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

**Consolidated financial statements
and independent auditors' report
For the year ended 31 December 2016**



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Contents	Pages
Independent auditors' report	1-5
Consolidated statement of financial position	6
Consolidated statement of income	7
Consolidated statement of comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11-41



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Livestock Transport and Trading Company K.P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Livestock Transport and Trading Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial 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 2016, and its consolidated financial performance and its consolidated cash flows for the financial 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 "Auditors' 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) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:



INDEPENDENT AUDITORS' REPORT (Continued)

To the Shareholders of Livestock Transport and Trading Company K.P.S.C. (Continued)

Key Audit Matters (Continued)

Key audit matter

How our audit addressed the matter

Impairment of trade receivables

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

As at 31 December 2016, the Group had an outstanding receivable of KD 16,330,630 relating to a Government subsidy accrued pursuant to Council of Ministers resolution No. 1308 dated 11 September 2011 and the Ministerial Decree No. 409. The Group is currently in dispute with the Ministry of Commerce and Industry against which a legal case was filed claiming the full amount of subsidy accrued.

As at 31 December 2016, an allowance for doubtful debts of KD 13,130,070 is maintained against doubtful debts out of which is an amount of KD 12,730,079 pertaining to the above mentioned Government subsidy.

Refer to Note 10 to the consolidated financial statements for the related disclosures.

Our audit procedures included carrying out the following among others:

- assessing the appropriateness of the aging analysis prepared by management;
- reviewing management assumptions and judgements on doubtful debts;
- obtaining legal opinion, from the Parent Company's external legal consultant, regarding the status of the case filed by the Parent Company against the Ministry of Commerce and Industry with respect to the accrued Government subsidy;
- obtaining the relevant supporting documents for the calculation of the subsidy; and
- evaluating the adequacy of the disclosures in Note 10 to the consolidated financial statements.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 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 auditors' 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.



INDEPENDENT AUDITORS' REPORT (Continued)

To the Shareholders of Livestock Transport and Trading Company K.P.S.C. (Continued)

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.

Auditors' 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 auditors' 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.



INDEPENDENT AUDITORS' REPORT (Continued)

To the Shareholders of Livestock Transport and Trading Company K.P.S.C. (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

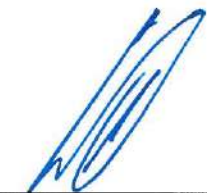


INDEPENDENT AUDITORS' REPORT (Continued)


To the Shareholders of Livestock Transport and Trading Company K.P.S.C. (Continued)

Report on Other Legal and Regulatory Requirements

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



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



Qais M. Al Nisf
Licence No. 38 - A
BDO Al Nisf & Partners

Kuwait: 15 March 2017

Consolidated statement of financial position
As at 31 December 2016
(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	5	14,611,547	3,866,863
Investments in associates	6	513,986	495,684
Available for sale financial assets	7	1,024,559	1,114,406
Held to maturity investments	8	2,427,352	-
Total non-current assets		18,577,444	5,476,953
Current assets			
Inventories	9	4,275,227	5,852,976
Trade and other receivables	10	16,622,889	10,563,853
Financial assets at fair value through profit and loss	11	939,791	6,994,789
Cash and cash equivalents	12	11,231,046	14,236,479
Total current assets		33,068,953	37,648,097
Total assets		51,646,397	43,125,050
Equity and liabilities			
Equity			
Share capital	13	21,659,057	21,659,057
Share premium		4,967,805	4,967,805
Treasury shares	14	(1,647,126)	(1,647,126)
Statutory reserve	15	11,825,560	11,825,560
Voluntary reserve	16	10,758,595	10,758,595
Other reserves	17	(104,042)	38,952
Accumulated losses		(5,508,240)	(9,394,331)
Total equity		41,951,609	38,208,512
Liabilities			
Non-current liabilities			
Employees' end of service benefits		1,415,440	1,386,567
Long term borrowing	18	2,556,714	-
Total non-current liabilities		3,972,154	1,386,567
Current liabilities			
Trade and other payables	19	5,722,634	3,529,971
Total liabilities		9,694,788	4,916,538
Total equity and liabilities		51,646,397	43,125,050


Bader N. AlSubaiee
Chairman


Osama Khaled Bodai
Chief Executive Officer

The accompanying notes on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of income
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
Operating revenues		55,592,453	50,125,400
Operating costs		(48,500,874)	(42,438,914)
Gross profit		7,091,579	7,686,486
Other operating income		471,084	304,258
Marketing expenses		(1,404,989)	(1,111,846)
General and administrative expenses		(2,574,310)	(2,413,807)
Other operating expenses	21	(108,698)	(206,297)
Operating profit		3,474,666	4,258,794
Net investments income / (loss)	22	197,957	(769,926)
Group's share in associates' results		143,884	67,731
Gain on disposal of an associate		199,788	-
Foreign currency exchange gain		217,284	626,308
Profit before subsidiaries' tax and deductions		4,233,579	4,182,907
(Provision for) / reversal of income tax on subsidiaries		(76,189)	3,313
Profit after subsidiaries' tax and before deductions		4,157,390	4,186,220
National Labour Support Tax		(103,785)	(102,891)
Zakat		(41,514)	(41,157)
Board of Directors' remuneration		(126,000)	(120,000)
Net profit for the year		3,886,091	3,922,172
Basic and diluted earnings per share (fils)	23	18.58	18.75

The accompanying notes on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars)

	Note	2016	2015
Profit for the year		3,886,091	3,922,172
Other comprehensive income:			
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>			
Change in fair value of Available for sale financial assets	17	(58,426)	(34,283)
Foreign currency translation difference	17	(84,568)	(277,327)
Other comprehensive loss for the year		(142,994)	(311,610)
Total comprehensive income for the year		<u>3,743,097</u>	<u>3,610,562</u>

The accompanying notes on pages 11 to 41 form an integral part of these consolidated financial statements.

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



Consolidated statement of changes in equity
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves	Accumulated losses	Total equity
At 1 January 2015	21,659,057	4,967,805	(1,647,126)	11,825,560	10,758,595	350,562	(13,316,503)	34,597,950
Profit for the year	-	-	-	-	-	-	-	3,922,172
Other comprehensive loss	-	-	-	-	-	(311,610)	-	(311,610)
Total comprehensive income for the year	-	-	-	-	-	(311,610)	3,922,172	3,610,562
At 31 December 2015	21,659,057	4,967,805	(1,647,126)	11,825,560	10,758,595	38,952	(9,394,331)	38,208,512
Profit for the year	-	-	-	-	-	-	-	3,886,091
Other comprehensive loss	-	-	-	-	-	(142,994)	-	(142,994)
Total comprehensive income for the year	-	-	-	-	-	(142,994)	3,886,091	3,743,097
At 31 December 2016	21,659,057	4,967,805	(1,647,126)	11,825,560	10,758,595	(104,042)	(5,508,240)	41,951,609

The accompanying notes on pages 11 to 41 form an integral part of these consolidated financial statements

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



**Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)**

	Notes	2016	2015
Operating activities			
Profit for the year		3,886,091	3,922,172
<i>Adjustments:</i>			
Depreciation	5	1,104,045	1,617,902
Interests on deposits and call accounts		(100,652)	(54,921)
Provision for doubtful debts	10	-	46,194
Reversal of provision for doubtful debts	10	-	(45,143)
Net investments (gain)/loss	22	(197,957)	769,926
Group's share in associates' results		(143,884)	(67,731)
Gain on disposal of an associate		(199,788)	-
Foreign currency exchange gain		(217,284)	(626,308)
Loss on sale of property, plant and equipment		-	24
Employees' end of service benefits		273,345	348,223
		<u>4,403,916</u>	<u>5,910,338</u>
<i>Changes in working capital</i>			
Inventories		1,577,749	368,535
Trade and other receivables		(5,995,412)	380,727
Trade and other payables		2,409,947	(2,162,273)
Cash flows generated from operations		<u>2,396,200</u>	<u>4,497,327</u>
Employees' end of service benefits paid		(243,944)	(613,425)
Net cash flows generated from operating activities		<u>2,152,256</u>	<u>3,883,902</u>
Investing activities			
Purchase of property, plant and equipment	5	(11,854,531)	(1,310,243)
Proceeds from disposal of an associate		199,788	-
Proceeds from sale of property, plant and equipment		-	11,389
Investments at fair value through profit and loss		6,180,975	(1,106,724)
Purchase of held to maturity investments		(2,427,352)	-
Proceeds from sale of available for sale financial assets		35,899	-
Dividends received from an associate		34,345	33,636
Dividends received	22	1,433	57,602
Interest received on deposits and call accounts		100,652	54,921
Net cash flows used in investing activities		<u>(7,728,791)</u>	<u>(2,259,419)</u>
Financing activities			
Long term borrowing		2,556,714	-
Net cash flows generated from financing activities		<u>2,556,714</u>	<u>-</u>
Net foreign exchange differences		14,388	(146,302)
Net (decrease)/increase in cash and cash equivalents		<u>(3,005,433)</u>	<u>1,478,181</u>
Cash and cash equivalents at beginning of the year		14,236,479	12,758,298
Cash and cash equivalents at end of the year	12	<u>11,231,046</u>	<u>14,236,479</u>

The accompanying notes on pages 11 to 41 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities

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

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

The Parent Company's objectives are as follows:

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

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

1. Incorporation and activities (Continued)

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

<u>Name of the subsidiary</u>	<u>Shareholding interest (%)</u>	<u>Activity</u>	<u>Country of incorporation</u>
Rural Export and Trading (WA) PTY Ltd.	100	Trade in livestock and meat	Australia
Emirates Livestock and Meat Products Trading Company (under management)	100	Trade in livestock and meat	UAE

The total assets of the subsidiaries amounted to KD 5,243,221 as at 31 December 2016 (KD 5,121,108 as at 31 December 2015), and their respective total liabilities amounted to KD 506,138 as at 31 December 2016 (KD 732,311 as at 31 December 2015). Their total revenues amounted to KD 8,781,127 for the year ended 31 December 2016 (KD 5,228,673 for the year ended 31 December 2015), and their net profit amounted to KD 59,093 for the year ended 31 December 2016 (net loss of KD 588,234 for the year ended 31 December 2015).

The consolidated financial statements for the year ended 31 December 2016 were authorised for issuance by the Board of Directors of the Parent Company on 8 March 2017 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend the consolidated financial statements at the Annual General Assembly meeting. The consolidated financial statements for the year ended 31 December 2015 were approved by the shareholders at the Annual General Assembly Meeting held on 16 May 2016.

2. Basis of preparation and significant accounting policies

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

2.1 Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets and financial assets at fair value through profit and loss that are measured at fair value, as explained in the accounting policies below.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of the consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant accounting judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 3.

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation and significant accounting policies (Continued)

2.3 Application of new and revised International Financial Reporting Standards (“IFRSs”)

(a) New and amended standards adopted by the Group:

The following amendments have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2016 with no significant impact on the consolidated financial statements:

- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

'IFRS 9 – Financial instruments'

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018.

Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

'IFRS 15 – Revenue from contracts with customers'

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

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2. Basis of preparation and significant accounting policies (Continued)

2.3 Application of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

(b) *New standards and interpretations not yet adopted: (continued)*

‘IFRS 15 – Revenue from contracts with customers’

The Group is in the process of evaluating the impact of IFRS 15 but does not expect any significant effect on adoption of this standard. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018.

IFRS 16 - Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(c) *Adoption of new accounting policies by the Group:*

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity, other than those that the Group upon initial recognition designates at fair value through profit or loss, available for sale or those that meet the definition of loans and receivables, are classified as held to maturity.

Investments held to maturity are measured initially at their transaction price, including transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies

2.4.1 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy. No such adjustments were recorded.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.1 Basis of consolidation (continued)

(b) Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.1 Basis of consolidation (continued)

(c) Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

2.4.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised.

Depreciation is calculated based on estimated useful life of the applicable assets, except for the land, on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Useful lives are disclosed in Note 5.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

2.4.3 Investments in associates

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.3 Investments in associates (continued)

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

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

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

2.4.4 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible 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).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of income.

2.4.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in consolidated statement of income.

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.5 Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit and loss' (FVTPL), 'held to maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

(a) Financial assets at fair value through profit and loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in consolidated statement of income. The net gain or loss recognised in consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 4).

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

(c) Available for sale (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

The financial assets available for sale are re-measured at fair value. The fair value is determined in the manner described in note 4.

Changes in the fair value of available for sale financial assets are recognised in other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to consolidated statement of income. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.5 Financial instruments (continued)

Financial assets (continued)

(d) Impairment in value

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to consolidated statement of income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in the consolidated statement of income are not reversed. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(e) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated statement of income.

2. Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.5 Financial instruments (continued)

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of income.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4.6 Inventories

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

2.4.7 Cash and cash equivalents

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

2.4.8 Post-employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees at the consolidated financial statement date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

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

2 Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.4.10 Treasury shares

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

2.4.11 Taxes and deductions

Taxes and deductions are represented in the followings:

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

2.4.12 Foreign currencies

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated to Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies are re-translated at the dates of the consolidated statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

2 Basis of preparation and significant accounting policies (Continued)

2.4 Significant accounting policies (continued)

2.4.12 Foreign currencies (continue)

(c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date.
- Income and expenses for each statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

2.4.13 Contingencies

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

2.4.14 Revenue recognition

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

- Revenues from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred to the buyer on delivery.
- Service revenues are recognised when the service is rendered.
- Dividend income is recognised when the right to receive payments is established.
- Interest income from deposits is recognised on a time proportion basis using the effective interest method.
- Gain or loss from sale of investment securities or investment properties is recognised when the transaction is consummated.

2.4.15 Leases

Where the Group is the lessee – operating lease

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

2.4.16 Dividends

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

3. Significant accounting judgments and estimates

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

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

Significant management judgments

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

(a) Classification of investments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

Classification of financial assets as fair value through profit and loss depends on how management monitors the performance of these financial assets. The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as designated at fair value through profit and loss.

The Group classifies investments as held to maturity if, they are non-derivative financial assets, they are quoted in an active market, they have fixed or determinable payments and fixed maturities and the Group intends to, and is able to, hold them to maturity.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

(b) Impairment of available for sale investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. Significant accounting judgments and estimates (Continued)

Estimation uncertainty

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

(a) Fair value measurement and valuation techniques

Some of the Group's assets are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note 4.

(b) Impairment of non-financial assets

The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

(c) Impairment of inventories

Inventories are held at lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amount 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.

(d) Impairment of receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. Impairment of receivables is recorded for receivables when there is a certainty that these other parties will not be able to pay according to the contractual agreement.

(e) Useful lives of tangible assets

The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

4. Fair value estimation

The fair value represents the amount through which an asset is exchangeable or a liability can be settled. In the opinion of the Group's management, except for the available for sale investments valued at cost for the reasons stated in note 7, the carrying value of the financial assets and liabilities as at 31 December 2016 and 2015 approximates its fair value.

The carrying value of the financial assets and liabilities are stated in the consolidated statement of financial position as follows:

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
2016				
Financial assets:				
Available for sale financial assets	797,151	227,408	-	1,024,559
Held to maturity	2,427,352	-	-	2,427,352
Trade and other receivables (excluding advances to suppliers and prepaid expenses and deferred tax assets)	-	-	13,448,017	13,448,017
Financial assets at fair value through profit and loss	939,791	-	-	939,791
Cash and cash equivalents	-	-	11,231,046	11,231,046
	<u>4,164,294</u>	<u>227,408</u>	<u>24,679,063</u>	<u>29,070,765</u>
Financial liabilities:				
Long term borrowing	-	-	2,556,714	2,556,714
Trade and other payables	-	-	5,722,634	5,722,634
	<u>-</u>	<u>-</u>	<u>8,279,348</u>	<u>8,279,348</u>
	<u>Carried at fair value</u>	<u>Carried at cost</u>	<u>Carried at amortised cost</u>	<u>Total</u>
2015				
Financial assets:				
Available for sale financial assets	886,998	227,408	-	1,114,406
Trade and other receivables (excluding advances to suppliers and prepaid expenses and deferred tax assets)	-	-	7,180,485	7,180,485
Financial assets at fair value through profit and loss	6,994,789	-	-	6,994,789
Cash and cash equivalents	-	-	14,236,479	14,236,479
	<u>7,881,787</u>	<u>227,408</u>	<u>21,416,964</u>	<u>29,526,159</u>
Financial liabilities:				
Trade and other payables	-	-	3,529,971	3,529,971

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

4. Fair value estimation (Continued)

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

Financial assets	Fair value as at		Valuation date	Fair value hierarchy	Valuation technique(s) and key inputs
	2016	2015			
Available for sale financial assets					
Quoted shares	82,149	60,795	31 December	Level 1	Bid prices
Unquoted shares	715,002	826,203	31 December	Level 2	Technical valuation
Total	797,151	886,998			
Financial assets at fair value through profit and loss					
Quoted shares	852,326	2,015,335	31 December	Level 1	Bid prices Declared net asset value
Investment funds	-	4,874,321	31 December	Level 2	Technical valuation
Unquoted shares	87,465	105,133	31 December	Level 3	Technical valuation
Total	939,791	6,994,789			

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

The carrying value of other financial assets and liabilities does not significantly differ from their fair values as at the consolidated financial statements date. There have been no transfers between levels during the reporting period.

(i) Quoted shares

All the listed equity securities are publicly traded on a recognised stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

(ii) Investment funds

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices.

(iii) Unquoted shares

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

Notes to the consolidated financial statements
For the year ended 31 December 2015
(All amounts are in Kuwaiti Dinars unless otherwise stated)

5. Property, plant and equipment

Cost	Vessels	Land, constructions and buildings	Machinery and equipment	Vehicles	Other assets	Assets of subsidiary companies	Projects in progress	Total
At 1 January 2015	26,737,192	7,898,858	2,838,190	2,136,007	1,456,600	4,617,408	961,111	46,645,366
Additions	6,210	101,875	17,800	85,990	190,650	169,783	737,935	1,310,243
Disposals	-	-	-	-	(18,552)	(133,641)	-	(152,193)
Transferred from projects in progress	934,360	-	-	-	-	-	(934,360)	-
Foreign currency translation differences	-	-	-	-	-	(163,258)	-	(163,258)
At 31 December 2015	27,677,762	8,000,733	2,855,990	2,221,997	1,628,698	4,490,292	764,686	47,640,158
Additions	84,479	433,891	175,369	94,345	186,912	175,754	10,703,781	11,854,531
Transferred from projects in progress	-	313,430	-	-	5,152	-	(318,582)	-
Foreign currency translation differences	-	-	-	-	-	1,681	-	1,681
At 31 December 2016	27,762,241	8,748,054	3,031,359	2,316,342	1,820,762	4,667,727	11,149,885	59,496,370
Accumulated depreciation and impairment								
At 1 January 2015	26,017,803	7,587,712	2,603,634	1,824,638	885,745	3,432,400	-	42,351,932
Charge for the year	995,518	65,665	40,269	92,211	285,051	139,188	-	1,617,902
Disposals	-	-	-	-	(7,158)	(133,622)	-	(140,780)
Foreign currency translation differences	-	-	-	-	-	(55,759)	-	(55,759)
At 31 December 2015	27,013,321	7,653,377	2,643,903	1,916,849	1,163,638	3,382,207	-	43,773,295
Charge for the year	417,652	57,707	63,926	100,456	302,904	161,400	-	1,104,045
Foreign currency translation differences	-	-	-	-	-	7,483	-	7,483
At 31 December 2016	27,430,973	7,711,084	2,707,829	2,017,305	1,466,542	3,551,090	-	44,884,823
Net book value								
At 31 December 2016	331,268	1,036,970	323,530	299,037	354,220	1,116,637	11,149,885	14,611,547
At 31 December 2015	664,441	347,356	212,087	305,148	465,060	1,108,085	764,686	3,866,863
Useful lives / years	2-15	10-20	3-20	5	3			

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

5. Property, plant and equipment (Continued)

Machinery and equipment included in property, plant and equipment with a carrying value of KD 190,523 (31 December 2015: KD nil) are mortgaged as a security against long term borrowing (note 18).

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

	<u>2016</u>	<u>2015</u>
Operating costs	682,351	1,219,804
Marketing expenses	160,496	129,863
General and administrative expenses	261,198	268,235
	<u>1,104,045</u>	<u>1,617,902</u>

6. Investments in associates

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

<u>Name of the associate</u>	<u>Country of incorporation</u>	<u>Activity</u>	<u>Voting rights and equity interest</u>		<u>2016</u>	<u>2015</u>
			<u>2016</u>	<u>2015</u>		
			%	%		
Portland Pellet Suppliers	Australia	Livestock trading	50	50	448,304	430,727
Emirates Livestock and Meat Products Trading Company L.L.C.	UAE	Livestock trading	49	49	65,682	64,956
National Tannery Company (K.S.C.C.)	Kuwait	Tanning and leather trading	-	40	-	1
					<u>513,986</u>	<u>495,684</u>

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

Portland Pellet Suppliers

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	855,201	766,078
Non-current assets	254,076	211,286
<u>Liabilities</u>		
Current liabilities	(212,669)	(115,910)
Net assets of the associate	896,608	861,454
Group's share of the associate's net assets	448,304	430,727
Revenues	1,738,990	1,276,295
Expenses	(1,521,220)	(1,209,910)
Profit for the year	217,770	66,385
Group's share of associate's results	108,885	33,193

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

7. Available for sale financial assets

	<u>2016</u>	<u>2015</u>
Unquoted local securities	567,036	634,877
Unquoted foreign securities	375,374	418,734
Quoted foreign securities	82,149	60,795
	<u>1,024,559</u>	<u>1,114,406</u>

- Available for sale investments include unquoted investments of KD 227,408 as at 31 December 2016 (KD 227,408 as at 31 December 2015) represent investments carried at cost less impairment as its fair value cannot be reliably measured. Management believes that the fair value approximates the carrying value of these investments.
- Valuation techniques of available for sale investments are disclosed in note 4.

8. Held to maturity investments

	<u>2016</u>	<u>2015</u>
Local bonds and Sukuk	2,427,352	-

During the year, the Group purchased local Sukuk at annual return income of 5.5% and local bonds at annual interest rates ranging from 6.20% to 6.50%. Bonds are classified as non-current on the basis of their maturities.

9. Inventories

	<u>2016</u>	<u>2015</u>
Livestock and meat	1,675,475	4,597,606
Fodder	228,426	249,966
Intestine	97,907	79,639
Medicines, fertilisers and others	38,342	43,162
	<u>2,040,150</u>	<u>4,970,373</u>
Goods in transit	1,313,052	2,462
Production materials and spare parts	922,025	880,141
	<u>4,275,227</u>	<u>5,852,976</u>

The cost of the goods that have been recognised as an expense during the year is KD 45,034,990 (31 December 2015: KD 41,506,935).

10. Trade and other receivables

	<u>2016</u>	<u>2015</u>
Trade receivables	9,899,372	3,684,113
Accrued Government subsidy*	16,330,630	16,330,630
	<u>26,230,002</u>	<u>20,014,743</u>
Allowance for doubtful debts	(13,130,070)	(13,165,254)
	<u>13,099,932</u>	<u>6,849,489</u>
Advances to suppliers	2,946,619	2,937,895
Prepaid expenses	183,994	395,364
Refundable deposits	13,277	10,886
Deferred tax assets	44,259	50,109
Staff receivables	10,363	24,686
Others	324,445	295,424
	<u>16,622,889</u>	<u>10,563,853</u>

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

10. Trade and other receivables (Continued)

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

The Government subsidy due from Ministry of Commerce and Industry (the "Ministry") as a result of the subsidy granted to the Parent Company to meet the increased prices of certain foodstuff and consumer goods in accordance with the previous ministerial Decrees' amounted to KD 16,330,630 as at 31 December 2016 (KD 16,330,630 as at 31 December 2015) which includes KD 1,665,502 recognised by the Group in excess of the amount stated in the Council of Ministers' Decree No. 1308 dated 11 September 2011 for covering the costs incurred for clearance, transportation, medical care, nutrition, dead livestock, and transportation to slaughterhouse, selling and marketing expenses and other livestock expenses.

To date, the Group's subsidy has not been approved by the Ministry due to a dispute regarding the subsidy per head. Further, there are legal cases filed by the Parent Company against the Ministry claiming the subsidy due amount. The court had appointed experts to look into the matter. On 1 March 2017, a verdict was issued by the Court of First Instances in favour of the Parent Company for an amount of KD 2,294,156. Management expects the Ministry of Commerce and Industry to appeal against the verdict. At the reporting date, the provision for impairment maintained against this balance amounted to KD 12,730,079 as at 31 December 2016 (KD 12,730,079 as at 31 December 2015).

As at 31 December 2016, impaired trade receivables amounted to KD 13,130,070 (KD 13,165,254 as at 31 December 2015). As at 31 December, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30 - 60 days	61 - 90 days	91-120 days	>120 days
2016	13,099,932	9,282,451	180,904	43,093	17,201	54,121	3,522,162
2015	6,849,489	732,855	4,417,880	200,831	410,096	655,672	432,155

The following is the movement of the allowance for doubtful debts during the year:

	2016	2015
Balance at the beginning of the year	13,165,254	13,122,573
Charge during the year (note 21)	-	46,194
Reversed during the year	-	(45,143)
Write – off	(37,629)	-
Foreign exchange differences	2,445	41,630
Balance at the end of the year	13,130,070	13,165,254

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The management believes that the provision as at 31 December 2016 is sufficient and that there is no need for any additional provisions. The Group does not hold any collateral in relation to these receivables.

Trade receivables are non-interest bearing.

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

11. Financial assets at fair value through profit and loss

	<u>2016</u>	<u>2015</u>
Quoted securities	852,326	2,015,335
Unquoted securities	87,465	105,133
Investment funds - portfolios	-	4,874,321
	<u>939,791</u>	<u>6,994,789</u>

Valuation techniques of investments at fair value through profit and loss are disclosed in note 4.

12. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Cash on hand and at banks	4,498,986	2,890,342
Fixed deposits with three months maturity from placement date	6,621,151	10,033,174
Cash at investment funds - portfolios	110,909	1,312,963
	<u>11,231,046</u>	<u>14,236,479</u>

The average annual effective interest rate on fixed deposits is 1.13 % as at 31 December 2016 (1.1% as at 31 December 2015).

13. Share capital

As at 31 December 2016 the authorised, issued and fully paid up share capital of the Parent Company consisted of 216,590,575 shares of 100 fils each (216,590,575 shares as at 31 December 2015). All shares are paid in cash.

On 8 March 2017, the Board of Directors proposed a cash dividend of 5 fils per share for the year ended 31 December 2016 (2015: nil fils per share). This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

14. Treasury shares

	<u>2016</u>	<u>2015</u>
Number of shares	7,377,383	7,377,383
Percentage to issued shares (%)	3.41%	3.41%
Market value	1,578,760	944,305

Pursuant to instructions of the relevant regulatory authorities, the Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares.

15. Statutory reserve

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

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. Voluntary reserve

As required by the Parent Company's Articles of Association, a percentage of the profit for the year proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. The General Assembly may resolve to discontinue such transfers upon recommendation by the Board of Directors. In accordance with the resolution of the Annual General Assembly meeting held on 31 March 2010, the transfer to the voluntary reserve was ceased.

17. Other reserves

	Change in fair value of available for sale financial assets	Foreign currency translation reserve	Total
At 1 January 2016	24,619	14,333	38,952
Changes in fair value of available for sale financial assets	(58,426)	-	(58,426)
Foreign currency translation differences	-	(84,568)	(84,568)
At 31 December 2016	<u>(33,807)</u>	<u>(70,235)</u>	<u>(104,042)</u>
At 1 January 2015	58,902	291,660	350,562
Changes at fair value of available for sale financial assets	(34,283)	-	(34,283)
Foreign currency translation differences	-	(277,327)	(277,327)
At 31 December 2015	<u>24,619</u>	<u>14,333</u>	<u>38,952</u>

18. Long term borrowing

	2016	2015
Long term borrowing	<u>2,556,714</u>	<u>-</u>

Long term borrowing carry an effective interest rate of 3.5% (2015: nil) per annum as at 31 December 2016.

Long term borrowing is granted from local bank and is secured by machinery and equipment included in property, plant and equipment amounting to KD 190,523 (note 5).

Management believes that the long term borrowing fair value approximates its carrying value.

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

19. Trade and other payables

	2016	2015
Trade payables	2,889,758	746,135
Dividends payable (note 25)	32,383	125,670
Accrued expenses	1,418,188	1,275,167
Accrued bonus expense	473,144	439,988
Accrued leave	170,068	153,305
Refundable deposits	10,000	20,000
Due to related parties (note 25)	-	90,142
Board of Directors' remuneration	126,000	120,000
National Labor Support Tax	103,785	102,891
Zakat	41,514	41,157
Other payables	457,794	415,516
	<u>5,722,634</u>	<u>3,529,971</u>

20. Staff costs

Staff costs are allocated as follows:

	2016	2015
Operating costs	974,352	823,429
Marketing expenses	794,050	618,296
General and administrative expenses	1,366,329	1,058,402
	<u>3,134,731</u>	<u>2,500,127</u>

21. Other operating expenses

	2016	2015
Vessel expenses during the stoppage and repair durations	108,698	160,103
Provision for doubtful debts (note 9)	-	46,194
	<u>108,698</u>	<u>206,297</u>

22. Net investments income/(loss)

	2016	2015
<i>Financial assets at fair value through profit and loss</i>		
Change in fair value	(10,367)	(862,634)
Realised gain on sale	153,771	61,648
Dividends income	1,433	57,602
Portfolios management fees	(17,427)	(26,542)
	<u>127,410</u>	<u>(769,926)</u>
<i>Held to maturity investments</i>		
Interest income	66,069	-
	<u>66,069</u>	<u>-</u>
<i>Available for sale financial assets</i>		
Gain on sale of available for sale financial assets	4,478	-
	<u>4,478</u>	<u>-</u>
	<u>197,957</u>	<u>(769,926)</u>

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

23. Basic and diluted earnings per share (fils)

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

	<u>2016</u>	<u>2015</u>
Net profit for the year	3,886,091	3,922,172
Weighted average number of outstanding shares less treasury shares	<u>209,213,192</u>	<u>209,213,192</u>
Earnings per share (fils)	<u>18.58</u>	<u>18.75</u>

24. Contingent liabilities and capital commitments

	<u>2016</u>	<u>2015</u>
Letters of guarantee	<u>428,375</u>	<u>1,248,382</u>

As at 31 December 2016, the Group has capital commitments for new ship, buildings and manufacturing equipment amounting to KD 27,105,833 (31 December 2015: KD 1,998,966).

25. Related party transactions

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

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

Transactions	<u>2016</u>	<u>2015</u>
Management fees paid to associate companies	98,100	97,255
Key management benefits	204,746	145,160
Board of Directors' remuneration	126,000	120,000
Balances	<u>2016</u>	<u>2015</u>
Key management long term balances	118,106	98,551
Key management short term balances	27,823	20,410
Dividends payable (note 19)	32,383	125,670
Due to related parties (note 19)	-	90,142
Board of Directors' accrued remuneration (note 19)	126,000	120,000

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

Amounts due to related parties are non-interest bearing and are payable on demand.

The Board of Directors' remuneration for 2016 amounted to KD 126,000 is subject to the approval of the shareholders in the General Assembly of the Parent Company.

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

26. Financial risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below:

26.1 Market risk

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

(a) *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates that affects the Group's cash flows or the valuation of the monetary assets and liabilities denominated in foreign currency.

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

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

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

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

	<u>2016</u>	<u>2015</u>
US Dollars	8,972,649	1,605,628
Australian Dollars	1,532,818	976,435
Emirates Dirham	1,798,115	1,780,724
	<u>12,303,582</u>	<u>4,362,787</u>

The following is the effect on the consolidated financial statements in case of change in the exchange rate of the foreign currencies against the Kuwaiti Dinar by 10%:

	<u>2016</u>	<u>2015</u>
Net profit	1,230,358	436,279
Equity	(8,457)	(27,733)

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

26. Financial risk management (Continued)

26.1 Market risk (continued)

(b) Equity price risk

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

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

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

31 December 2016

<u>Market indices</u>	<u>% change in equity price</u>	<u>Effect on profit</u>	<u>Effect on equity</u>
Kuwait Stock Exchange	+5%	168,357	51,228

31 December 2015

<u>Market indices</u>	<u>% change in equity price</u>	<u>Effect on profit</u>	<u>Effect on equity</u>
Kuwait Stock Exchange	+5%	349,739	55,720

(c) Interest rate risk

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

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

The Group is not exposed to the interest rate risk as the interest rate is fixed.

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

26. Financial risk management (Continued)

26.2 Credit risk

The credit risk is the risk that the Group will incur a loss as a result of its customers' or, counterparties' failure to discharge their contractual obligation. Credit risk is managed on a Group level by monitoring the credit policy continuously.

Trade and other receivables and cash at banks are considered the most of the assets exposed to credit risk.

The Group monitors and manages credit risk of cash and cash equivalents by transacting with financial institutions with high credit reputation.

For credit risk of trade receivables the Group transacting with customers with good reputation and strong financial positions, also the Group doing the following:

- Transacting with customers with good reputation and strong financial positions and with government parties.
- Diversifying its customer base and avoiding centralisation of customers.
- Focusing on cash sales. The credit sales are held only for the contractual agreements and external sales with obtaining a bank guarantee from the customers issued from high credit reputation banks, as well as obtaining an irrevocable letters of credit and tangible warranties.
- Transacting with financial institutions with high credit reputation.

The Group Management's opinion is that the maximum net credit risk as at 31 December is as follows:

	<u>2016</u>	<u>2015</u>
Held to maturity investments	2,427,352	-
Trade and other receivables (excluding advances to suppliers and prepaid expenses)	13,492,276	7,180,485
Cash at banks and at portfolio	11,231,046	14,236,479

26.3 Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due. The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group's financial obligations as at 31 December mature within one year and accordingly equal their cash value as at that date as the impact of discounting is not significant. The Group's management facilitates the funding transactions by making available credit facilities through credit commitments with banks. The management also monitors the liquidity surplus in the Group through the expected cash flows.

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

26. Financial risk management (Continued)

26.3 Liquidity risk (continued)

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

	On demand	Less than 3 months	3 to 12 months	More than 12 months	Total
31 December 2016					
Trade and other payable	298,247	693,557	4,730,830	-	5,722,634
Long term borrowing	-	-	-	2,556,714	2,556,714
	<u>298,247</u>	<u>693,557</u>	<u>4,730,830</u>	<u>2,556,714</u>	<u>8,279,348</u>
31 December 2015					
Trade and other payable	183,972	427,816	2,918,183	-	3,529,971

26.4 Capital risk management

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

The Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including facilities and other credit balances as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity (as shown in the consolidated statement of financial position) plus net debt. The gearing ratios were as follows:

	2016	2015
Long term borrowing (note 18)	2,556,714	-
Less: Cash and cash equivalents (note 11)	(11,231,046)	(14,236,479)
Net debt	-	-
Total equity	41,951,609	38,208,512
Total Capital	-	-
Gearing ratio	-	-

27 Operating segments

27.1 Operating segments for the revenues and results

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

The Group conducts its activities through three main segments:

- Commercial segment includes purchasing, transporting, ranching and selling the live and slaughtered sheep and all skins, intestines and fertilisers. Purchasing and selling fodder and also purchasing and selling chilled and frozen meat in wholesale and retail.
- Food processing segment includes meat processing and its classification in all products and selling it in wholesale.

Notes to the consolidated financial statements

For the year ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

27. Operating segments (Continued)

27.1 Operating segments for the revenues and results (continued)

- Investments segment include investment portfolios managed by specialised companies, and deposits.

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

27.1.1 Segment revenue

	Commercial segment		Food processing segment		Investments segment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Kuwait	41,038,115	38,942,520	5,773,212	6,022,554	232,956	(769,926)	47,044,283	44,195,148
UAE	6,994,394	3,619,804	-	-	-	-	6,994,394	3,619,804
Australia	1,786,733	1,787,446	-	-	108,885	-	1,895,618	1,787,446
Total	49,819,242	44,349,770	5,773,212	6,022,554	341,841	(769,926)	55,934,295	49,602,398
Unallocated items							217,284	626,308
Miscellaneous revenues							670,871	125,065
Total revenue							56,822,450	50,353,771

Segment results

	Commercial segment		Food processing segment		Investments segment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Kuwait	3,123,630	7,092,577	-	539,288	232,956	(769,926)	3,356,586	6,861,939
UAE	(104,455)	(577,732)	-	-	-	-	(104,455)	(577,732)
Australia	54,663	(10,502)	-	-	108,885	-	163,548	(10,502)
Total	3,073,838	6,504,343	-	539,288	341,841	(769,926)	3,415,679	6,273,705
Unallocated items							217,284	530,308
Unallocated other income							524,427	83,341
Uncollected other cost							(271,299)	(2,965,182)
Net profit for the year							3,886,091	3,922,172

27.2 Segmental distribution of assets and liabilities

	Commercial segment		Food processing segment		Investments segment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets	30,359,904	16,404,892	5,663,745	5,488,890	15,622,748	21,231,268	51,646,397	43,125,050
Liabilities	9,638,988	4,880,509	55,800	36,029	-	-	9,694,788	4,916,538

Notes to the consolidated financial statements
For the year ended 31 December 2016
(All amounts are in Kuwaiti Dinars unless otherwise stated)

27. Operating segments (Continued)

27.3 Geographical distribution of assets and liabilities

	2016			
	Kuwait	UAE	Australia	Total
Assets				
Property, plant and equipment	13,034,275	293,482	1,283,790	14,611,547
Investments in associates	65,682	-	448,304	513,986
Available for sale investments	1,024,559	-	-	1,024,559
Held to maturity investments	2,427,352	-	-	2,427,352
Inventories	4,036,707	192,262	46,258	4,275,227
Trade and other receivables	14,598,941	1,672,956	350,992	16,622,889
Financial assets at fair value through profit and loss	939,791	-	-	939,791
Cash and cash equivalents	10,275,869	125,159	830,018	11,231,046
Total assets	46,403,176	2,283,859	2,959,362	51,646,397
Liabilities				
Trade and other payables and employees' end of service benefits	6,631,936	263,285	242,853	7,138,074
Long term borrowing	2,556,714	-	-	2,556,714
	9,188,650	263,285	242,853	9,694,788
	2015			
	Kuwait	UAE	Australia	Total
Assets				
Property, plant and equipment	2,298,144	227,143	1,341,576	3,866,863
Investments in associates	64,957	-	430,727	495,684
Available for sale investments	1,114,406	-	-	1,114,406
Inventories	5,198,238	600,655	54,083	5,852,976
Trade and other receivables	9,060,211	1,092,500	411,142	10,563,853
Financial assets at fair value through profit and loss	6,994,789	-	-	6,994,789
Cash and cash equivalents	13,388,729	291,907	555,843	14,236,479
Total assets	38,119,474	2,212,205	2,793,371	43,125,050
Liabilities				
Trade and other payables and employees' end of service benefits	4,185,707	497,014	233,817	4,916,538