

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

	2018 **KD**	*2017* KD
As at 1 January	**967,934**	1,145,925
Charge for the year	**50,787**	146,559
Amounts written off	**(134,938)**	(321,671)
Exchange differences	**1,355**	(2,879)
As at 31 December	**885,138**	967,934

9 RELATED PARTY DISCLOSURES

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

The following tables show the aggregate value of transactions and outstanding balances with related parties:

	Major shareholders KD	*Associates* KD	*Other related parties* KD	*2018* **Total KD**	*2017* Total KD
Consolidated statement of financial position:					
Amounts due from related parties (Note 7)	-	-	34,524	**34,524**	37,098
Amounts due to related parties (Note 13)	74,376	1,719	927,893	**1,003,988**	464,185

9 RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Group has not recorded any provision for expected credit losses relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	Major shareholders KD	*Other related parties KD*	***2018 Total KD***	*2017 Total KD*
Consolidated statement of profit or loss:				
Revenue	18,037	169,957	**187,994**	199,951
Cost of revenue	-	(4,316,188)	**(4,316,188)**	(19,453)
Other income	-	-	-	406,331
General and administrative expenses		(445,437)	**(445,437)**	(327,820)

Compensation of key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2018 KD	*2017 KD*
Compensation of key management personnel of the Group:		
Salaries and other short-term benefits	**2,163,766**	2,515,518
Employees' end of service benefits	**94,677**	160,578
	2,258,443	2,676,096

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 75,000 for the year ended 31 December 2018 (2017: KD 100,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

10 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2018 KD	*2017 KD*
Cash at bank and on hand	**16,677,660**	15,726,298
Bank overdrafts	**(8,906,974)**	(6,555,908)
Cash and cash equivalents	**7,770,686**	9,170,390

Bank overdrafts are repayable on demand and carry effective average interest rates of 4.00% (2017: 3.75%) per annum.

11 EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law applicable in each regulatory environment, and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

The plan typically exposes the Group to actuarial risks such as: discount rate, salary risk and withdrawal risk.

Discount rate	A decrease in the discount rate will increase the plan liability.
Salary risk	The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Withdrawal risk	Benefits are paid when an employee leaves employment either through resignation or retirement. The rate of withdrawal therefore affects the timing of the payment and consequently the liability at the reporting date.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 31 December 2018. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The key assumptions in determining the end of service provisions were based on a discount rate of 4% and an expected rate of salary increase in the range of 1% to 2%.

Movement in the provision recognised in the statement of financial position are as follows:

	2018 *KD*	*2017* *KD*
At 1 January	**4,449,137**	4,073,315
Provided during the year	**1,288,637**	1,331,380
Re-measurements loss recognied in OCI	**1,196,386**	-
Benefits paid	**(1,099,985)**	(928,097)
Exchange differences	**11,326**	(27,461)
At 31 December	**5,845,501**	4,449,137

Sensitivity analysis:

The sensitivity analyses below have been determined based on reasonably possible changes of the below mentioned assumptions as at the reporting period, while holding all other assumptions constant.

- A reduction in the discount rate by 100 basis points would result in an increase of end of service benefit obligations by KD 340,417.
- An increase in the salary growth rate by 100 basis points would result in increase of end of service benefit obligations by KD 346,884.

The sensitivity analysis presented above may not be representative of the actual change in the end of service benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

12 LOANS AND BORROWINGS

Currency	*Current*		*Non – current*	
	2018 KD	*2017 KD*	*2018 KD*	*2017 KD*
Kuwaiti Dinars	**18,864,251**	10,997,800	-	-
US Dollars	**30,380,000**	27,202,500	-	-
Saudi Riyals	**1,458,720**	1,451,340	**2,552,760**	3,991,185
	50,702,971	39,651,640	**2,552,760**	3,991,185

Changes in liabilities arising from financing activities

	1 January 2018 KD	*Cash flows inflow/(outflow) KD*	*Foreign exchange movement KD*	*31 December 2018 KD*
Current interest-bearing loans and borrowings	39,651,640	10,866,951	184,380	**50,702,971**
Non-current interest-bearing loans and borrowings	3,991,185	(1,450,035)	11,610	**2,552,760**
Total liabilities from financing activities	**43,642,825**	**9,416,916**	**195,990**	**53,255,731**

	1 January 2017 KD	*Cash flows inflow/(outflow) KD*	*Foreign exchange movement KD*	*31 December 2017 KD*
Current interest-bearing loans and Borrowings	32,626,860	7,640,630	(615,850)	39,651,640
Non-current interest-bearing loans and borrowings	7,158,360	(3,080,652)	(86,523)	3,991,185
Total liabilities from financing Activities	39,785,220	4,559,978	(702,373)	43,642,825

Bank loans carry an effective interest rate in the range of 3.178%% to 4.96%

13 TRADE AND OTHER PAYABLES

	2018 KD	*2017 KD*
Trade payables	**27,275,915**	27,106,089
Accrued expenses	**8,155,728**	7,303,673
Advances from customers	**15,710**	19,290
Payables due to related parties (Note 9)	**1,003,988**	464,185
Other payables	**2,890,304**	6,260,167
	39,341,645	41,153,404

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 – 60 days terms
- Other payables are non-interest bearing and have an average term of six months
- For terms and conditions with related parties, refer to Note 9

For explanations on the Group's liquidity risk management processes, refer to Note 21.2

14 SHARE CAPITAL, TREASURY SHARES AND RESERVES

a) Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2018	*2017*	***2018 KD***	*2017 KD*
Shares of 100 fils each (paid in cash)	**311,325,000**	311,325,000	**31,132,500**	31,132,500

b) Treasury shares

	2018	*2017*
Number of shares	**6,578,950**	50,000
Percentage of issued shares	**2.11%**	0.016%
Cost ("KD")	**4,463,160**	37,500
Market value ("KD")	**3,342,107**	38,750

The weighted average market price of the Parent Company's shares for the year ended 31 December 2018 was 508 fils per share (31 December 2017: 775 fils per share).

Reserves equivalent to the cost of the treasury shares held, are not available for distribution during the holding period of such shares as per CMA guidelines.

c) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's articles of association, 10% of the profit for the year before tax and board of directors' remuneration is required to be transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve exceeds 50% of the issued share capital. The reserve is not available for distribution and can only be used to eliminate losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend and the absence of other distributable reserves that allow the distribution of such profits.

Based on the AGM resolution dated 18 April 2018, the shareholders resolved to discontinue transfers to the statutory reserve as the reserve exceeds 50% of the issued share capital of the Parent Company.

d) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's articles of association, 10% of the profit for the year before tax and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon a recommendation by the Board of Directors.

Based on the AGM resolution dated 18 April 2018, the shareholders resolved to discontinue transfers to the voluntary reserve as the reserve exceeds 50% of the issued share capital of the Parent Company.

e) Other reserve

This represents remeasurement gains (losses) from actuarial changes arising from changes in financial assumptions relating to defined benefit obligations.

15 OTHER INCOME

	2018 KD	*2017 KD*
Gain on disposal of property, plant and equipment and intangible assets	**1,113,324**	10,466
Foreign exchange gain / (loss)	**152,356**	(4,843)
Income from investment in equity securities	**81,563**	73,406
Other miscellaneous income	**539,492**	1,499,783
	1,886,735	1,578,812

16 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2018 *KD*	*2017* *KD*
Staff costs		
Included in cost of revenue	**15,406,245**	13,963,464
Included in administrative expenses	**7,613,296**	7,156,572
Included in selling and distribution expenses	**8,070,522**	8,691,239
	31,090,063	29,811,275
Rental expense – operating leases		
Included in cost of revenue	**1,845,063**	1,672,177
Included in administrative expenses	**981,556**	1,059,851
Included in selling and distribution expenses	**1,653,519**	1,392,484
	4,480,138	4,124,512
Cost of inventories recognised as an expense	**141,746,778**	131,080,799

17 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2018	*2017*
Profit for the year attributable to equity holders of the Parent Company (KD)	**7,673,379**	12,939,671
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year	**308,530,654**	311,319,384
Basic and diluted earnings per share (Fils)	**24.87**	41.56

18 CONTINGENCIES AND COMMITMENTS

(a) Contingencies:

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

	2018 *KD*	*2017* *KD*
Letters of guarantee	**15,696,362**	14,894,886

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

Legal 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.

18 CONTINGENCIES AND COMMITMENTS (continued)

(b) Commitments:

	2018 *KD*	*2017* *KD*
Capital expenditure commitments		
Future estimated capital expenditure contracted for at the reporting date:		
Property, plant and equipment	**5,783,820**	10,824,279
Intangible assets	**171,356**	272,931
	5,955,176	11,097,210

	2018 *KD*	*2017* *KD*
Operating lease commitments as lessee:		
Future minimum lease payments:		
Within one year	**3,488,251**	3,595,019
After one year but not more than five years	**247,388**	346,254
Total operating lease expenditure contracted for at the reporting date	**3,735,639**	3,941,273

Operating lease commitments as lessor:		
Future minimum lease payments:		
Within one year	**688,840**	645,040
After one year but not more than five years	**567,280**	1,128,820
Total operating lease income contracted for at the reporting date	**1,256,120**	1,773,860

19 SEGMENT INFORMATION

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

(a) Food

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

(b) Non-food

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

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

19 SEGMENT INFORMATION (continued)

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

	Year ended 31 December 2018								
	Food				*Non-food*			*Corporate*	
	Food KD	*Catering KD*	*Services KD*	***Sub-total KD***	*FMCG KD*	*Industrial KD*	***Sub-total KD***	***KD***	***Total KD***
Revenue	101,730,416	37,878,424	15,585,073	**155,193,913**	46,729,166	5,449,013	**52,178,179**	**98,956**	**207,471,048**
Segment profit (loss)	5,130,757	555,823	3,340,816	**9,027,396**	2,713,956	421,896	**3,135,852**	**(4,300,284)**	**7,862,964**
Total assets	113,768,394	27,493,841	10,347,805	**151,610,040**	43,573,499	10,544,280	**54,117,779**	**12,171,730**	**217,899,549**
Total liabilities	16,646,212	9,714,485	2,129,157	**28,489,854**	10,062,255	1,808,338	**11,870,593**	**66,989,404**	**107,349,851**
Other disclosures:									
Depreciation and amortisation	3,087,688	814,696	280,210	**4,182,594**	348,680	407,501	**756,181**	**811,008**	**5,749,783**
Investment in associates	-	-	-	-	-	-	-	**1,241,225**	**1,241,225**
Capital expenditure (excluding goodwill)	6,645,291	868,591	28,500	**7,542,382**	50,220	168,411	**218,631**	**1,319,745**	**9,080,758**
Share of results of associates	-	-	-	-	-	-	-	**116,918**	**116,918**

19 SEGMENT INFORMATION (continued)

	Year ended 31 December 2017								
	Food				*Non-food*			*Corporate*	
	Food KD	*Catering KD*	*Services KD*	*Sub-total KD*	*FMCG KD*	*Industrial KD*	*Sub-total KD*	*KD*	*Total KD*
Revenue	110,322,528	29,409,292	14,418,566	154,150,386	44,657,505	5,661,815	50,319,320	78,319	204,548,025
Segment profit (loss)	10,082,253	(113,697)	3,092,851	13,061,407	2,178,713	1,047,291	3,226,004	(2,703,670)	13,583,741
Total assets	107,583,058	25,448,756	11,500,144	144,531,958	45,784,368	10,590,265	56,374,633	9,980,301	210,886,892
Total liabilities	18,854,188	7,306,416	2,191,531	28,352,135	10,671,494	2,082,345	12,753,839	54,695,300	95,801,274
Other disclosures:									
Depreciation and amortisation	2,806,353	807,328	288,322	3,902,003	327,369	391,533	718,902	539,456	5,160,361
Investment in associates	-	-	-	-	-	-	-	1,124,307	1,124,307
Capital expenditure (excluding goodwill)	11,847,247	1,296,344	116,670	13,260,261	1,914,225	1,067,205	2,981,430	692,495	16,934,186
Impairment of property, plant and equipment	-	-	-	-	260,829	-	260,829	-	260,829
Share of results of associates	-	-	-	-	-	-	-	110,266	110,266

19 SEGMENT INFORMATION (continued)

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

	Kuwait KD	*Saudi Arabia* KD	*U.A.E* KD	*Qatar* KD	*Jordan* KD	*Afghanistan* KD	*Iraq* KD	*Total* KD
Year ended 31 December 2018								
Revenue	**144,396,065**	**3,996,689**	**24,314,475**	**21,724,441**	**5,708,809**	**5,508,963**	**1,821,606**	**207,471,048**
Non-current assets	**65,892,819**	**8,598,926**	**11,551,171**	**13,295,575**	**1,948,439**	**65,983**	**-**	**101,352,913**
Year ended 31 December 2017								
Revenue	136,998,966	4,880,016	30,357,404	20,280,228	5,746,214	4,306,698	1,978,499	204,548,025
Non-current assets	63,814,618	8,593,111	10,821,216	12,028,448	2,114,637	69,623	-	97,441,653

20 DISTRIBUTIONS MADE AND PROPOSED

	2018 *KD*	*2017* *KD*
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2017: 22 fils per share (2016: 28 fils per share)	**6,848,050**	8,717,100

Proposed cash dividend for 2018: 16 fils per share (2017: 22 fils per share).

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

21 FINANCIAL INSTRUMENTS 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, loans and borrowings and payables 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, receivables from related parties and trade receivables. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2018 and 31 December 2017.

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.

21.1 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 and amounts due from related parties.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2018 *KD*	*2017* *KD*
Bank balances and cash	**16,677,660**	15,726,298
Trade receivables	**42,131,490**	41,100,824
Other receivables	**3,000,067**	1,554,397
Amounts due from related parties	**34,524**	37,098
	61,843,741	58,418,617

Bank balances and cash

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on bank balances and cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances and cash have low credit risk based on the external credit ratings of the counterparties.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk (continued)

Trade receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Outstanding receivables are regularly monitored by management.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, trading history with the Group and existence of previous financial difficulties.

The Group sells its products and renders services to a large number of customers. Its 5 largest customers account for 22.92% of outstanding trade receivables at 31 December 2018 (2017: 18%).

Comparative information under IAS 39
In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2017 is as follows:

		Past due but not impaired					
	Neither past due nor impaired KD	*< 30 days KD*	*30 to 60 days KD*	*61 to 90 days KD*	*91 to 120 days KD*	*> 120 days KD*	*Total KD*
2017	20,924,197	5,581,119	4,477,480	2,278,366	2,171,459	5,668,203	41,100,824

Impaired trade receivables at 31 December 2017 had a gross carrying amount of KD 45,522,137. At 31 December 2017, there was an impairment loss of KD 4,421,313 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected credit loss assessment for trade receivables as at 1 January 2018 and 31 December 2018
The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 360 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk (continued)

Expected credit loss assessment for trade receivables as at 1 January 2018 and 31 December 2018 (continued)
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 1 January 2018 and 31 December 2018:

	Days past due					
	< 90 days	*90 to 180 days*	*181 to 270 days*	*271 to 365 days*	*>365 days*	*Total*
31 December 2018	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Expected credit loss rate	0.44%	1.02%	1.47%	21.70%	85.77%	
Estimated total gross carrying amount at default	35,162,030	3,376,706	1,968,489	1,318,978	5,684,302	47,510,505
Expected credit loss	**153,872**	**34,451**	**28,948**	**286,164**	**4,875,580**	**5,379,015**

	Days past due					
	< 90 days	*90 to 180 days*	*181 to 270 days*	*271 to 365 days*	*>365 days*	*Total*
1 January 2018 (restated)	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Expected credit loss rate	0.45%	1.57%	3.16%	16.56%	98.57%	
Estimated total gross carrying amount at default	33,651,879	3,478,733	3,373,902	739,710	4,277,913	45,522,137
Expected credit loss	**151,285**	**54,658**	**106,532**	**122,468**	**4,216,775**	**4,651,718**

Other receivables and amount due from a related party
As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

21.2 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 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.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Liquidity risk (continued)

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:

2018	*On demand* KD	*Within 3 months* KD	*3 to 12 months* KD	*1 to 5 years* KD	*Total* KD
Loans and borrowings	-	12,538,923	40,971,016	2,802,133	56,312,072
Trade and other payables	-	38,337,657	-	-	38,337,657
Due to related parties	1,003,988	-	-	-	1,003,988
Bank overdrafts	8,906,974	-	-	-	8,906,974
Total undiscounted liabilities	9,910,962	50,876,580	40,971,016	2,802,133	104,560,691
Capital expenditure commitments	-	323,496	2,540,928	3,090,752	5,955,176

2017	*On demand* KD	*Within 3 months* KD	*3 to 12 months* KD	*1 to 5 years* KD	*Total* KD
Loans and borrowings	-	4,413,261	37,641,232	3,600,752	45,655,245
Trade and other payables	-	40,669,929	-	-	40,669,929
Due to related parties	464,185	-	-	-	464,185
Bank overdrafts	6,555,908	-	-	-	6,555,908
Total undiscounted liabilities	7,020,093	45,083,190	37,641,232	3,600,752	93,345,267
Capital expenditure commitments	-	2,227,996	3,557,752	5,311,462	11,097,210

Included in loans and borrowings is an amount of KD 45,376,251 (2017: KD 34,202,500) which represents revolving facilities and the management is confident that the facilities will be renewed on expiry.

21.3 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.

21.3.1 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.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk (continued)

21.3.1 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, NLST, Zakat and Board of Directors' remuneration as follows:

Currency	*Increase of 25 basis points* *Decrease in profit before tax and directors' remuneration*	
	2018 ***KD***	*2017* *KD*
Kuwaiti Dinars	**47,161**	27,494
US Dollars	**75,950**	68,006
Saudi Riyals	**10,029**	13,606

The decrease in the basis points will have an opposite impact on the consolidated statement of profit or loss. There is no direct impact on the Group's other comprehensive income.

21.3.2 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.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted.

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

The table below analyses the effect on profit before tax and directors' 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.

Currency	*Change in currency rate by + 5%*			
	Effect on profit before tax and directors' remuneration		*Effect on other comprehensive income*	
	2018 ***KD***	*2017* *KD*	***2018*** ***KD***	*2017* *KD*
U.A.E. Dirhams	**(3,288)**	4,964	-	-
Euro	**(39,103)**	(15,557)	-	-
Sterling Pound	**(1,263)**	(1,974)	-	-
Saudi Riyals	**(46,505)**	(53,482)	**8,757**	19,561
US Dollars	**(703,875)**	(428,535)	**233,669**	185,424

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

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk (continued)

21.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI). The Group's non-listed equity investment is susceptible to market price risk arising from uncertainties about future values of the investment securities. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 1,692,239. Sensitivity analyses of these investments have been provided in Note 22.

21.4 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.

21.5 Operational 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.

22 FAIR VALUE MEASUREMENT

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 by 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.

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.

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 at fair value 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.

The Group's senior management determines the policies and procedures for recurring fair value measurement, such unquoted equity investments.

22 FAIR VALUE MEASUREMENT (continued)

The Group measures financial instruments such as investment in equity securities, at fair value at each reporting date. Fair-value related disclosures for financial instruments, including the valuation methods, significant estimates and assumptions are disclosed below.

The following tables provide the fair value measurement hierarchy of the Group's financial assets:

		Fair value measurement using		
31 December 2018	*Total* KD	*Quoted prices in active markets (Level 1)* KD	*Significant observable inputs (Level 2)* KD	*Significant unobservable inputs (Level 3)* KD
Financial assets at fair value through profit or loss				
Unquoted equity securities	1,692,239	-	-	1,692,239
31 December 2017				
Available-for-sale financial assets:				
Unquoted equity securities	-	-	-	-

Due to application of IFRS 9, equity securities previously stated at cost (under IAS 39) were measured at fair value and classified as level 3 for the first time. There were no transfers between any levels of the fair value hierarchy during 2018 or 2017.

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents and term deposits
- Trade and other receivables
- Trade and other payables
- Loans and borrowings

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Unlisted equity investments
The Group invests in a private equity company that is not quoted in an active market. Transactions in such investment do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

22 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

31 December 2018	*At 1 January KD*	*IFRS 9 transition adjustment KD*	*Total loss recognised in OCI KD*	*At 31 December KD*
Financial assets at fair value through OCI:				
Unquoted equity securities	-	**1,717,390**	**(25,151)**	**1,692,239**

Description of significant unobservable inputs to valuation

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

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

23 HEDGING ACTIVITIES AND DERIVATIVES

Hedge of net investments in foreign operations

Included within loans at 31 December 2018 were borrowings denominated in US Dollars and Saudi Riyals amounting to KD 29,183,270 (2017: KD 30,485,887) which have been designated as hedge for the net investments in the subsidiaries in United Arab Emirates, Qatar and Kingdom of Saudi Arabia. These borrowings are being used to hedge the Group's exposure to the US Dollars and Saudi Riyals foreign exchange risk on these borrowings. Gains or losses on the retranslation of these borrowings are recorded in other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness for the years ended 31 December 2018 and 2017.

24 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 shareholders' 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 2018 and 31 December 2017. The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

24 CAPITAL MANAGEMENT (continued)

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.

	2018 *KD*	*2017* *KD*
Loans and borrowings	**53,255,731**	43,642,825
Bank overdrafts	**8,906,974**	6,555,908
Less: Bank balances and cash	**(16,677,660)**	(15,726,298)
Net debt	**45,485,045**	34,472,435
Equity attributable to the equity holders of the Parent Company	**106,059,760**	110,085,589
Total capital plus net debt	**151,544,805**	144,558,024
Debt : Equity ratio	**30:70**	24:76

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