



**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 2021**



**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 2021**

Contents	Pages
Independent auditor's report	1-5
Consolidated statement of financial position	6
Consolidated statement of income	7
Consolidated statement of comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 – 48



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

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 2021, 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 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (Including International Independence Standards) issued by the International Ethics Standards Board for 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

- Key Audit Matters
- Expected credit loss on trade receivables and accrued government subsidy
 - Impairment assessment of property, plant and equipment

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.

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.

PricewaterhouseCoopers Al-Shatti & Co.

Arraya Tower II, 23rd - 24th Floor, P.O. Box 1753, Safat 13018 Sharq, Kuwait

T: +965 2227 5777 F: +965 2227 5888, www.pwc.com



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)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p style="color: #C00000;">Expected credit loss on trade receivables and accrued government subsidy</p> <p>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.</p> <p>As at 31 December 2021, the Group had gross outstanding receivables of KD 24,705,979 (2020: KD 25,156,282) including an outstanding receivable of KD 16,330,630 (2020: KD 16,330,630) relating 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.</p> <p>As at 31 December 2021, expected credit loss of KD 15,553,974 (2020: KD 12,728,294) is maintained against trade receivables and accrued government subsidy out of which an amount of KD 13,225,204 (2020: KD 11,146,796) pertains to the above mentioned government subsidy.</p> <p>Refer to Notes 3, 4, 5 and 13 to the consolidated financial statements for the related disclosures.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Expected Credit Loss (ECL) model prepared by management. • Reviewing management judgments and assumptions including the following: <ul style="list-style-type: none"> - calculating the roll rate percentages - calculating the default rate percentages - determining average default rates - scaling default rates to loss rates - determining the final ECL provision using loss rates • 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 amount. • Reviewing management's impairment assessment for the accrued government subsidy. • Evaluating the adequacy of the disclosures in Notes 4, 5 and 13 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p style="color: #C00000;">Impairment assessment of property, plant and equipment</p> <p>As of 31 December 2021, the carrying values of property, plant and equipment amounted to KD 34,975,954.</p> <p>Management has performed an impairment assessment of the Group's property, plant and equipment as at 31 December 2021, by each cash generating unit (CGU), as a result of the existence of certain impairment indicators.</p> <p>Management has determined the recoverable amount based on the value-in-use approach with key assumptions around cash flows, pre-tax discount rate and terminal growth rate estimates and forecasted levels of capital expenditure and has concluded that no impairment is required for the current year.</p> <p>We considered the impairment assessment of property, plant and equipment to be a key audit matter as the assessment of the recoverable amount of the assets, or the CGUs to which the assets belong, requires estimation and significant judgement primarily around forecast revenue growth rates, pre-tax discount rates, budgeted Capex and terminal growth rate and working capital estimates.</p> <p>Refer to notes 3, 5 and 7 for the accounting policies, significant accounting judgements and estimates and property, plant and equipment note, respectively.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Understanding and evaluating the appropriateness of management's identification of CGUs; • Assessing whether the cash flows used in the discounted cash flow model by the management to determine the recoverable amount have been derived from the most recent annual business plan approved by the Board of Directors; • Testing of reliability of management forecasting by performing lookback analysis; • Testing the mathematical accuracy of the cash flow model; • Involving our internal valuation experts to assess key assumptions used by management for the pre-tax discount rate and the terminal growth rate; • Performing sensitivity analyses on key assumptions used; and • Assessing the related disclosures in the consolidated financial statements against the requirements of IFRSs.



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)

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.

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 International Financial Reporting Standards and the Companies' Law no. 1 of 2016 and its executive regulations, 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.



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)

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

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.

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, actions taken to eliminate threats or safeguards applied.

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.



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

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of 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, its executive regulation 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, its executive regulation nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2021 that might have had a material effect on the business of the Group or on its consolidated financial position.

Moreover, we further report that during the course of our audit, we have not become aware of any violations of Law No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments thereto and its executive bylaws during the year ended 31 December 2021 that might have had a material effect on the business of the Group or on its consolidated financial position.

A handwritten signature in blue ink, appearing to read 'Ahmed', is written over a horizontal line.

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

10 March 2022
Kuwait

Consolidated statement of financial position
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	7	34,975,954	37,881,803
Investments in associate	8	454,529	501,109
Right-of-use assets	9	1,295,800	1,679,781
Financial assets at fair value through other comprehensive income	10	1,068,573	1,127,905
Financial assets at amortised cost	11	-	305,950
		37,794,856	41,496,548
Current assets			
Financial assets at amortised cost	11	305,950	2,427,352
Inventories	12	6,516,834	7,564,452
Trade and other receivables	13	12,100,284	14,536,582
Cash and cash equivalents	14	5,265,765	1,777,062
		24,188,833	26,305,448
Total assets		61,983,689	67,801,996
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	21,659,057	21,659,057
Share premium		4,967,805	4,967,805
Treasury shares	16	(1,647,126)	(1,647,126)
Statutory reserve	17	11,825,560	11,825,560
Voluntary reserve	18	4,489,130	4,489,130
Other reserves	19	133,506	132,591
Accumulated losses		(6,598,575)	(135,038)
Total equity		34,829,357	41,291,979
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		1,399,205	1,396,624
Bank borrowing	20	16,621,951	4,871,951
Lease liabilities – non-current	9	967,830	1,312,937
		18,988,986	7,581,512
Current liabilities			
Bank borrowing	20	2,750,000	1,900,000
Bank overdraft	14	235,768	9,847,179
Trade and other payables	21	4,807,776	6,787,221
Lease liabilities – current	9	371,802	394,105
		8,165,346	18,928,505
Total liabilities		27,154,332	26,510,017
Total equity and liabilities		61,983,689	67,801,996


Mohammed Hamad Al-Ebraheem
Vice Chairman


Osama Khaled Bodai
Chief Executive Officer

The accompanying notes set out on pages 11 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of Income
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2021	2020 (Restated)
Operating revenue		51,241,834	60,560,115
Operating costs		(48,412,664)	(54,670,547)
Gross profit		2,829,170	5,889,568
Governmental subsidy	22	-	1,122,300
Other operating income	23	777,124	489,303
Gain on sale of property, plant and equipment		9,792	2,387,732
Marketing expenses	24	(1,524,697)	(1,822,210)
General and administrative expenses	25	(4,553,272)	(4,360,523)
Impairment losses on financial assets	4.1&34	(2,968,735)	(687,668)
Other operating expenses	26	(381,637)	(2,414,485)
Operating (loss) / profit		(5,812,255)	604,017
Investment income	27	107,502	203,503
Finance costs		(741,867)	(561,229)
Group's share in associate's results	8	(17,279)	67,780
Foreign currency exchange (loss) / gain		(278,433)	345,847
(Loss) / profit before subsidiaries' tax and deductions		(6,742,332)	659,918
Reversal of income tax on subsidiaries		278,795	341,721
(Loss) / profit after subsidiaries' tax and before deductions		(6,463,537)	1,001,639
National Labour Support Tax ("NLST")		-	(25,371)
Zakat		-	(10,148)
(Loss) / profit for the year		(6,463,537)	966,120
Basic and diluted (loss) / earnings per share (fils)	29	(30.89)	4.62

The accompanying notes set out on pages 11 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2021	2020
(Loss) / profit for the year		(6,463,537)	966,120
Other comprehensive income:			
<i>Items that may be reclassified to the consolidated statement of income:</i>			
Exchange differences on translation of foreign operations	19	33,550	177,791
<i>Items that will not be reclassified to the consolidated statement of income:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income	19	(32,635)	(2,773)
Other comprehensive income for the year		915	175,018
Total comprehensive (loss) / income for the year		(6,462,622)	1,141,138

The accompanying notes set out on pages 11 to 48 form an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity
For the year ended 31 December 2021**

(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 2020	21,659,057	4,967,805	(1,647,126)	11,825,560	4,489,130	(42,427)	(1,101,158)	40,150,841
Profit for the year	-	-	-	-	-	-	966,120	966,120
Other comprehensive income	-	-	-	-	-	175,018	-	175,018
Total comprehensive income for the year	-	-	-	-	-	175,018	966,120	1,141,138
At 31 December 2020	21,659,057	4,967,805	(1,647,126)	11,825,560	4,489,130	132,591	(135,038)	41,291,979
Loss for the year	-	-	-	-	-	-	(6,463,537)	(6,463,537)
Other comprehensive income	-	-	-	-	-	915	-	915
Total comprehensive income / (loss) for the year	-	-	-	-	-	915	(6,463,537)	(6,462,622)
At 31 December 2021	21,659,057	4,967,805	(1,647,126)	11,825,560	4,489,130	133,506	(6,598,575)	34,829,357

The accompanying notes set out on pages 11 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	2021	2020
Operating activities			
(Loss) / profit for the year		(6,463,537)	966,120
<i>Adjustments:</i>			
Depreciation	7&9	4,525,250	4,181,127
Gain on sale of property, plant and equipment		(9,792)	(2,387,732)
Investment income	27	(107,502)	(203,503)
Interest expense – lease liability	9	80,339	109,521
Impairment losses on financial assets	4.1	(2,968,735)	687,668
Group's share in associate's results	8	17,279	(67,780)
Foreign currency exchange loss / (gain)		278,433	(345,847)
Employees' end of service benefits		190,130	207,676
		(4,458,135)	3,147,250
Changes in working capital			
Inventories		1,047,618	(1,297,933)
Trade and other receivables		5,404,260	1,737,878
Trade and other payables		(2,256,362)	432,763
Cash flows (used in) / generated from operations		(262,619)	4,019,958
Employees' end of service benefits paid		(187,220)	(227,571)
Net cash flows (used in) / generated from operating activities		(449,839)	3,792,387
Investing activities			
Purchase of property, plant and equipment	7	(1,313,201)	(17,784,007)
Proceeds from disposal of property, plant and equipment		10,565	2,388,564
Proceeds from sale of financial assets at fair value through other comprehensive income		26,697	126,565
Redemption for financial assets at amortised cost		2,427,352	-
Dividends received from associate	8	-	55,975
Investment income received		107,502	203,503
Net cash flows generated from / (used in) investing activities		1,258,915	(15,009,400)
Financing activities			
Dividends paid		(1,516)	(1,323)
Addition of term borrowing	20	14,500,000	-
Payment of term borrowing		(1,900,000)	(1,900,000)
Principal element of lease payments	9	(482,806)	(481,558)
Net cash flows generated from / (used in) financing activities		12,115,678	(2,382,881)
Net foreign exchange differences		175,360	21,535
Net increase / (decrease) in cash and cash equivalents		13,100,114	(13,578,359)
Cash and cash equivalents at beginning of the year		(8,070,117)	5,508,242
Cash and cash equivalents at end of the year	14	5,029,997	(8,070,117)
Non-cash transactions:			
Right-of-use assets	9	38,758	133,506
Lease liabilities	9	(38,758)	(133,506)

The accompanying notes set out on pages 11 to 48 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

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

The head office of the Parent Company is located at Sulaibiya, Agricultural Area, Block 12, Kuwait. Kuwait Investment Authority 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.
2. To construct and buy farms, pastures, barns, land and real estate deemed necessary to achieve the Parent Company's objectives.
3. To carry out all transportation operations deemed necessary or for others similar businesses.
4. To own, buy and utilize means of marine and land transportation necessary to achieve the Parent Company's objectives. In addition, utilize air transport necessary.
5. To run any business or processing activity relating to meat production and transportation, wool and leather trade.
6. To own, lease and rent of real estates, buildings, workshops, docks and stores.
7. To import and export marine equipment necessary for the 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.
10. Utilisation of financial surplus through investment in portfolios managed by specialised Companies and Authorities.
11. To run any trade or industry for food processing, opening restaurants and preparing healthy food.
12. To run any trade or manufacture of foodstuffs.
13. To run any trade or manufacture of fertilizers.
14. Import, export, breeding and sale of livestock.
15. Importing, exporting, manufacturing and selling medicines, veterinary tools and supplies, and veterinary medicine.
16. To run any trade or manufacture of animal and pet food.
17. Agricultural Contracting.
18. Delivery of consumer and food orders.
19. To run any trade or industry related to supermarkets and/or mini supermarkets and/or groceries.
20. To run the activities of butchery and butcheries and exhibitions of selling meat and its products of all kinds.

Livestock Transport and Trading Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "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.

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

I. 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 (%)		Activity	Country of incorporation
	31 December 2021	31 December 2020		
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 11,674,328 as at 31 December 2021 (2020: KD 9,851,725), and their respective total liabilities amounted to KD 12,935,902 as at 31 December 2021 (2020: KD 12,416,628). Their total revenues amounted to KD 30,904,624 for the year ended 31 December 2021 (2020: KD 32,845,073). Their losses amounted to KD 2,274,599 for the year ended 31 December 2021 (2020: losses amounted to KD 2,021,088).

The consolidated financial statements for the year ended 31 December 2021 were authorised for issuance by the Board of Directors of the Parent Company on 10 March 2022 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 and the Companies Law No. 1 of 2016 and its executive regulations. 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 Parent Company's functional and presentation currency.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has adopted all standards, amendments and improvements which came effective for the first time for the financial period beginning on or after 1 January 2021 and none resulted in a significant impact on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Principles of consolidation and equity accounting (Continued)

Associate

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.

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 Parent Company'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.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 income 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 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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

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

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).

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 at 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

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.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 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.

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

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 rate 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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.17 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 following:

- 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 2005.

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

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 Governmental subsidy

Governmental subsidy is recognised at fair value where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. Governmental subsidy is shown as a separate line item in the consolidated statement of income. There are no unfulfilled conditions or other contingencies attached to this subsidy. The Group did not benefit directly from any other forms of government assistance.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Leases

The Group leases various offices, warehouses, retail stores. 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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Leases (continued)

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.

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.

3.24 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.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT

4.1 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 currencies. 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	
	2021	2020
	KD (equivalent)	KD (equivalent)
US Dollar	7,471,281	8,106,165
Euro	972,915	1,310,229
Australian dollar	2,146,001	2,484,831
Emirati dirham	3,752,131	4,488,146

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

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 (loss) / profit for the year and equity (due to the fair value of currency sensitive monetary assets and liabilities).

	<u>Change in currency rate</u>	<u>Effect on (loss) /profit for the year and equity</u>
31 December 2021		
US Dollar	+5%	(373,564)
Euro	+5%	(48,646)
Australian dollar	+5%	(107,300)
Emirati dirham	+5%	(187,607)
31 December 2020		
US Dollar	+5%	(405,308)
Euro	+5%	(65,511)
Australian dollar	+5%	(124,242)
Emirati dirham	+5%	(224,407)

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.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) *Market risk (continued)*

(ii) *Equity price risk (continued)*

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.

2021	% change in equity price	Effect on loss	Effect on equity
Financial assets at fair value through other comprehensive income	<u>5%</u>	<u>-</u>	<u>53,429</u>
2020	% change in equity price	Effect on profit	Effect on equity
Financial assets at fair value through other comprehensive income	<u>5%</u>	<u>-</u>	<u>56,395</u>

(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.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(i) Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with high credit rating 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 and financial assets at amortised costs are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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 Group has established a provision matrix that is based on the Group's historical credit loss experience. 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 countries 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.

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

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.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivable:

	As at 31 December 2021		As at 31 December 2020	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Up to 3 months	3,578,372	60,589	6,684,194	23,673
3 – 6 months	1,237,373	80,992	146,922	62,280
6 – 9 months	652,697	161,032	127,108	68,115
9 months to 1 year	556,714	195,538	42,369	38,772
Over 1 year	18,680,823	15,055,823	18,155,689	12,535,454
	24,705,979	15,553,974	25,156,282	12,728,294

The movement of the loss allowance is as follows:

	2021	2020
At 1 January	12,728,294	12,040,583
Increase in loss allowance recognised in the profit or loss during the year	2,968,735	687,668
Write-off during the year	(142,282)	-
Foreign exchange differences	(773)	43
At 31 December	15,553,974	12,728,294

(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.

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

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

At 31 December 2021	Less than 12 months	More than 12 months	Total Contractual cash flows	Carrying amount
Bank borrowing	2,750,000	17,203,719	19,953,719	19,371,951
Lease liabilities	389,463	1,013,802	1,403,265	1,339,632
Bank overdraft	235,768	-	235,768	235,768
Trade and other payables (excluding contract liabilities and dividends payable)	3,816,464	-	3,816,464	3,816,464
	<u>7,191,695</u>	<u>18,217,521</u>	<u>25,409,216</u>	<u>24,763,815</u>

At 31 December 2020	Less than 12 months	More than 12 months	Total Contractual cash flows	Carrying amount
Bank borrowing	1,900,000	5,054,649	6,954,649	6,771,951
Lease liabilities	412,825	1,375,302	1,788,127	1,707,042
Bank overdraft	9,847,179	-	9,847,179	9,847,179
Trade and other payables (excluding contract liabilities and dividends payable)	6,056,649	-	6,056,649	6,056,649
	<u>18,216,653</u>	<u>6,429,951</u>	<u>24,646,604</u>	<u>24,382,821</u>

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

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:

	<u>2021</u>	<u>2020</u>
Bank borrowing (Note 20)	19,371,951	6,771,951
Bank overdraft	235,768	9,847,179
Lease liabilities	1,339,632	1,707,042
Less: cash and cash equivalents (Note 14)	<u>(5,265,765)</u>	<u>(1,777,062)</u>
Net debt	15,681,586	16,549,110
Total equity	<u>34,829,357</u>	<u>41,291,979</u>
Total capital	50,510,943	57,841,089
Gearing ratio (%)	31.05%	28.61%

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgments

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

Classification of financial assets at amortised cost

The Group classifies its financial assets 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.

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Significant management judgments (continued)

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.

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.

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Fair value of financial assets at fair value through other comprehensive income (Continued)

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 and impairment of property, plant and equipment

The Group reviews the estimated useful lives over which its property, plant and equipment are depreciated. This estimate is based on management's experience.

At the reporting date, the Group's management assesses, whether there is any indication that property, plant and equipment may be impaired. The recoverable amount of an asset is determined based on value in use calculated using cash flows projections based on financial budgets approved by management covering a five-year period. The impairment was nil (2020: nil).

Implications of COVID-19

During the current year, due to continued uncertainties caused by COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements.

The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2021. ECLs are estimated based on the relevant forward-looking macroeconomic factors, increase in credit risk, and assessing the indicators of impairment for the exposures in potentially affected sectors.

The Group is closely monitoring the situation and has activated its business continuity plan and other risk management practices in order to boost the liquidity and sustain the business. Further, the Group has prepared financial forecasts for the twelve months from the date of approval of these consolidated financial statements, taking into consideration the estimation of the continued business impacts of COVID-19.

Management is in the process of assessing its operations and sale prices in discussions with the relevant authorities.

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

6 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>
31 December 2021				
Financial assets at fair value through other comprehensive income	722,450	21,992	324,131	1,068,573
31 December 2020				
Financial assets at fair value through other comprehensive income	709,865	22,998	395,042	1,127,905

Financial assets at fair value through other comprehensive income at Level 3 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:

	<u>31 December</u>	
	<u>2021</u>	<u>2020</u>
Opening balance	395,042	483,172
Sale of unquoted equity securities	(97,065)	-
Change in fair value	26,154	(88,130)
Ending balance	324,131	395,042

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT

	Vessels	Land, constructions and buildings	Machinery and equipment	Vehicles	Other assets	Projects in progress	Total
At 1 January 2020							
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)
Net book amount	1,386,697	16,945,655	4,420,114	406,049	318,691	254,907	23,732,113
Year ended 31 December 2020							
Opening net book amount	1,386,697	16,945,655	4,420,114	406,049	318,691	254,907	23,732,113
Exchange differences	-	82,835	28,141	683	326	-	111,985
Additions	16,964,377	96,570	440,593	222,494	44,973	15,000	17,784,007
Disposals	(13,352,318)	-	(273)	-	(3,689)	-	(13,356,280)
Depreciation charge	(1,927,104)	(890,003)	(628,657)	(156,089)	(143,617)	-	(3,745,470)
Depreciation relating to disposals	13,352,318	-	273	-	2,857	-	13,355,448
Transfer from projects in progress	-	19,082	-	-	-	(19,082)	-
Closing net book amount	16,423,970	16,254,139	4,260,191	473,137	219,541	250,825	37,881,803
At 31 December 2020							
Cost	34,780,986	28,132,903	9,687,031	3,454,900	2,499,806	250,825	78,806,451
Accumulated depreciation	(18,357,016)	(11,878,764)	(5,426,840)	(2,981,763)	(2,280,265)	-	(40,924,648)
Net book amount	16,423,970	16,254,139	4,260,191	473,137	219,541	250,825	37,881,803
Year ended 31 December 2021							
Opening net book amount	16,423,970	16,254,139	4,260,191	473,137	219,541	250,825	37,881,803
Exchange differences	-	(94,021)	(27,157)	19,397	2,721	-	(99,060)
Additions	210,080	409,823	385,570	272,541	35,187	-	1,313,201
Disposals	-	-	-	(48,125)	-	-	(48,125)
Depreciation charge	(2,182,619)	(949,580)	(659,249)	(202,666)	(125,103)	-	(4,119,217)
Depreciation relating to disposals	-	-	-	47,352	-	-	47,352
Transfer from projects in progress	-	-	-	-	-	-	-
Closing net book amount	14,451,431	15,620,361	3,959,355	561,636	132,346	250,825	34,975,954
At 31 December 2021							
Cost	34,991,066	28,448,705	10,045,444	3,698,713	2,537,714	250,825	79,972,467
Accumulated depreciation	(20,539,635)	(12,828,344)	(6,086,089)	(3,137,077)	(2,405,368)	-	(44,996,513)
Net book amount	14,451,431	15,620,361	3,959,355	561,636	132,346	250,825	34,975,954

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Machinery and equipment included in property, plant and equipment with a carrying value of KD 39,661 (2020: KD 54,957) are mortgaged as a security against bank borrowing (Note 20).

Vessel included in property, plant and equipment with a carrying value of KD 14,660,697 (2020: nil) is mortgaged as a security against bank borrowing (Note 20).

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

	<u>2021</u>	<u>2020</u>
Operating costs	3,598,363	3,202,592
Marketing expenses (Note 24)	142,031	161,891
General and administrative expenses (Note 25)	378,823	380,987
	<u>4,119,217</u>	<u>3,745,470</u>

I. Impairment testing of property, plant and equipment

Property, plant and equipment has been allocated to individual cash generating units (CGUs) for impairment testing as follows:

Cash generating units	Carrying value	
	<u>2021</u>	<u>2020</u>
	KD'000	KD'000
Marine Chartering Division	14,661	15,655
Food Division	20,315	22,227
	<u>34,976</u>	<u>37,882</u>

Property, plant and equipment was tested for impairment as at 31 December 2021. The recoverable amount of the CGUs was determined based on value-in-use calculated using cash flows projections based on financial budgets approved by management covering a five-year period.

II. Key Assumptions used in value-in-use calculations

Key Assumptions

The principal assumptions used to determine value-in-use include long-term cash flows, pre-tax discount rates, terminal value growth rate estimates, EBITDA growth rate and CAPEX. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Forecast revenue growth rates

Forecast revenue growth rates are based on past experience and management's best estimate of future trends and market developments.

Pre-tax discount rates

Pre-tax discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU and ranged from 8.81% to 8.94%.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

II. Key Assumptions used in value in use calculations (continued)

Budgeted Capex

The cash flow forecasts for budgeted capital expenditure are based on past experience and include the ongoing capital expenditure required to continue operating the business.

Terminal growth rate and working capital estimates

The Group prepares cash flow forecasts for the next five years, derived from the most recent annual business plan approved by the Board of Directors.

The business plans take into account local market considerations such as the number of customers, average revenue per customer, operating costs, capital expenditure, and EBITDA. The used terminal growth rate of 2% does not exceed average terminal growth rate for the relevant markets.

The Group has also performed a sensitivity analysis by varying discount and terminal growth rate by a reasonable possible margin. Based on such analysis, there are no indications that property, plant and equipment is impaired considering the level of judgements and estimations used.

8. INVESTMENTS IN ASSOCIATE

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

Name of the associate	Country of incorporation	Activity	Voting rights and equity interest		2021	2020
			2021	2020		
			%	%		
Portland Pellet Suppliers	Australia	Pellet manufacturing	50	50	454,529	501,109

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

Portland Pellet Suppliers

Assets	2021	2020
Current assets	661,387	782,094
Non-current assets	361,596	398,267
	1,022,983	1,180,361
Liabilities		
Current liabilities	113,641	177,890
Non-current liabilities	284	253
	113,925	178,143
Net assets of the associate	909,058	1,002,218
Group's share of the associate's net assets	454,529	501,109
Revenues	1,286,623	2,330,707
Expenses	(1,321,180)	(2,195,147)
(Loss) / profit for the year	(34,557)	135,560
Group's share of associate's results	(17,279)	67,780
Dividends received	-	55,975

8. INVESTMENTS IN ASSOCIATE (CONTINUED)

Reconciliation of the summarised financial information:

	<u>2021</u>	<u>2020</u>
Opening balances	501,109	444,539
Share of results	(17,279)	67,780
Dividends received	-	(55,975)
Foreign currency translation adjustment	(29,301)	44,765
Ending balances	<u>454,529</u>	<u>501,109</u>

9. LEASES

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

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

	<u>2021</u>	<u>2020</u>
Right of use assets		
Building	1,295,800	1,677,619
Vehicles	-	2,162
	<u>1,295,800</u>	<u>1,679,781</u>
Lease liability		
Current	371,802	394,105
Non-current	967,830	1,312,937
	<u>1,339,632</u>	<u>1,707,042</u>

Additions to the right-of-use assets during the year ended 31 December 2021 were KD 38,758 (2020: KD 133,506).

(ii) Amounts recognised in the consolidated statement of income

The consolidated statement of income shows the following amount relating to lease:

	<u>2021</u>	<u>2020</u>
Depreciation charge of right-of-use asset		
Building	406,033	410,554
Vehicles	-	25,103
	<u>406,033</u>	<u>435,657</u>
Interest expense – lease liability	<u>80,339</u>	<u>109,521</u>

The total cash outflow for lease during the year ended 31 December 2021 was KD 482,806 (2020: KD 481,558).

10 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:

	<u>2021</u>	<u>2020</u>
Quoted securities	722,450	709,865
Unquoted local securities	324,131	324,131
Unquoted foreign securities	<u>21,992</u>	<u>93,909</u>
	<u>1,068,573</u>	<u>1,127,905</u>

The fair value of local quoted securities is based on its year end bid price in an 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 2021.

11 FINANCIAL ASSETS AT AMORTISED COST

The Group has local Sukuk at annual yield rates 6.50%. Local Sukuk are classified as current on the basis of their maturities. The local Sukuk mature in March 2022.

12 INVENTORIES

	<u>2021</u>	<u>2020</u>
Livestock and meat – (net)	5,028,819	3,170,626
Fodder	221,574	325,862
Medicines, fertilisers and others	<u>682,577</u>	<u>576,977</u>
	5,932,970	4,073,465
Goods in transit	38,620	2,964,012
Production materials and spare parts	<u>545,244</u>	<u>526,975</u>
	<u>6,516,834</u>	<u>7,564,452</u>

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

13 TRADE AND OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u>
Trade receivables	8,375,349	8,825,652
Accrued Government subsidy*	16,330,630	16,330,630
	<u>24,705,979</u>	25,156,282
Loss allowance	<u>(15,553,974)</u>	<u>(12,728,294)</u>
	9,152,005	12,427,988
Advances to suppliers	1,220,512	1,341,185
Prepaid expenses	89,060	154,759
Refundable deposits	113,672	48,797
Staff receivables	25,200	17,822
Others	1,499,835	546,031
	<u>12,100,284</u>	<u>14,536,582</u>

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

The government subsidy due from Ministry of Commerce and Industry (the "Ministry") as a result of the subsidy granted to the Parent Company to meet the increased prices of certain foodstuff and consumer goods in accordance with the previous ministerial Decrees amounted to KD 16,330,630 (2020: 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 two legal cases filed by the Parent Company against the Ministry claiming the subsidy due amount.

On 26 November 2019, a verdict was issued by the Court of appeal in favour of the Parent Company in relation to one of the legal cases for an amount of KD 2,294,156 upholding the earlier decision of the court of first instances. Management had appealed against the verdict demanding the full amount of KD 3,462,353 relating to this legal case. On 29 April 2021, a verdict was issued by the Court of cassation not in favour of the Parent Company in relation to this legal case which resulted in additional loss allowance with an amount of KD 2,078,408. As at 31 December 2021, the provision for impairment maintained against the total accrued government subsidy balance amounted to KD 13,225,204 (2020: KD 11,146,796).

14 CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
Cash on hand and at banks	3,392,053	1,652,788
Time deposits maturing within 3 months from placement date	1,808,759	-
Cash at investment portfolios	64,953	124,274
Cash and cash equivalents (as per the consolidated statement of financial position)	<u>5,265,765</u>	1,777,062
Less: bank overdraft	<u>(235,768)</u>	<u>(9,847,179)</u>
Cash and cash equivalents (as per the consolidated statement of cash flows)	<u>5,029,997</u>	<u>(8,070,117)</u>

The average annual effective interest rate on time deposits is 0.15% as at 31 December 2021 (2020: nil).

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

15 SHARE CAPITAL

As at 31 December 2021 the authorised, issued and fully paid up share capital of the Parent Company comprise of 216,590,575 shares of 100 fils each (2020: 216,590,575 shares of 100 fils each). All shares are paid in cash.

16 TREASURY SHARES

	2021	2020
Number of shares	7,377,383	7,377,383
Percentage to issued shares (%)	3.41%	3.41%
Market value	1,239,400	1,313,174

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.

17 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 2021 and 2020 due to the accumulated losses.

18 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 years ended 31 December 2021 and 2020.

19 OTHER RESERVES

	Change in fair value reserve	Foreign currency translation reserve	Total
At 1 January 2021	109,016	23,575	132,591
Changes in fair value	(32,635)	-	(32,635)
Foreign currency translation differences	-	33,550	33,550
At 31 December 2021	76,381	57,125	133,506
At 1 January 2020	111,789	(154,216)	(42,427)
Changes in fair value	(2,773)	-	(2,773)
Foreign currency translation differences	-	177,791	177,791
At 31 December 2020	109,016	23,575	132,591

20 BANK BORROWING

	Maturity date	2021	2020
	15 June 2021	-	950,000
	15 December 2021	-	950,000
	15 June 2022	950,000	950,000
	15 December 2022	1,800,000	950,000
	15 June 2023	1,800,000	950,000
	15 December 2023	1,900,000	1,000,000
	15 June 2024	1,921,951	1,021,951
	15 December 2024	900,000	-
	15 June 2025	900,000	-
	15 December 2025	900,000	-
	15 June 2026	900,000	-
	15 December 2026	900,000	-
	15 June 2027	900,000	-
	15 December 2027	900,000	-
	15 June 2028	900,000	-
	15 December 2028	950,000	-
	15 June 2029	950,000	-
	15 December 2029	950,000	-
	15 June 2030	950,000	-
Total borrowing		19,371,951	6,771,951
Non-current portion		16,621,951	4,871,951
Current portion		2,750,000	1,900,000
		19,371,951	6,771,951

Bank borrowing is denominated in Kuwaiti Dinars ("KD") obtained from a local bank with a maximum limit amounted to KD 9,621,981 and carry an effective interest rate of 3.5% (2020: 3.5%) per annum. The bank borrowing is used to finance purchasing equipment and vessels.

The Parent Company has signed a new facility agreement to obtain a loan from a local bank with a limit of KD 14,500,000, which was fully drawn as of 31 December 2021.

Bank borrowings are secured by machinery and equipment and vessels included in property, plant and equipment amounting to KD 39,661 and KD 14,660,697 respectively (2020: KD 54,957 and nil) (Note 7).

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

21 TRADE AND OTHER PAYABLES

	<u>2021</u>	<u>2020</u>
Trade payables	1,273,277	2,647,187
Contract liabilities *	947,158	684,902
Dividends payable (Note 31)	44,154	45,670
Accrued expenses	2,168,469	2,625,869
Refundable deposits	72,991	94,129
Provision for NLST and Zakat	-	47,127
Other payables	301,727	642,337
	<u>4,807,776</u>	<u>6,787,221</u>

* Contract liabilities primarily relate to the consideration received from customers for which goods have not yet been delivered. The Group recognised the full amount included in the contract liabilities at the beginning of the year as a revenue in the current reporting period. The ending balance of contract liabilities represent the consideration received during the year from customers for which goods have not yet been delivered.

22 GOVERNMENTAL SUBSIDY

Based on the Ministry of Commerce and Industry resolution No. 80 dated 27 March 2020, companies and individuals importing live sheep shipments are given financial support in the form of a government subsidy of KD 5 per head, with a maximum of 300,000 live sheep head allowed, valid till 30 April 2020.

On 27 April 2020, the Ministry of Commerce and Industry issued resolution No. 100 extending the validity of resolution No. 80 till 31 May 2020. On 29 July 2020, the Ministry of Commerce and Industry issued resolution No. 133 further extending the validity of resolution No. 100 till 31 July 2020. The Parent Company has fully collected the subsidy amounting to KD 1,122,300.

23 OTHER OPERATING INCOME

	<u>2021</u>	<u>2020</u>
Slaughterhouse shops rent	426,885	222,604
Miscellaneous income	243,454	233,230
Sale of raw materials	106,785	33,469
	<u>777,124</u>	<u>489,303</u>

24 MARKETING EXPENSES

	<u>2021</u>	<u>2020</u>
Staff costs (Note 28)	632,810	757,471
Utilities and maintenance	330,525	394,027
Depreciation - Property, plant and equipment	142,031	161,891
Depreciation - Right-of-use assets	182,076	218,689
Advertisements and business promotion	236,726	242,071
Other expenses	529	48,061
	<u>1,524,697</u>	<u>1,822,210</u>

Notes to the consolidated financial statements
For the year ended 31 December 2021
(All amounts are in Kuwaiti Dinars unless otherwise stated)

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020 (Restated)
Staff costs (Note 28)	2,106,802	2,346,215
Maintenance and utilities	944,581	876,612
Depreciation – Property, plant and equipment	378,823	380,987
Depreciation – Right-of-use assets	220,646	60,074
Insurance	161,461	163,083
Other expenses	740,959	533,552
	4,553,272	4,360,523

26 OTHER OPERATING EXPENSES

Other operating expenses include an amount of KD 381,637 (2020: KD 1,376,538) which related mainly to vessels' expenses incurred during the interruption period as a result of COVID-19 pandemic.

27 INVESTMENT INCOME

	2021	2020
Financial assets at amortised cost – interest income	77,876	160,273
Financial assets at fair value through other comprehensive income – dividend income	23,889	21,807
Deposits and call accounts	5,737	21,423
	107,502	203,503

28 STAFF COSTS

Staff costs are allocated as follows:

	2021	2020
Operating costs	1,788,712	1,206,873
Marketing expenses (Note 24)	632,810	757,471
General and administrative expenses (Note 25)	2,106,802	2,346,215
	4,528,324	4,310,559

29 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

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

	2021	2020
(Loss) / profit for the year	(6,463,537)	966,120
Weighted average number of outstanding shares less treasury shares	209,213,192	209,213,192
Basic and diluted (loss) / earnings per share (fils)	(30.89)	4.62

The Parent Company had no outstanding diluted shares.

30 CONTINGENT LIABILITIES

	<u>2021</u>	<u>2020</u>
Letters of guarantee	2,003,890	1,247,104

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	<u>2021</u>	<u>2020</u>
Key management benefits	462,861	455,264
Balances	<u>2021</u>	<u>2020</u>
End of service benefits	337,636	294,128
Salaries and short-term benefits	75,644	73,905
Dividends payable (Note 21)	44,154	45,670

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

32 OPERATING SEGMENTS

32.1 Geographical and operational segments of the revenues, results, assets and liabilities

An operating segment is a component of an entity that engages in business activities from which it earns 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 the following operating 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.

Notes to the consolidated financial statements
For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

32 OPERATING SEGMENTS (CONTINUED)

32.1 Operating segments for the revenues and results (continued)

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 following is the segment analysis which is consistent with the internal reports submitted to the management:

i. Segment revenue

	Commercial segment		Food processing segment		Investments segment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	KD 000's							
Kuwait	32,351	45,721	1,948	2,023	84	182	34,383	47,926
UAE	10,199	8,626	-	-	-	-	10,199	8,626
Australia	1,553	2,259	-	-	-	-	1,553	2,259
South Africa	6,290	7,316	-	-	-	-	6,290	7,316
Total	50,393	63,922	1,948	2,023	84	182	52,425	66,127
Total revenue							52,425	66,127
Intersegment eliminations							(288)	(676)
Total*							52,137	65,451

*Total reconciles to the following statement of income items:

- Operating revenue
- Governmental subsidy
- Other operating income
- Gain on sale of property, plant and equipment
- Net investment income
- Foreign currency exchange gain / (loss)
- Reversal of income tax on subsidiaries

ii. Segment results

	Commercial segment		Food processing segment		Investments segment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	KD,000's							
Kuwait	(4,622)	2,080	503	426	84	182	(4,035)	2,688
UAE	(1,318)	(719)	-	-	-	-	(1,318)	(719)
Australia	(289)	(149)	-	-	-	-	(289)	(149)
South Africa	(793)	(819)	-	-	-	-	(793)	(819)
Total	(7,022)	393	503	426	84	182	(6,435)	1,001
Profit / (loss) for the year							(6,435)	1,001
Intersegment eliminations							(29)	(35)
Total							(6,464)	966

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

32. OPERATING SEGMENTS

32.2 Segmental distribution of assets and liabilities

	Commercial segment		Food processing segment		Investments segment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	KD (000's)							
Assets	55,044	57,104	5,145	5,059	1,375	5,727	61,564	67,890
Liabilities	26,630	26,439	75	58	-	-	26,705	26,497

Intersegment assets and liabilities are eliminated on consolidation.

32.3 Geographical distribution of assets and liabilities

	2021 (KD 000's)					
	Kuwait	UAE	Australia	South Africa	Eliminations	Total
Assets	50,561	6,894	2,540	2,085	(96)	61,984
Liabilities	25,426	1,060	458	217	(7)	27,154

	2020 (KD 000's)					
	Kuwait	UAE	Australia	South Africa	Eliminations	Total
Assets	58,019	5,646	2,833	1,415	(111)	67,802
Liabilities	24,595	1,162	348	414	(9)	26,510

33. ANNUAL GENERAL ASSEMBLY MEETING

The Parent Company's Ordinary Annual General Assembly meeting ("AGM") held on 11 April 2021 approved the annual consolidated financial statements for the financial year ended 31 December 2020.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

34. COMPARATIVE INFORMATION

During the year, the Group identified that the impairment charge relating to trade and other receivables was not reflected in the comparative consolidated statement of income in a separate line item in accordance with IAS 1 "Presentation of financial statements". To correct this, there has been a reclassification of the impairment charge of KD 687,668 from general and administrative expenses to impairment losses on financial assets. This reclassification has been made by the Group to improve the quality of information presented and did not have any impact on the previously reported equity and profits.

Below is the reclassification made during the year:

	As previously reported	Reclassification	As restated
Consolidated statement of income for the year ended 31 December 2020			
General and administrative expenses	(5,048,191)	687,668	(4,360,523)
Impairment losses on financial assets	-	(687,668)	(687,668)