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

Consolidated financial statements
and independent auditor's report
for the year ended 31 December 2019

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for the year ended 31 December 2019

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Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Livestock Transport and Trading Company K.P.S.C. (the "Parent Company") and its subsidiaries (together referred to as the "Group"), as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of income for the year ended 31 December 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the 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.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C. (Continued)

Report on the audit of the consolidated financial statements (Continued)

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:

Key audit matter	How our audit addressed the key audit matter
Expected credit loss on trade receivables and accrued Government subsidy At the end of each reporting period, management conducts an assessment of the recoverability of the Group's trade receivables and accrued Government subsidy 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 expected credit losses. As at 31 December 2019, the Group had gross outstanding receivable of KD 25,171,183 (2018: KD 23,849,744) against trade receivable and accrued government subsidy from which an outstanding receivables of KD 16,330,630 (2018: KD 16,330,630) relates to 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 legal cases were filed claiming the subsidy due amount. As at 31 December 2019, expected credit loss of KD 12,040,583 (2018: KD 13,247,077) is maintained against trade receivables and accrued government subsidy out of which an amount of KD 11,146,796 (2018: KD 12,730,079) pertains to the above mentioned Government subsidy. Refer to Notes 5, 6 and 14 to the consolidated financial statements for the related disclosures.	**How our audit addressed the matter** Our audit procedures included: • Assessing the appropriateness of the Expected credit loss (ECL) model prepared by management. • Reviewing management judgments and assumptions including the following: - computation of roll rate percentages - computation of default rate percentages - determining average default rates - scaling default rates to loss rates - final ECL provision using loss rate • Obtaining a legal opinion, from the Parent Company's external legal consultant regarding the status of the cases 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. • Reviewing management's impairment assessment for the accrued Government subsidy. • Evaluating the adequacy of the disclosures in Notes 5, 6 and 14 to the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the report of the Board of Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's complete 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Report on the audit of the consolidated financial statements (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.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

Independent auditor's report to the shareholders of Livestock Transport and Trading Company K.P.S.C. (Continued)

Report on the audit of the consolidated financial statements (Continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the 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 as amended, and its Executive Regulation, as amended, 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, as amended, and its Executive Regulation, as amended nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2019 that might have had a material effect on the business of the Group or on its consolidated financial position.

Ahmed Mohammed Abdulrahman Al-Rasheed
License No. 39 A
PricewaterhouseCoopers
(Al-Shatti & Co.)

13 February 2020
Kuwait

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

Consolidated statement of financial position
For the year ended 31 December 2019
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	8	**23,732,113**	40,910,431
Investments in associates	9	**444,539**	366,609
Right-of-use assets	10	**1,983,312**	-
Financial assets at fair value through other comprehensive income	11	**1,257,243**	1,803,896
Financial assets at amortised costs	12	**2,733,302**	2,733,302
		30,150,509	45,814,238
Current assets			
Inventories	13	**6,266,519**	4,062,831
Trade and other receivables	14	**16,962,171**	15,088,861
Bank balances and cash	15	**5,623,287**	3,277,788
		28,851,977	22,429,480
Total assets		**59,002,486**	68,243,718
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**21,659,057**	21,659,057
Share premium		**4,967,805**	4,967,805
Treasury shares	17	**(1,647,126)**	(1,647,126)
Statutory reserve	18	**11,825,560**	11,825,560
Voluntary reserve	19	**4,489,130**	4,489,130
Other reserves	20	**(42,427)**	(141,899)
Accumulated losses		**(1,101,158)**	(2,274,940)
Net equity		**40,150,841**	38,877,587
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**1,416,252**	1,494,051
Bank borrowing	21	**6,771,951**	17,720,494
Lease liabilities – non-current	10	**1,553,599**	-
		9,741,802	19,214,545
Current liabilities			
Bank borrowing	21	**1,900,000**	2,500,000
Bank overdraft	15	**115,045**	-
Trade and other payables	22	**6,701,628**	7,651,586
Lease liabilities – current	10	**393,170**	-
		9,109,843	10,151,586
Total liabilities		**18,851,645**	29,366,131
Total equity and liabilities		**59,002,486**	68,243,718

Bader N. AlSubaiee
Chairman

Osama Khaled Bodai
Chief Executive Officer

The accompanying notes set out on pages 10 to 43 form an integral part of these consolidated financial statements

Consolidated statement of income
For the year ended 31 December 2019
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2019	2018
Operating revenues		**59,902,823**	45,159,121
Operating costs		**(53,896,444)**	(42,112,347)
Gross profit		**6,006,379**	3,046,774
Other operating income	23	**836,507**	349,750
Marketing expenses	24	**(1,662,708)**	(1,799,719)
General and administrative expenses	25	**(4,777,085)**	(3,066,591)
Reversal of impairment of trade and other receivables	14	**1,327,573**	-
Other operating expenses	26	**(600,536)**	(1,878,714)
Operating profit / (loss)		**1,130,130**	(3,348,500)
Interest income	27	**246,847**	244,641
Finance costs		**(364,103)**	-
Group's share in associates' results	9	**81,355**	115,222
Foreign currency exchange gain / (loss)		**71,720**	(492,550)
Profit / (loss) before subsidiaries' tax and deductions		**1,165,949**	(3,481,187)
Reversal of provision / (provision) for income tax on subsidiaries		**15,841**	(62,311)
Profit / (loss) after subsidiaries' tax and before deductions		**1,181,790**	(3,543,498)
National Labour Support Tax		**(5,720)**	-
Zakat		**(2,288)**	-
Profit / (loss) for the year		**1,173,782**	(3,543,498)
Basic and diluted earnings / (loss) per share (fils)	29	**5.61**	(16.94)

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Consolidated statement of comprehensive income
For the year ended 31 December 2019
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2019	2018
Profit / (loss) for the year		**1,173,782**	(3,543,498)
Other comprehensive income / (loss):			
Items that may be reclassified to the consolidated statement of income:			
Exchange differences on translation of foreign operations	20	**(44,881)**	(147,387)
Items that will not be reclassified to the consolidated statement of income:			
Changes in fair value of financial assets at fair value through other comprehensive income	20	**144,353**	(17,132)
Other comprehensive income / (loss) for the year		**99,472**	(164,519)
Total comprehensive income / (loss) for the year		**1,273,254**	(3,708,017)

Consolidated statement of changes in equity
For the year ended 31 December 2019
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves	Accumulated losses	Total equity
At 1 January 2018	21,659,057	4,967,805	(1,647,126)	11,825,560	4,204,289	22,620	2,599,465	43,631,670
Loss for the year	-	-	-	-	-	-	(3,543,498)	(3,543,498)
Other comprehensive loss	-	-	-	-	-	(164,519)	-	(164,519)
Total comprehensive loss for the year	-	-	-	-	-	**(164,519)**	**(3,543,498)**	**(3,708,017)**
Dividends declared (Note 33)	-	-	-	-	-	-	(1,046,066)	(1,046,066)
Transfer to the voluntary reserve (Note 19)	-	-	-	-	284,841	-	(284,841)	-
At 31 December 2018	**21,659,057**	**4,967,805**	**(1,647,126)**	**11,825,560**	**4,489,130**	**(141,899)**	**(2,274,940)**	**38,877,587**
Profit for the year	-	-	-	-	-	-	1,173,782	1,173,782
Other comprehensive income	-	-	-	-	-	99,472	-	99,472
Total comprehensive income for the year	-	-	-	-	-	**99,472**	**1,173,782**	**1,273,254**
At 31 December 2019	**21,659,057**	**4,967,805**	**(1,647,126)**	**11,825,560**	**4,489,130**	**(42,427)**	**(1,101,158)**	**40,150,841**

The accompanying notes set out on pages 10 to 43 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 cash flows
For the year ended 31 December 2019
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2019	2018
Operating activities			
Profit / (loss) for the year		1,173,782	(3,543,498)
Adjustments:			
Depreciation	8&10	3,296,135	1,633,340
Interests income		(246,847)	(244,641)
Interest expense – lease liability		109,445	-
Loss allowance	14	227,564	339,098
Reversal – loss allowance	14	(1,327,573)	-
Group's share in associates' results	9	(81,355)	(115,222)
Foreign currency exchange loss		(71,720)	492,550
Employees' end of service benefits		207,257	164,271
		3,286,688	(1,274,102)
Changes in working capital			
Inventories		(2,203,688)	2,762,804
Trade and other receivables		687,039	7,958,113
Trade and other payables		(857,164)	1,835,405
Cash flows generated from operations		912,875	11,282,220
Employees' end of service benefits paid		(284,945)	(168,425)
Net cash flows generated from operating activities		627,930	11,113,795
Investing activities			
Purchase of property, plant and equipment	8	(1,567,073)	(13,976,336)
Proceeds from disposal of property, plant and equipment		14,381,257	-
Proceeds from sale of financial assets at fair value through other comprehensive income		691,006	29,843
Dividends received from associates	9	-	90,244
Interests received		246,847	244,641
Net cash flows generated from / (used in) investing activities		13,752,037	(13,611,608)
Financing activities			
Dividends paid		(21,074)	(1,036,932)
Proceeds from term borrowing		-	3,851,153
Payment of term borrowing		(11,548,543)	-
Principal element of lease payments		(562,599)	-
Net cash flows (used in) / generated from financing activities		(12,132,216)	2,814,221
Net foreign exchange differences		(17,297)	(7,172)
Net increase in cash and cash equivalents		2,230,454	309,236
Cash and cash equivalents at beginning of the year		3,277,788	2,968,552
Cash and cash equivalents at end of the year	15	5,508,242	3,277,788
Non-cash transactions:			
Right-of-use assets	10	2,400,105	-
Lease liabilities	10	(2,400,105)	-
Property, plant and equipment	8	1,455,898	-
Trade and other receivables	8	(1,455,898)	-

The accompanying notes set out on pages 10 to 43 form an integral part of these consolidated financial statements

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 which is owned by State of Kuwait is the principal shareholder of the Parent Company. The Parent Company is listed on Boursa Kuwait.

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. Utilisation of financial surplus through investment in portfolios managed by specialised companies and authorities.

The Group operates in four countries; Kuwait, United Arab Emirates ("UAE"), Australia and South Africa, and transports and sells livestock to certain 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"):

Name of subsidiaries	Shareholding interest (%) 31 December 2019	Shareholding interest (%) 31 December 2018	Activity	Country of incorporation
Rural Export and Trading (WA) PTY Ltd.	**100**	100	Trade in livestock and meat	Australia
Trans Emirates Livestock Trading Company L.L.C.	**100**	100	Trade in livestock and meat	UAE
Al Shuwaikh Company for Managing and Establishing Commercial and Industrial Projects S.P.C.	**100**	100	Establishment and management of commercial and industrial projects	Kuwait
Al Mawashi (PTY) Ltd.	**100**	100	Trade in livestock and meat	South Africa

The total assets of the subsidiaries amounted to KD 11,365,447 as at 31 December 2019 (2018: KD 7,444,545), and their respective total liabilities amounted to KD 1,907,804 as at 31 December 2019 (2018: KD 1,052,161). Their total revenues amounted to KD 27,738,178 for the year ended 31 December 2019 (2018: KD 9,888,191). Their losses amounted to KD 976,888 for the year ended 31 December 2019 (2018: losses amounted to KD 1,071,818).

The consolidated financial statements for the year ended 31 December 2019 were authorised for issuance by the Board of Directors of the Parent Company on 13 February 2020 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.

2. BASIS OF PREPARATION

(a) Compliance with IFRS
These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), interpretations issued by the IFRS interpretations Committee (IFRS IC) applicable to the companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(b) Historical cost convention
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that are measured at fair value.

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

2. BASIS OF PREPARATION (CONTINUED)

2.1 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations effective for the financial year beginning on 1 January 2019:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (if any). This is disclosed in note 4. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SUMMARY OF 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.

3.1 Principles of consolidation and equity accounting

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Principles of consolidation and equity accounting (Continued)

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.

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, is recognised immediately in 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.

3.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of income.

3.3 Foreign currencies translation

(a) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Kuwaiti Dinars (KD) which is the Group's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of income as a separate line item.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of income, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currencies translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

3.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vessels	2-15 years
Land, constructions and buildings	10-20 years
Machinery and equipment	3-20 years
Vehicles	5 years
Other assets	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Gains and losses on disposal (if any) are determined by comparing the proceeds with the carrying amounts and are recognised within the consolidated statement of income.

Projects in progress for purposes of production works or administrative usage are stated at cost less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised on assets that meet the conditions of capitalising the borrowing costs in accordance with the Group's accounting policy. These assets are classified within the appropriate categories of items of property, plant and equipment when finished and being considered ready for use. Depreciation of such assets commences when they are ready for use for their intended purpose in the same way as other items of property, plant and equipment.

3.5 Inventories

Inventories are 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 inventories.

3.6 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.7 Financial assets

3.7.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through other comprehensive income, and
- Those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in consolidated statement of comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (Continued)

3.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.7.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the consolidated statement of income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of income. Impairment losses are presented as separate line item in the consolidated statement of income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of income when the Group's right to receive payments is established.

Subsequent to the initial recognition, financial assets other than those carried at fair value through other comprehensive income are carried at amortised costs using the effective interest rate method.

3.7.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For 'trade and other receivables' the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For cash and cash equivalents, they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

3.9 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, current accounts with banks, time deposits with an original maturity of less than three months and cash at investment portfolios net of bank overdraft. In the consolidated statement of financial position, bank overdraft is shown as a separate line within current liabilities.

3.10 Employees' end of service benefits

The Group is liable under Kuwaiti Labour Law, to make payments to the employees for end of service benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of the Group's employees on the financial position date. The Group expects this method to produce a reliable approximation of the present value of this obligation.

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

3.11 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest rate method. The Group classifies its financial liabilities as borrowing and trade payables and other payables. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Borrowings

Borrowings represents term loans that are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate 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.

3.14 Trade payables and other liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables and other liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.15 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures 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. The increase in the provision due to passage of time is recognised as finance costs.

3.16 Dividends

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.18 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 un-distributable 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.

3.19 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.

3.20 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold.

Revenue is recognised when or as performance obligations are satisfied by transferring control of goods to a customer. Revenue is recognised only to the extent that it is probable the economic benefits will accrue to the Group, the revenue can be measured reliably and the contract has commercial substance.

The revenue recorded is the amount of consideration specified in a contract with a customer that the Group expects to be entitled to in exchange for those goods.

Revenue is recognised in accordance with the five step model as stipulated in IFRS 15:

1. Identify contracts with customers: A contract is an agreement which creates enforceable rights and obligations and sets out criteria that must be met.
2. Identify performance obligations within a contract: A performance obligation is a promise to deliver goods or services to a customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for delivering the promised goods to a customer.
4. Allocate the transaction price to the performance obligations.
5. Recognize revenue as and when the Group satisfies performance obligations.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional.

Sale of goods
The Group is engaged in the sales of food products. Revenue from the sale of goods is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery. It is the Group's policy to sell its products to the end customer.

Interest income
Interest income is recognised as the interest accrues using effective interest rate method.

Dividend income
Dividend income is recognised when the right to receive payment is established.

3.22 Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in (note 4.2) and the impact of the change in (note 4.1).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 NLST, KFAS and Zakat

National Labour Support Tax (NLST), contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat represent levies / taxes imposed on the Group at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation / levy regulations no carry forward of losses is permitted and there are no significant differences between the tax / levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax / statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions
NLST	2.5% of annual net profit before Board of Director's remuneration, contribution to Kuwait Foundation for Advancement of Sciences, donations, grants, Zakat and NLST.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of adoption IFRS 16 *Leases* on the Group's consolidated financial statements.

4.1 Impact on the consolidated financial statements

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019 (if any).

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

4.1 Impact on the consolidated financial statements (Continued)

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

i. Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an arrangement contains a lease*.

ii. Measurement of lease liabilities

	2019 KD
Operating lease commitments as at 31 December 2018	2,852,304
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,400,105
Lease liability recognised as at 1 January 2019	**2,400,105**
Of which are:	
Current lease liabilities	411,719
Non-current lease liabilities	1,988,386

iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

iv. Adjustments recognised in the consolidated statement of financial position on 1 January 2019:

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by KD 2,400,105
- lease liabilities – increase by KD 2,400,105

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

4.2 IFRS 16 "Leases" – Accounting policies

The Group leases various offices, warehouses, retail stores and vehicles. Rental contracts are made for fixed periods of 1 year to 14 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of offices, warehouses and retail stores was classified as operating lease. From 1 January 2019, lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using, the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

4.2 IFRS 16 "Leases" – Accounting policies (Continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below.

(a) 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.

(i) 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:

	As at 31 December	
	2019	**2018**
	KD (equivalent)	**KD (equivalent)**
US Dollar	**9,006,850**	7,261,649
Euro	**1,455,810**	-
Australian dollar	**1,388,760**	2,885,237
Emirati dirham	**5,802,778**	3,876,103

The table below indicates the Group's foreign exchange exposure as at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the US Dollar, Euro, Australian dollar and Emirati dirham with all other variables held constant, on the profit for the year and equity (due to the fair value of currency sensitive monetary assets and liabilities).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (Continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

	Change in currency rate	*Effect on (loss) / profit for the year and equity*
31 December 2019		
US Dollar	**+5%**	**(450,343)**
Euro	**+5%**	**(72,791)**
Australian dollar	**+5%**	**(69,438)**
Emirati dirham	**+5%**	**(290,139)**
31 December 2018		
US Dollar	+5%	(363,082)
Australian dollar	+5%	(144,262)
Emirati dirham	+5%	(193,805)

The increase in currency rate will have the opposite effect on the (loss) / profit for the year and equity.

(ii) 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 financial assets at fair value through other comprehensive income. The Group's management monitors and manages these risks through:

- 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.

2019	**% change in equity price**	**Effect on profit**	**Effect on equity**
Financial assets at fair value through other comprehensive income	**+5%**	**-**	**62,862**

2018	**% change in equity price**	**Effect on profit**	**Effect on equity**
Financial assets at fair value through other comprehensive income	+5%	-	90,195

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (Continued)

(a) Market risk (continued)

(iii) 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.

Borrowings bear fixed interest rate and hence not exposed to interest rate risk.

(b) Credit risk
Credit risk arises from cash and cash equivalents and trade and other receivables.

(i) Risk management
Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If contract customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by contract customers is regularly monitored by line management.

Sales to retail customers are required to be settled by letter of credit, extinguishing credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and / or regions.

(ii) Security
It is not the practice of the Group to obtain securities against receivables.

(iii) Impairment of financial assets

The following represents the Group's financial assets that are subject to the expected credit loss model:

- Trade receivables for billing amounts issued for sale of livestock and livestock products.

While cash and cash equivalents, financial assets at fair value through other comprehensive income and financial assets at amortised costs are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (Continued)

(b) Credit risk (continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate of the State of Kuwait in which it sells its goods and provide services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

	As at 31 December	
	2019	2018
Financial assets at amortised cost	**2,733,302**	2,733,302
Trade and other receivables	**13,552,670**	11,407,289
Bank balances and cash (excluding cash on hand)	**5,542,291**	3,214,921
	21,828,263	17,355,512

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain the support from the shareholders.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Capital risk management

The maturity analysis of financial instruments as at 31 December is as follows:

At 31 December 2019	On demand	Less than 3 months	3 to 12 months	More than 12 months	Total
Bank borrowing	-	-	1,900,000	7,008,969	8,908,969
Lease liabilities	-	98,293	294,877	1,627,395	2,020,565
Bank overdraft	-	115,045	-	-	115,045
Trade and other payables (excluding advances from customers)	-	2,986,716	3,357,451	-	6,344,167
	-	3,200,054	5,552,328	8,636,364	17,388,746

At 31 December 2018	On demand	Less than 3 months	3 to 12 months	More than 12 months	Total
Bank borrowing	-	-	2,500,000	18,340,711	20,840,711
Trade and other payables (excluding advances from customers)	-	3,436,317	4,152,314	-	7,588,631
	-	3,436,317	6,652,314	18,340,711	28,429,342

The Group manages its capital to ensure that entities within the Group will be able to continue as a 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 debt less cash and cash equivalents. Total capital is calculated as net debt plus equity. The gearing ratios as at 31 December were as follows:

	2019	2018
Bank borrowing (Note 21)	8,671,951	20,220,494
Bank overdraft	115,045	-
Lease liabilities	1,946,769	-
Less: cash and cash equivalents (Note 15)	(5,508,242)	(3,277,788)
Net debt	5,225,523	16,942,706
Total equity	40,150,841	38,877,587
Total capital	45,376,364	55,820,293
Gearing ratio (%)	11.52%	30.35%

6 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.

6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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:

Classification of financial assets at amortised cost
The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Classification of financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Critical judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses and retail stores, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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:

Expected Credit Losses on financial assets
The Group estimates Expected Credit Loss (ECL) for all financial assets carried at amortised cost.

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Fair value of financial assets at fair value through other comprehensive income
The Group carries out valuations for its financial assets at fair value through other comprehensive income at least annually. At the end of each reporting period, the management update their assessment of the fair value of each equity investment, taking into account the most recent financial information available. The management determine a value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available the management considers information from a variety of sources including, current prices in an active market for equity investments of different nature or recent prices of similar equity investments in less active markets, adjusted to reflect those differences.

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. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are depreciated. This estimate is based on management's experience.

7 FAIR VALUE ESTIMATION

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

- **-Level 1:** Quoted prices in active markets for quoted financial instruments.
- **-Level 2:** Quoted prices in active markets for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- **-Level 3:** Inputs for the asset or liabilities that are not based on observable market data.

The following table shows the fair value measurement hierarchy of the Group's financial assets recorded at fair value:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets at fair value through other comprehensive income	**738,422**	**35,649**	**483,172**	**1,257,243**
31 December 2018				
Financial assets at fair value through other comprehensive income	974,720	36,048	793,128	1,803,896

7 FAIR VALUE ESTIMATION (CONTINUED)

The method of valuation used in Level 3 has been consistent with that used in the recent annual consolidated financial statements, which is measured at fair value estimated using various models, 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 as the future financial flows of which are unpredictable.

The fair value of the financial assets and liabilities other than those mentioned above are not materially different than their carrying value.

The following table represents the changes in Level 3 instruments:

	31 December	
	2019	**2018**
Opening balance	**793,128**	87,465
Additions of unquoted equity securities	**-**	715,618
Sale of unquoted equity securities	**(347,957)**	-
Change in fair value	**38,001**	(9,955)
Ending balance	**483,172**	793,128

8 PROPERTY, PLANT AND EQUIPMENT

	Vessels	Land, constructions and buildings	Machinery and equipment	Vehicles	Other assets	Projects in progress	Total
At 1 January 2018							
Cost	30,608,320	13,343,338	5,179,446	2,942,584	2,116,494	20,563,706	74,753,888
Accumulated depreciation	(27,815,797)	(9,951,383)	(4,052,026)	(2,459,153)	(1,790,301)	-	(46,068,660)
Net book amount	**2,792,523**	**3,391,955**	**1,127,420**	**483,431**	**326,193**	**20,563,706**	**28,685,228**
Year ended 31 December 2018							
Opening net book amount	2,792,523	3,391,955	1,127,420	483,431	326,193	20,563,706	28,685,228
Exchange differences	-	(74,854)	(41,264)	(921)	(754)	-	(117,793)
Additions	284,176	314,594	3,734,201	176,072	81,939	9,385,354	13,976,336
Depreciation charge	(929,219)	(161,776)	(189,265)	(193,954)	(159,126)	-	(1,633,340)
Transfers	-	14,051,817	24,108	-	100,000	(14,175,925)	-
Closing net book amount	**2,147,480**	**17,521,736**	**4,655,200**	**464,628**	**348,252**	**15,773,135**	**40,910,431**
At 31 December 2018							
Cost	30,892,496	27,634,895	8,896,491	3,117,735	2,297,679	15,773,135	88,612,431
Accumulated depreciation	(28,745,016)	(10,113,159)	(4,241,291)	(2,653,107)	(1,949,427)	-	(47,702,000)
Net book amount	**2,147,480**	**17,521,736**	**4,655,200**	**464,628**	**348,252**	**15,773,135**	**40,910,431**
Year ended 31 December 2019							
Opening net book amount	2,147,480	17,521,736	4,655,200	464,628	348,252	15,773,135	40,910,431
Exchange differences	-	(10,223)	(17,430)	(504)	(144)	-	(28,301)
Additions	276,431	316,076	339,509	114,492	201,726	318,839	1,567,073
Disposals*	-	(6,332)	-	-	(41,065)	(15,837,067)	(15,884,464)
Depreciation charge	(1,037,214)	(881,934)	(557,165)	(172,567)	(231,055)	-	(2,879,935)
Depreciation relating to disposals	-	6,332	-	-	40,977	-	47,309
Closing net book amount	**1,386,697**	**16,945,655**	**4,420,114**	**406,049**	**318,691**	**254,907**	**23,732,113**
At 31 December 2019							
Cost	31,168,927	27,934,416	9,218,570	3,231,723	2,458,196	254,907	74,266,739
Accumulated depreciation	(29,782,230)	(10,988,761)	(4,798,456)	(2,825,674)	(2,139,505)	-	(50,534,626)
et book amount	**1,386,697**	**16,945,655**	**4,420,114**	**406,049**	**318,691**	**254,907**	**23,732,113**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Machinery and equipment included in property, plant and equipment with a carrying value of KD 74,619 (2018: KD 111,446) are mortgaged as a security against bank borrowing (Note 21).

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

	2019	2018
Operating costs	**2,338,095**	1,209,635
Marketing expenses (Note 24)	**172,622**	152,759
General and administrative expenses (Note 25)	**369,218**	270,946
	2,879,935	1,633,340

During the year ended 31 December 2018, finance cost amounted to KD 694,867 was capitalised within the property, plant and equipment.

*During the year, an agreement with a contractor with whom a contract was made to build a vessel was cancelled by the Group as a result of the contractor's breach of the terms of the agreement and failure to deliver the vessel as per the contracted timeline due to bankruptcy. As a result, the Group liquidated the letter of guarantee amounting to KD 14,381,257 provided by the contractor against the project in progress. The Group filed a legal case against the contractor claiming damages in the sum of Euro 15,702,996 (equivalent to KD 5,242,330) which was accepted by the bankruptcy manager of the contractor.

9. INVESTMENTS IN ASSOCIATES

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

Name of the associate	Country of incorporation	Activity	Voting rights and equity interest		2019	2018
			2019	2018		
			%	%		
Portland Pellet Suppliers	Australia	Livestock trading	**50**	50	**444,539**	366,609
					444,539	366,609

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

Portland Pellet Suppliers

Assets	2019	2018
Current assets	**723,608**	632,740
Non-current assets	**311,844**	322,865
	1,035,452	955,605
Liabilities		
Current liabilities	**146,374**	222,387
Net assets of the associate	**889,078**	733,218
Group's share of the associate's net assets	**444,539**	366,609
Revenues	**2,505,343**	1,149,721
Expenses	**(2,342,633)**	(919,277)
Profit for the year	**162,710**	230,444
Group's share of associate's results	**81,355**	115,222
Dividends received	**-**	90,244

10 LEASE

This note provides information for lease where the Group is a lessee.

(i) Amounts recognized in the consolidated statement of financial position

	As at	
	31 December 2019	1 January 2019
Right of use asset		
Building	**1,956,046**	2,324,613
Vehicles	**27,266**	75,492
	1,983,312	2,400,105
Lease liability		
Current	**393,170**	411,719
Non-current	**1,553,599**	1,988,386
	1,946,769	2,400,105

Additions to the right-of-use assets during the year ended 31 December 2019 were nil.

(ii) Amounts recognised in the consolidated statement of income
The consolidated statement of income shows the following amount relating to lease:

	Year ended 31 December	
	2019	2018
Depreciation charge of right-of-use asset		
Building	**367,974**	-
Vehicles	**48,226**	-
	416,200	-

The total cash outflow for lease during the year ended 31 December 2019 was KD 562,599.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at fair value through other comprehensive income
Equity investments at FVOCI comprise the following:

	2019	**2018**
Quoted securities	**738,422**	974,720
Unquoted local securities	**386,313**	318,895
Unquoted foreign securities	**132,508**	510,281
	1,257,243	1,803,896

The fair value of local quoted securities is based on its year end bid price in active market.

The fair value of the investment in funds are determined by the manager of the fund based on the latest net asset value as of 31 December 2019.

12 FINANCIAL ASSETS AT AMORTISED COSTS

Financial assets at amortised costs represent local bonds and Sukuk. During the year ended 31 December 2019, the Group has local Sukuk at annual yield rates ranging from 5.5% to 6.5% and local bonds at annual interest rates ranging from 6.5% to 7%. Bonds are classified as non-current on the basis of their maturities.

13 INVENTORIES

	2019	2018
Livestock and meat – (net)	**4,503,148**	2,505,496
Fodder	**94,101**	257,462
Intestine	**-**	110,227
Medicines, fertilisers and others	**423,623**	463,516
	5,020,872	3,336,701
Production materials and spare parts	**1,245,647**	726,130
	6,266,519	4,062,831

14 TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables	**8,840,553**	7,519,114
Accrued Government subsidy*	**16,330,630**	16,330,630
	25,171,183	23,849,744
Loss allowance	**(12,040,583)**	(13,247,077)
	13,130,600	10,602,667
Advances to suppliers	**3,188,421**	3,256,744
Prepaid expenses	**221,080**	424,828
Refundable deposits	**106,624**	32,539
Staff receivables	**35,059**	48,986
Others	**280,387**	723,097
	16,962,171	15,088,861

* 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.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2019 (2018: KD 16,330,630). 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 related to one of the legal cases. On 26 November 2019, a verdict was issued by the Court of appeal in favour of the Parent Company in relation to this legal case for an amount of KD 2,294,156 upholding the earlier decision of the court of first instances. Management has appealed against the verdict demanding the full amount of KD 3,462,353 relating to this legal case which is currently pending. As at 31 December 2019, the provision for impairment maintained against the total accrued Government subsidy balance amounted to KD 11,146,796 (2018: KD 12,730,079).

The movement of the loss allowance is as follows:

	2019	2018
At 1 January	**13,247,077**	12,920,187
Loss allowance addition during the period	**227,564**	339,098
Write-off during the year	**(105,308)**	-
Reversal	**(1,327,573)**	-
Foreign exchange differences	**(1,177)**	(12,208)
At 31 December	**12,040,583**	13,247,077

The Group does not hold any collateral in relation to these receivables. Trade receivables are non-interest bearing.

15 CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand and at banks	**2,824,811**	1,576,672
Time deposits maturing within 3 months from placement date	**2,746,610**	1,613,100
Cash at investment portfolios	**51,866**	88,016
	5,623,287	3,277,788
Less: bank overdraft	**(115,045)**	-
Cash and cash equivalents	**5,508,242**	3,277,788

The average annual effective interest rate on time deposits is 2.69% as at 31 December 2019 (2018: 1.65%).

16 SHARE CAPITAL

As at 31 December 2019 the authorised, issued and fully paid up share capital of the Parent Company comprise of 216,590,575 shares of 100 fils each (2018: 216,590,575 shares). All shares are paid in cash.

17 TREASURY SHARES

	2019	2018
Number of shares	**7,377,383**	7,377,383
Percentage to issued shares (%)	**3.41%**	3.41%
Market value	**1,291,042**	1,340,249

The Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

18 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 is more than 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. No transfer to statutory reserve has been made for the financial years ended 31 December 2019 and 2018 due to the accumulated losses.

19 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. No transfer to voluntary reserve has been made for the year ended 31 December 2019. For the year ended 31 December 2018, transfer to voluntary reserve has been made amounting to KD 284,841.

20 OTHER RESERVES

	Change in fair value reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Total
At 1 January 2019	**(32,564)**	**(109,335)**	**(141,899)**
Changes in fair value	144,353	-	144,353
Foreign currency translation differences	-	(44,881)	(44,881)
At 31 December 2019	**111,789**	**(154,216)**	**(42,427)**
At 1 January 2018	(15,432)	38,052	22,620
Changes in fair value	(17,132)	-	(17,132)
Foreign currency translation differences	-	(147,387)	(147,387)
At 31 December 2018	(32,564)	(109,335)	(141,899)

21 BANK BORROWING

	2019	2018
Bank borrowing	**8,671,951**	20,220,494

	Maturity date	2019	2018
	31 December 2020	-	5,300,000
	31 December 2021	**1,900,000**	5,300,000
	31 December 2022	**1,900,000**	5,300,000
	31 December 2023	**1,950,000**	1,820,494
	31 December 2024	**1,021,951**	-
Non-current portion		**6,771,951**	17,720,494
Current portion		**1,900,000**	2,500,000
		8,671,951	20,220,494

Bank borrowing is denominated in Kuwaiti Dinars ("KD") obtained from a local bank with a maximum limit amounted to KD 28,000,000 and carry an effective interest rate of 3.5% (2018: 3.5%) per annum. The bank borrowing is used to finance purchasing equipment and vessels.

Bank borrowing is secured by the following;
Machinery and equipment included in property, plant and equipment amounting to KD 74,619 (2018: KD 111,446) (Note 8).

22 TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	**2,676,564**	4,126,248
Advances from customers	**27,461**	62,955
Dividends payable (Note 31)	**46,993**	71,369
Accrued expenses	**3,271,419**	2,837,431
Refundable deposits	**180,179**	183,153
Provision for NLST and Zakat	**8,008**	3,600
Other payables	**491,004**	366,830
	6,701,628	7,651,586

23 OTHER OPERATING INCOME

	2019	2018
Slaughterhouse shops rent	**243,901**	202,514
Miscellaneous income	**530,285**	147,236
Sales of raw materials	**62,321**	-
	836,507	349,750

24 MARKETING EXPENSES

	2019	2018
Staff costs	**618,205**	689,327
Utilities and maintenance	**311,232**	640,679
Depreciation - Property, plant and equipment	**172,622**	152,759
Depreciation - Right-of-use assets	**218,999**	-
Advertisements, business promotion	**286,695**	258,130
Other expenses	**54,955**	58,824
	1,662,708	1,799,719

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Staff costs	**2,406,900**	1,463,708
Maintenance and utilities	**1,202,301**	761,217
Depreciation - Property, plant and equipment	**369,218**	270,946
Depreciation - Right-of-use assets	**47,511**	-
Insurance	**97,328**	129,682
Other expenses	**426,263**	101,940
Provision for impairment of receivables	**227,564**	339,098
	4,777,085	3,066,591

26 OTHER OPERATING EXPENSES

During the year ended 31 December 2019, an amount of KD 600,536 (31 December 2018: KD 1,878,714) was incurred as operating expenses which represent mainly vessel expenses during the import interruption period.

27 INTEREST INCOME

	2019	2018
Financial assets at amortised costs – Bonds	**100,076**	99,151
Financial assets at amortised costs - Sukuk	**66,858**	66,579
Deposits and call accounts	**79,913**	78,911
	246,847	244,641

28 STAFF COSTS

Staff costs are allocated as follows:

	2019	2018
Operating costs	**1,301,899**	1,346,305
Marketing expenses	**618,205**	689,327
General and administrative expenses	**2,406,900**	1,463,708
	4,327,004	3,499,340

29 BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE (FILS)

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

	2019	2018
Profit / (loss) for the year	**1,173,782**	(3,543,498)
Weighted average number of outstanding shares less treasury shares	**209,213,192**	209,213,192
Earnings / (losses) per share (fils)	**5.61**	(16.94)

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2019	2018
Letters of guarantee	**1,304,795**	1,226,362

31 RELATED PARTY TRANSACTIONS AND BALANCES

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 ordinary 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 transactions and balances are as follows:

Transactions	2019	2018
Key management benefits	**258,995**	376,445

Balances	2019	2018
End of service benefits	**43,265**	49,472
Salaries and short term benefits	**211,632**	271,282
Dividends payable (Note 22)	**46,993**	71,369

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

The Board of Directors' remuneration for 2019 amounted to KD Nil (2018: Nil) is subject to the approval of the shareholders in the General Assembly of the Parent Company.

32. Operating segments

32.1 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.
- Investments segment include investment portfolios managed by specialised companies, and deposits.

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

32.1.1 Segment revenue

	Commercial segment		Food processing segment		Investments segment		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Kuwait	**44,910,678**	36,370,388	**1,608,233**	743,344	**328,202**	165,730	**46,847,113**	37,279,462
UAE	**10,431,683**	7,351,377	**-**	-	**-**	-	**10,431,683**	7,351,377
Australia	**2,013,144**	1,730,445	**-**	-	**-**	-	**2,013,144**	1,730,445
South Africa	**3,031,445**	-	**-**	-	**-**	-	**3,031,445**	-
Total	**60,386,950**	45,452,210	**1,608,233**	743,344	**328,202**	165,730	**62,323,385**	46,361,284
Unallocated items							**71,720**	(492,550)
Total revenue							**62,395,105**	45,868,734

The total revenue reconciles with operating revenues, other operating income, reversal of impairment of trade and other receivables, interest income and group's share in associates' results.

32.1.2 Segment results

	Commercial segment		Food processing segment		Investments segment		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Kuwait	**1,143,439**	(1,868,851)	**164,095**	(226,109)	**328,202**	165,730	**1,635,736**	(1,929,230)
UAE	**(661,537)**	(657,406)	**-**	-	**-**	-	**(661,537)**	(657,406)
Australia	**220,654**	(437,807)	**-**	-	**-**	-	**220,654**	(437,807)
South Africa	**(84,783)**	(26,505)	**-**	-	**-**	-	**(84,783)**	(26,505)
Total	**617,773**	(2,990,569)	**164,095**	(226,109)	**328,202**	165,730	**1,110,070**	(3,050,948)
Unallocated items								
Unallocated other income							**71,720**	(492,550)
Unallocated other cost							**(8,008)**	-
Profit / (loss) for the year							**1,173,782**	(3,543,498)

32. Operating segments

32.2 Segmental distribution of assets and liabilities

	Commercial segment		Food processing segment		Investments segment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets	43,114,799	55,294,680	6,463,249	5,066,631	9,424,438	7,882,407	59,002,486	68,243,718
Liabilities	18,591,195	29,240,531	260,450	125,600	-	-	18,851,645	29,366,131

32.3 Geographical distribution of assets and liabilities

	2019				
	Kuwait	UAE	Australia	South Africa	Total
Assets	48,021,274	7,054,454	2,907,478	1,019,280	59,002,486
Liabilities	15,984,531	1,251,680	505,172	1,110,262	18,851,645

	2018			
	Kuwait	UAE	Australia	Total
Assets	61,050,815	4,558,336	2,634,567	68,243,718
Liabilities	28,282,245	650,748	433,138	29,366,131

33. ANNUAL GENERAL ASSEMBLY MEETING

The Parent Company's Ordinary Annual General Assembly meeting ("AGM") held on 11 April 2019 approved the annual consolidated financial statements for the financial year ended 31 December 2018 and the following:

- No distribution of cash dividends for the year ended 31 December 2018.
- No Board of Directors remuneration for the financial year ended 31 December 2018.

The Parent Company's Ordinary Annual General Assembly meeting ("AGM") held on 29 March 2018 approved the annual consolidated financial statements for the financial year ended 31 December 2017 and the following:

- Transfer to the voluntary reserve amounted to KD 284,841 against the retained earnings.
- Distribution of cash dividends of 5 fils per share amounting to KD 1,046,066 for the year ended 31 December 2017.
- Board of Directors remuneration amounting to KD 126,000 for the financial year ended 31 December 2017.