



شركة مجموعة الخليج للكابلات والصناعات الكهربائية ش.م.ك.ع.
Gulf Cables & Electrical Industries Group Co. K.S.C.P.



ANNUAL REPORT

2023

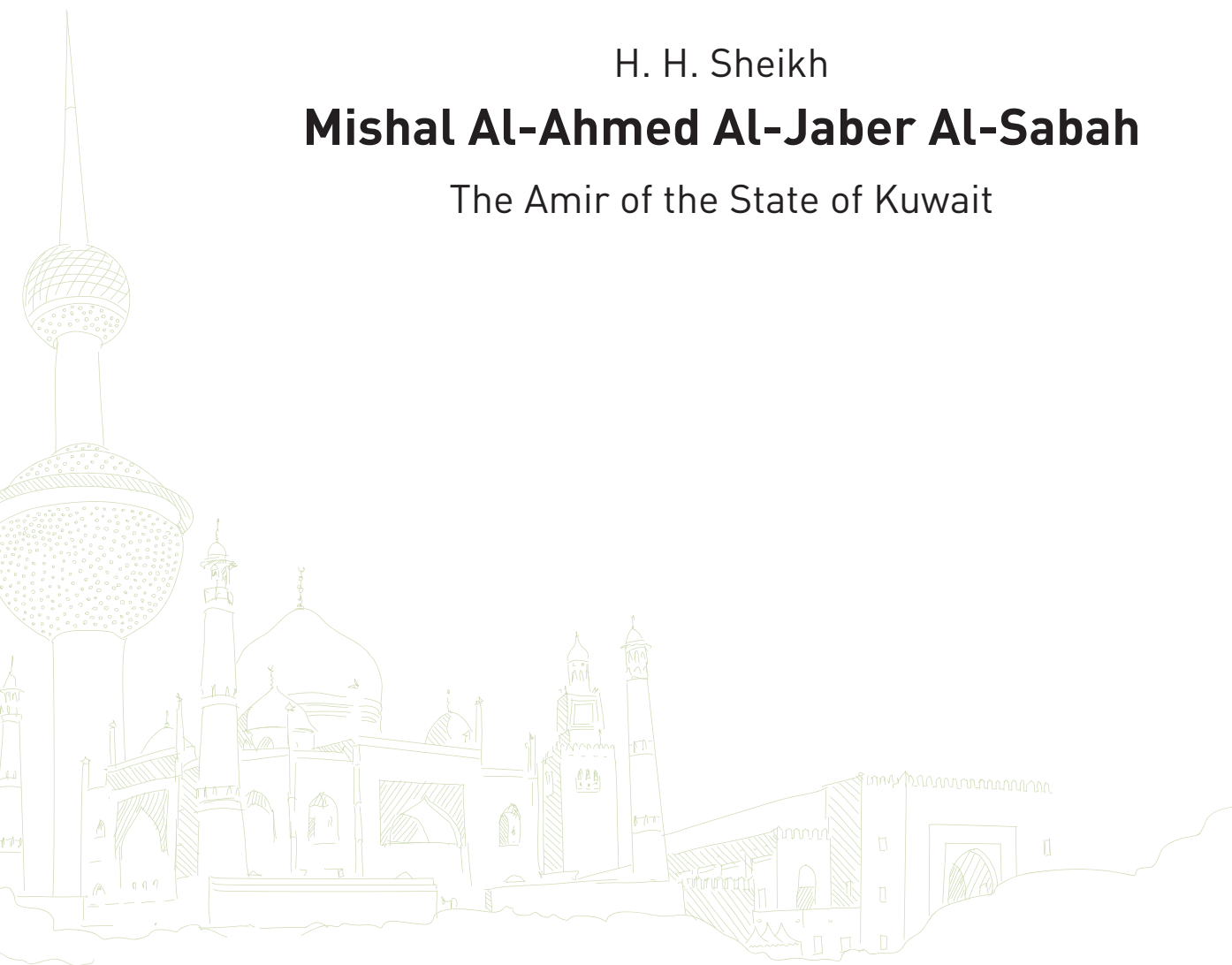
In The Name of Allah,
The Most Gracious, The Most
Merciful



H. H. Sheikh

Mishal Al-Ahmed Al-Jaber Al-Sabah

The Amir of the State of Kuwait



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Address

Al-Sulaibiya - Fifth Street - Area 11A

Main Banks

National Bank of Kuwait

Boubyan Bank

Gulf Bank

Burgan Bank

ABK Bank

Independent Auditor

Abdullatif M. Al-Aiban

Grant Thornton - Al Qatami, Al Aiban & Partners

CONTENTS

Page

Board of Directors.....	1
Board of Directors' Report.....	3-10
Performance Highlights.....	12
Financial Overview.....	13-17
Annual Corporate Governance Report.....	19-34
Audit Committee Report.....	35
Independent Auditor's Report.....	38-41
Consolidated Statement of Profit or Loss.....	42
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	43
Consolidated Statement of Financial Position.....	44
Consolidated Statement of Changes in Equity.....	45-46
Consolidated Statement of Cash Flows.....	47
Notes to the Consolidated Financial Statements.....	48-92

BOARD OF DIRECTORS

Gulf Cables and Electrical Industries Group Co. K.S.C.P

Mr. Asaad Ahmad Omran Al-Banwan

Chairman

Mr. Bader Naser Mohammad Al-Kharafi

Vice Chairman

Mr. Bader Mohammad Abdul-Wahab Al-Juan

Board Member

Mr. Sabah Khalid Saleh Al-Ghunaim

Board Member

Mr. Jaheel Mohammad Abdul Rahman Al-Jaheel

Board Member

Mr. Jamal Naser Hamad Al-Falah

Board Member

Mr. Yousuf Ibrahim Yusuf Al-Raqm

Board Member

Mr. Mohammad Saad Mohammad Al-Saad

Board Member



BOARD OF DIRECTORS' REPORT

Dear Fellow Shareholders,

Firstly, on behalf of myself and my fellow members of the board of directors and the executive management, it is my privilege to welcome you and present to you the forty-seventh annual report of **Gulf Cables & Electrical Industries Group Company**. It is indeed a pleasure to convene our annual meeting and review together the results of the Group's operations for the year 2023, highlighting the most significant achievements and developments. I begin our meeting by extending gratitude and appreciation to our esteemed shareholders for their continuous support and trust.

In 2023, Kuwait's economy witnessed contraction, being the only GCC country to report a negative GDP growth at 0.6%. This contraction is due to the global economic slowdown and the decline in oil sector, which holds significant importance in Kuwait's economy. This was due to the reduction in crude oil production levels as part of OPEC and its allies' efforts to cut production.

On the other hand, non-oil GDP showed positive growth, attributed to strong growth in the transport and construction sectors. This reflects a recovery and improvement in project execution in 2023, with the total value of awarded projects reaching KD 2.47 billion, nearly tripling compared to the previous year. This robust performance in the project market is due to the severe accumulation of projects from the pandemic period, which began to be awarded last year, alongside improvements in labor and material supplies.

In line with the global central banks' trends, the Central Bank of Kuwait raised interest rates cumulatively by 0.75% during 2023, reaching 4.25%. This led to a slowdown in inflation in December, reaching 3.4% year-on-year (YoY), consistent with global central banks' trends. As for the US Federal Reserve, it raised interest rates four times during the first nine months of the year and shifted to a policy of holding them steady in Q4 2023.

With the continued escalation of geopolitical risks throughout the year, including the ongoing Russian-Ukrainian war and the aftermath of the war in Gaza in October resulting in incidents on shipping vessels in the Red Sea, instability intensified, making it a year filled with numerous challenges across various fronts.

Nevertheless, the Group continued to expand and achieve its strategic goals, resulting in growth in profitability, thanks to the dedication of the executive management and teams, supported by the guidance of the board of directors based on the Group's resilient strategy, which ensured achievement of goals amidst economic and geopolitical fluctuations.

Financial Results

The annual financial results demonstrate our success in achieving the established financial goals and improving performance in terms of Group's revenues and profitability. There has been a significant improvement in key financial performance indicators, reflecting and reaffirming the strength, capability, and resilience of the Group in all aspects of its operations, in line with our steadfast commitment to increasing financial returns and enhancing value for shareholders.

In terms of profitability, the Group achieved a profit of KD 22.2 Mn before taxations and board of directors' remuneration compared to KD 14.4 Mn realized in 2022 and profit attributable to the owners of the Parent Company of KD 21.0 Mn, with earnings per share of 101 Fils, compared to a profit of KD 12.9 Mn, and earnings per share of 62 Fils for the year 2022.

The Group's gross profit reached KD 13.2 Mn in 2023, reporting an increase of KD 0.3 Mn from KD 12.9 Mn achieved in 2022.

The Group's total revenue increased by 8%, reaching KD 122.1 Mn in 2023 compared to KD 113.0 Mn in 2022. The total revenue consists of three sectors: cable sales, investments revenue and services contracts revenue. The following table shows the details of these sectors and the percentage of each sector of the total Group revenues:

	2023		2022		Change %
	Value KD Mn	Sector %	Value KD Mn	Sector %	
Cable Sales	96.4	78.9%	99.3	87.9%	(3.0%)
Investments	19.9	16.3%	10.5	9.3%	88.2%
Services Contracts	5.8	4.8%	3.2	2.8%	84.1%
Total	122.1	100%	113.0	100%	8.0%

- In the cable sales sector, the parent company achieved cable and wire products sales amounting to KD 73.8 Mn compared to KD 77.1 Mn in 2022, a decrease of 4.3% on an annual basis.

Our subsidiary in the Hashemite Kingdom of Jordan (Gulf Cable and Multi Industries Company) reported KD 22.6 Mn sales compared to KD 22.2 Mn in 2022, with a year-on-year growth of 1.8%.

- Investment sector revenues amounted to KD 19.9 Mn compared to KD 10.5 Mn in 2022, attributed to an increase in cash dividend distributions totaling KD 10.1 Mn.
- Our subsidiary (Care for Buildings and Cities Cleaning Contracting Company) reported KD 5.8 Mn in service contracts revenue in 2023 compared to KD 3.2 Mn in 2022, with growth of 84.1%. These results are attributed to the company's business expansion through the initiation of contracts related to government tenders that have been awarded and the signing of new private commercial service contracts.

Also, the total equity attributable to the owners of the Parent Company increased amounting to KD 230.3 Mn compared to KD 227.8 Mn at the end of 2022. This resulted in the increase of the book value of the share to be KD 1.107 compared to KD 1.093 at the end of 2022.

On the other hand, the total value of term loans and Islamic financing decreased for the second consecutive year by KD 12.7 Mn (a decrease of KD 28.2 Mn in 2022), representing a 29.1% decrease to reach KD 31.2 Mn by the end of 2023 compared to KD 43.9 Mn at the end of 2022.

Cable Production and Sales by Weight

The total weight of cables sold during the year was close to those of 2022, with a total of 51,524 metric tons sold in 2023 compared to 51,746 metric tons in 2022.

The Group recorded a slight decrease in the quantities of cables produced in 2023, with a marginal decrease of 1%, reaching 50,267 metric tons compared to 50,831 metric tons produced in 2022. This is attributed to the convergence of sales volume on an annual basis.

Key Associate Companies

Heavy Engineering Industries and Shipbuilding Company- K.S.C.P. (HEISCO)

The Group demonstrated the success of its investment strategy in associate companies by continuing to grow revenues through the Group's share of results of HEISCO which increased by 26.9% to reach KD 2.0 Mn for the year 2023 compared to KD 1.6 Mn in 2022. The cash dividend distributions received remained steady for the second consecutive year at KD 1.0 Mn.

The growth in profits for HEISCO in 2023 was driven by an increase in its revenues resulting from the awarding of new projects during the year.

Furthermore, the carrying value of the Group's ownership interest in HEISCO at the end of December 2023 increased to KD 31.4 Mn compared to KD 30.5 Mn in 2022 while maintaining the same ownership percentage of 28.33%.

Our investment in HEISCO is the result of implementing the Group's strategy and its sustainable vision to achieve higher income rates with a low-risk profile. This is achieved through diversifying its investment portfolio and focusing on investing in industrial and operational companies.

National Investments Company - K.S.C.P

During the year, the Group maintained its interest in the ownership of National Investments Company (NIC) at 26.98%, recording a share of results of company amounting to KD 1.1 Mn and cash dividend distributions received totaling KD 6.0 Mn, compared to KD 2.1 Mn in share of results and KD 9.6 Mn cash dividend distributions received in 2022.

The decrease in the share of results is primarily attributed to the change in the fair value of investments held by the company, reflecting the fluctuations witnessed in the financial markets due to developments related to the slowdown in global economic growth and the tightening of monetary policies adopted by various central banks.

It is worth mentioning that the carrying value of the Group's ownership interest decreased to KD 48.0 Mn by the end of 2023 compared to KD 54.9 Mn at the end of 2022. This decrease is primarily attributed to cash dividend distributions.

Investments

The Group continued to achieve significant revenues from the investment sector, recording cash dividend distributions amounting to KD 16.9 Mn during the year, compared to KD 6.8 Mn recorded in 2022.

These outstanding results are attributed to our investment policy's focus on achieving an ideal balance between profitable financial returns for our shareholders and ensuring sustainability and future growth. This is achieved by selecting low to medium risk stocks across various industries with balanced and diversified geographic distribution.

Furthermore, we constantly seek to identify high-value investment opportunities that align with our overarching strategy, which is built on several objectives and criteria to ensure alignment with the Group's vision. Additionally, there is comprehensive monitoring of the performance and value of the Group's existing investments to ensure the best possible return rate, growth, and exit when favorable opportunities arise.

Human Resources

In line with our ongoing commitment to progress and excellence, the Group continues to train and develop its human resources by keeping them abreast of the latest developments in their respective fields. This enhances their capabilities and performance. We firmly believe that supporting our employees is the best approach to ensure they realize their full potential. Therefore, our new working methodologies aim to provide our employees with the development opportunities, confidence, security, and sustainable environment they need to thrive and achieve both the group's and their own goals.

Our future successes also rely on our ability to attract, recruit, develop, and retain outstanding individuals, starting from the board of directors to the positions that require interactions with customers and stakeholders.

As of 31 December 2023, the Group's total number of employees was 3,342 compared to 2,321 employees as of 31 December 2022, with an increase of 44%. The Parent Company has 733 employees, the subsidiary company in the Hashemite Kingdom of Jordan has 309 employees, and other subsidiaries in Kuwait has 2,300 employees. The increase in the number of employees is attributed to our subsidiary (Care for Buildings and Cities Cleaning Contracting Company) due to government service contracts that were awarded and initiated during the year.

Social Responsibility

Community service is a key factor contributing to the success and sustainability of companies in the market. It is not merely a marketing process to enhance brand popularity but an integral part of corporate responsibility towards the communities they serve. From this perspective, the Group adopts social activities as part of its overall strategies due to their importance in improving the quality of life in the communities it operates in, achieving sustainable development, enhancing reputation, and building relationships and trust with the Group's clients.

The Group continued to support projects for engineering students at Kuwait University and provide training for employees in the Ministry of Electricity & Water and Renewable Energy, industrial and applied institutions to equip our youth with skills and opportunities within our business framework. Additionally, the Group supports sports activities, especially padel and cricket, and participates in numerous local and regional exhibitions and community events to strengthen our role in the community and help provide a better quality of life.

Our corporate social responsibility program is characterized by diverse social initiatives and contributions, where we prioritize our responsibility towards our community within our plans and initiatives to encompass the public welfare and support national approaches.

Governance and Risk Management

The board of directors is committed to adhere with the highest governance standards, where these standards facilitate the establishment of an organizational framework that allows for the identification of the Group's goals and the necessary means to achieve them, while also monitoring performance. The board of directors applies governance rules in the decision making process within the Group, which has a positive impact on ensuring sound practices, enhancing transparency, and efficiency in those decisions to achieve the Group's goals and vision, in line with laws and regulations issued by relevant regulatory authorities in this regard.

The Group also works on managing the risks associated with its operational and financial activities, managing those risks, monitoring performance, aiming to increase its shareholders equity, and enhancing the Group's competitive capabilities in various markets. The Group and its subsidiaries continuously monitor the management of these risks and take preventive measures that contribute to raising awareness and reducing their impact.

Steadfast Steps in Achieving the Strategy

The Group continues to implement its effective growth strategy, confirming the strength and resilience of its pillars. This strategy includes investment plans to enhance and maintain infrastructure, such as updating production lines, equipment and machinery, as well as developing buildings, factories and facilities. A significant example is the plan to replace one of the low and medium voltage cable production lines at the parent company, which commenced in 2022 and is expected to be operational by the end of 2024. These investments aim to enhance production efficiency and capacity while improving the work environment.

Furthermore, the Group is executing plans related to the development and enhancement of cable products and providing distinctive services to customers through research, development and innovation, in order to meet market needs and achieve competitive advantage.

Business Leadership

Driven by our belief that we hold a significant opportunity to contribute to economic diversification and long-term industrial development, as well as facilitating energy access to new cities and regions while achieving sustainability through providing environmentally friendly products and adopting sustainable practices, the Group adopts new global digital transformation technologies to gain more flexibility and competitiveness and enhance efficiency across its companies and sectors.

The Group is also committed to being listed among the premier market companies in Kuwait Stock Exchange (Boursa Kuwait), which is considered the market of elite listed companies that enjoy high liquidity and medium to large market value. This enhances the Group's financial position and stability, allowing it to provide a high level of transparency to its shareholders and stakeholders.

Dear Shareholders

The board of directors approved to issue the consolidated financial statements on 07 March 2024. Based on the 2023 business performance and the outstanding results achieved, the board of directors recommends to the General Assembly to consider distributing cash dividends to shareholders of 65% of the share nominal value, equivalent to 65 Fils per share, for the financial year ended December 31, 2023, against 60 Fils cash dividends distribution for 2022.

The board of directors also recommended remuneration to the board of directors for the financial year ending December 31, 2023, totaling KD 305,000. The consolidated financial statements, the proposed cash dividends and the board of directors' remuneration are subject to the approval of the General Assembly of the shareholders and relevant official authorities.

Appreciation and Gratitude

In conclusion, the board of directors extend its sincere thanks and appreciation to all esteemed stakeholders for their trust and continuous support for the Group's journey and express deep gratitude and appreciation to the executive management and all employees of the Group for their dedicated efforts, loyalty, and continuous commitment to our goals, enhancing our ability to move confidently forward on the right path towards achieving the desired growth and sustainability.

On behalf of the board, I would like to convey our sincere gratitude and appreciation to His Highness the Amir of the State of Kuwait Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, may Allah safeguard him, wishing him continued progress and success in leading the country towards a promising future, asking Allah Almighty to grant him guidance and steadfastness, perpetuating upon Kuwait the blessings of security, safety, prosperity, and the realization of all that is good for Kuwait.

May Allah grant us success,

Best regards.

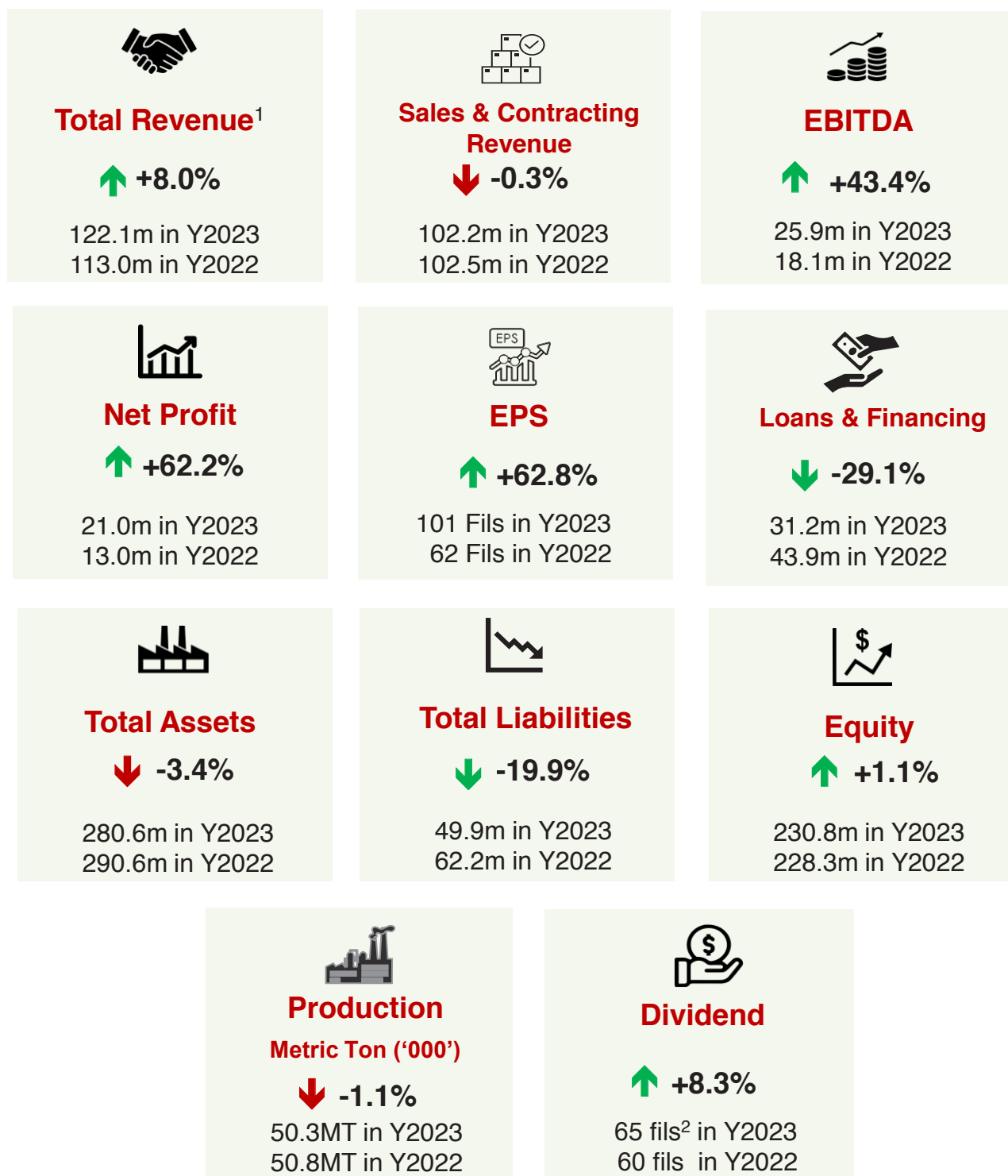
Asaad Ahmad Al-Banwan
Chairman

PERFORMANCE HIGHLIGHTS AND FINANCIAL OVERVIEW

Gulf Cables & Electrical Industries Group Co. K.S.C.P.

**For the Financial Year Ended
31 December 2023**

Performance Highlights



Note: all figures are in KWD

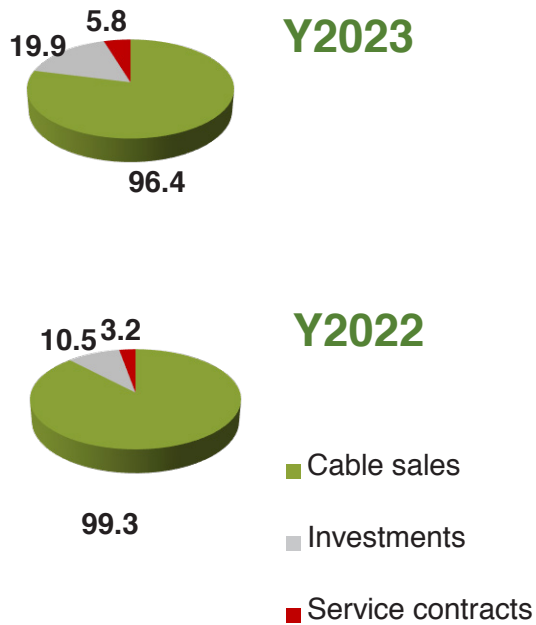
¹ Total revenue consist of cable sales, contracting revenue and investment revenue.

² Proposed by the Board of Directors and subject to General Assembly approval.

Financial Overview - Group

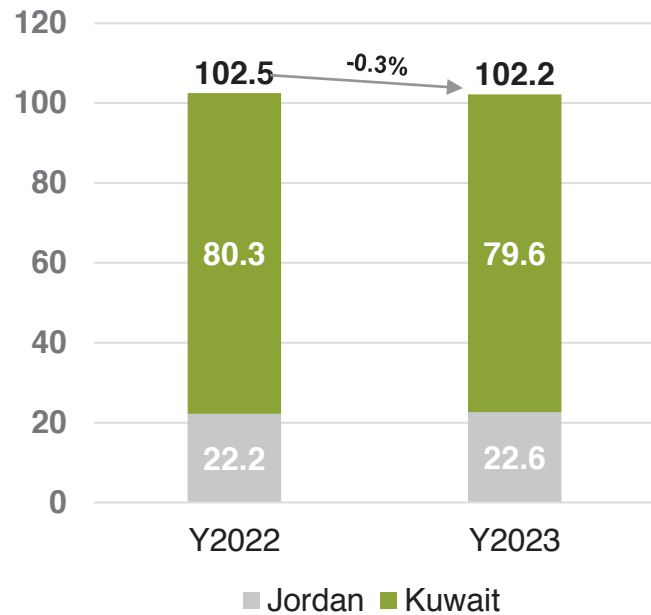
Total Revenue Breakdown

Million - KWD



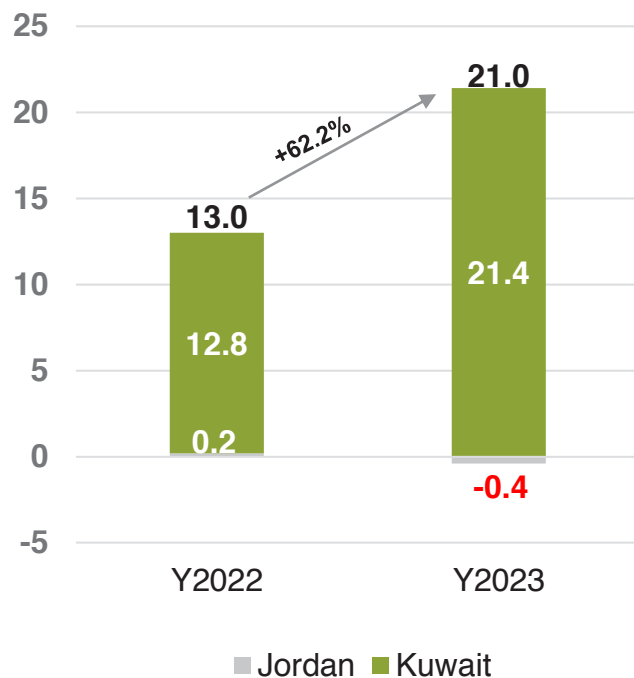
Sales & Contracting Revenue

Million - KWD



Net Profit Breakdown by Country

Million - KWD

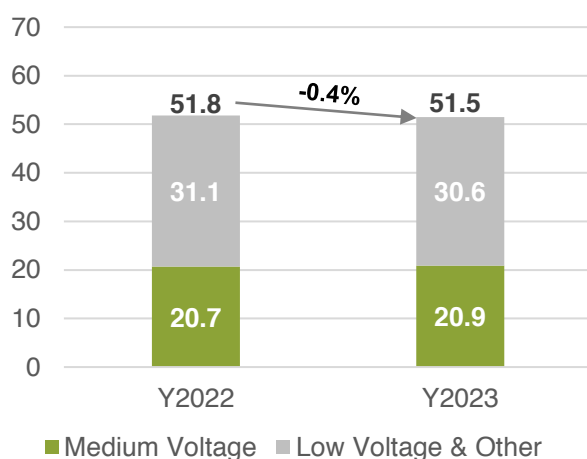


In Y2023:

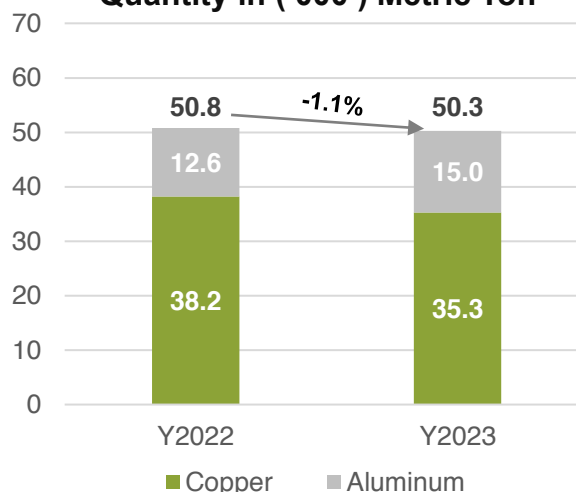
- Total revenue grew by 8% compared to Y2022 from KWD 113m to KWD 122.1m.
- Total sales & contracting revenue for the Group decreased by 0.3% compared to Y2022.
- Sales & contracting revenue from Kuwait consists of revenue from cable sales, amounted to KWD 73.8m and service contracts revenue, amounted to KWD 5.8m.
- Net profit for the Group increased by 62.2% compared to Y2022.

Financial Overview – Group Production and Sales by Weight

Sales Breakdown by Product
Quantity in ('000') Metric Ton



Production Breakdown by Material
Quantity in ('000') Metric Ton



Sales Breakdown by Product (Weight)	Y2022 MT	Y2023 MT	Change %
Medium Voltage Cables	20,685	20,891	1.0%
Low Voltage and Other Cables	31,061	30,633	-1.4%
Total Cables	51,746	51,524	-0.4%

Production Breakdown by Material	Y2022 MT	Y2023 MT	Change %
Copper Cables (Low & Medium Voltage)	38,204	35,283	-7.6%
Aluminum Cables (Low & Medium Voltage)	12,627	14,984	18.7%
Total Copper & Aluminum Cables	50,831	50,267	-1.1%

In Y2023:

- The sales weight of medium voltage cables shows a nominal increase of 1.0% compared to Y2022.
- In contrary, Low Voltage Cables sales displayed a decrease of 1.4%.
- Total production weight also witnessed a decrease of 1.1%. Copper Cables shows a decrease of 7.6%. On the other hand, Aluminum cables displays an increase of 18.7%.

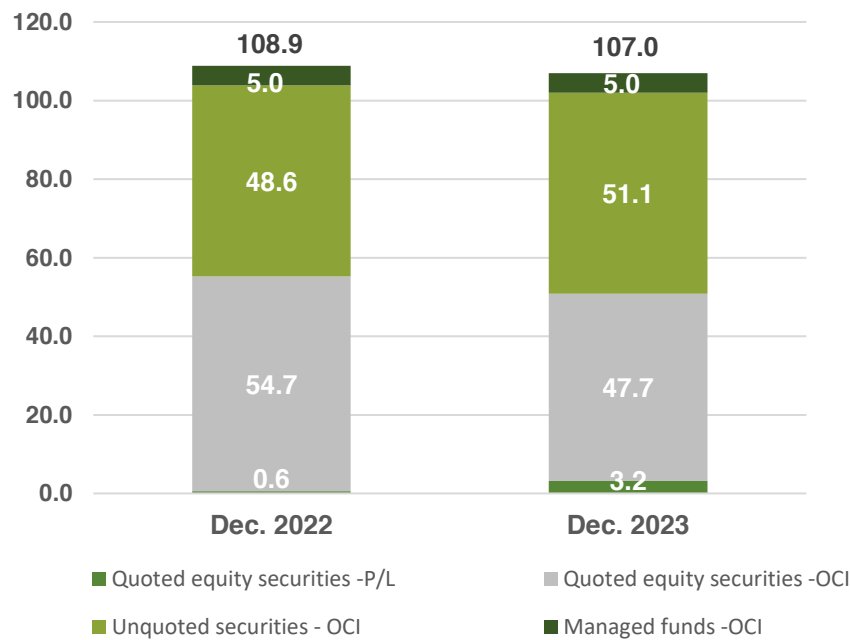
Financial Overview – Ratio Analysis

Ratios	Y2022	Y2023	Change
<u>Profitability</u>			
Gross Profit Margin - %	12.6%	12.9%	↑ 0.3%
EBITDA Margin - %	17.6%	25.3%	↑ 7.7%
Net Profit Margin - %	12.6%	20.6%	↑ 8.0%
ROA on Average Assets - % (with investment income)	4.3%	7.4%	↑ 3.1%
ROE on Average Equity - % (with investment income)	5.7%	9.2%	↑ 3.5%
<u>Leverage</u>			
Total Debt Percentage of Total Assets-%	15.3%	11.3%	↓ -4.0%
Debt to Equity Ratio-%	19.5%	13.7%	↓ -5.8%
Interest Coverage Ratio	8.3	12.7	↑ 4.4
<u>Liquidity</u>			
Current Ratio	3.7	3.8	↑ 0.1
Quick Ratio	1.9	2.0	↑ 0.1
Working Capital to Total Assets	0.2	0.2	= 0.0

- Group's gross profit margin increased slightly from 12.6% to 12.9%
- EBITDA margin shows an increase from 17.6% in Y2022 to 25.3% in Y2023.
- Total debt percentage of total assets and debt to equity ratios improved in comparison with Y2022.
- Interest coverage ratio increased to 12.7x with an increase of 4.4x.
- The Group displays a nominal increase in its current & quick ratios in Y2023.
- Working capital to total assets remained the same.
- Overall, all the financial ratios of the Group are showing upward movements.

Financial Overview – Investments at FVTOCI & FVTP/L

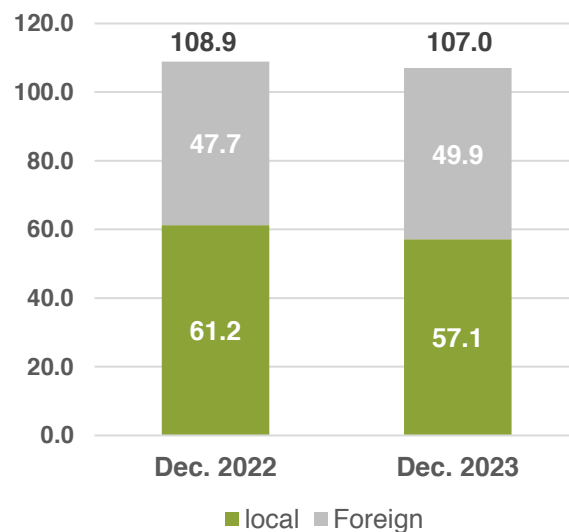
Investment Portfolio Breakdown Million - KWD




Investments Geographical Breakdown Million - KWD

In 2023:

- Total investments at FVTOCI decreased by 4.2% from Dec. 2022 to Dec.2023.
- Total investments at FVTP/L increased from KWD 0.6m in Dec. 2022 to KWD 3.2m in Dec.2023.
- Dividend income recognized on investments FVTOCI & FVTP/L amounted to KWD 16.9m compared to KWD 6.8m in Y2022.



Financial Overview – Investments in Associates & Joint Venture

	NIC		HEISCO		Team Holding	
	 شركة الاستثمار الوطنية NATIONAL INVESTMENTS COMPANY		 HEISCO		 TEAM HOLDING COMPANY	
	Dec. 2022	Dec. 2023	Dec. 2022	Dec. 2023	Dec. 2022	Dec. 2023
GC Effective Ownership Interest	26.98%	26.98%	28.33%	28.33%	47.50%	47.50%
Total Net Assets Value	198.8m	173.2m	70.7m	74.1m	2.7m	2.4m
GC Carrying Value of Ownership Interest	54.9m	47.9m	30.5m	31.4m	1.3m	1.1m
	Y2022	Y2023	Y2022	Y2023	Y2022	Y2023
Profit for the Year Attributable to shareholders of the parent Co.	8.7m	4.1m	5.6m	7.2m	0.1m	0.2m
GC Share of Results	2.1m	1.1m	1.6m	2.0m	0.03m	0.08m
Dividends Received from the Associate	9.6m	6.0m	1.0m	1.0m	-	0.2m

- GC Carrying Value of Ownership Interest in NIC shows a decrease of KWD 7.0m from KWD 54.9m in Dec.2022 to KWD 47.9m in Dec.2023.
- Share of results of NIC declined to KWD 1.1m in Y2023 compared to KWD 2.1m in Y2022.
- Share of results of HEISCO increased by 0.4m to KWD 2.0m in Y2023 against KWD 1.6m in Y2022.
- In Y2023, dividends received KWD 6.0m from NIC compared to KWD 9.6m in Y2022 and KWD 1.0m from HEISCO equaling Y2022.
- The Group has an investment of KWD 2.5m in the joint venture - Gulf & Riyadh Electric Wires, Cables and Electronic Manuf. Co. representing 50% ownership.

Note: all figures are in KWD.



ANNUAL CORPORATE GOVERNANCE REPORT

Gulf Cables & Electrical Industries Group Co. K.S.C.P.

For the Financial Year Ended

31 December 2023

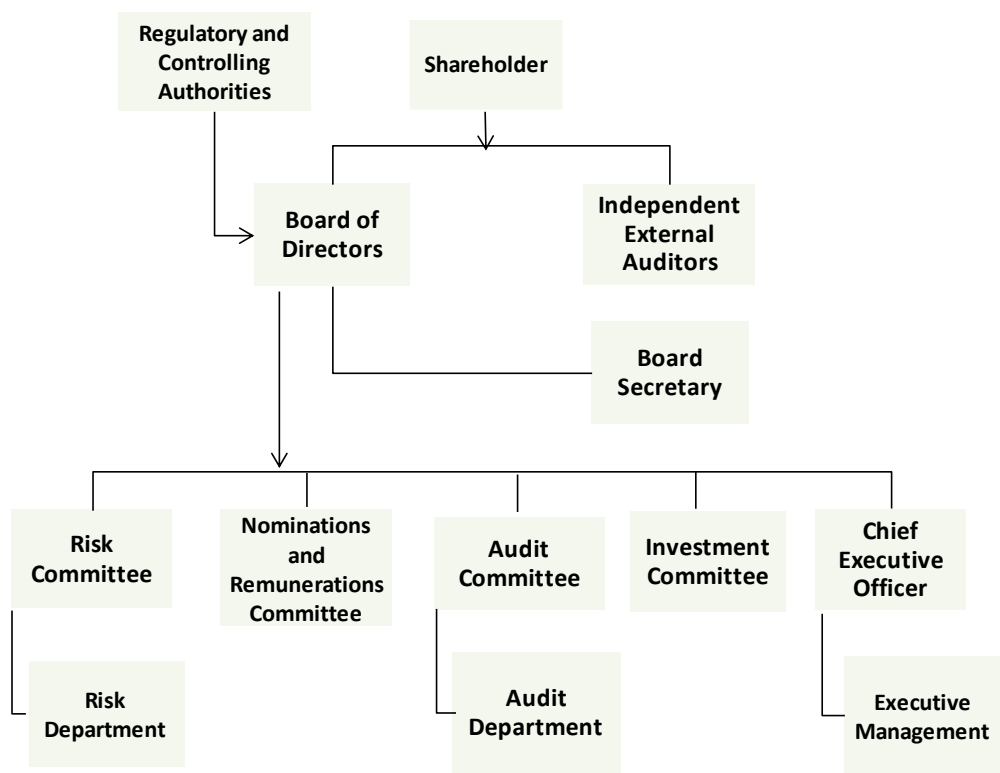
Introduction

Gulf Cables & Electrical Industries Group Co. (herein after referred to as “Gulf Cables” or “the Company”) is committed to doing its business in accordance with the laws and regulations related to governance, as well as the Companies’ Law and laws issued by Capital Markets Authority (“CMA”).

Therefore, the Company, represented by its Board of Directors and its executive management, assured that the regulatory requirements are applied within the Company. It also enhanced the regulatory environment within the Company and assured that the Company and its activities are adhered to the issued laws and regulations. The Board of Directors and its committees are periodically working on following up with the progress of executive management in implementing work charters, issued policies and procedures and other aspects of the governance system.

The Company seeks to adhere to the highest standards of governance and ethical business conduct in order to apply best practices of transparency to its shareholders by continuously reviewing the governance structure and applied practices.

Governance Framework Within the Company



FIRST RULE

Building a Balanced Structure for the Board of Directors

• Composition of the Board

The Board of Directors of Gulf Cables is composed of eight members and Board Secretary in accordance with the Articles of Association that stipulates number of members and position of each Board member. As per the current formation of the Board, all members are non-executives and there are two Independent members.

The Board of Directors nominates the Chairman and his deputy through secret voting and reviews formation of the Company's Board of Directors in accordance with CMA and Companies Laws.

Name	Title	Classification of the Member (Executive / Non-Executive / Independent) Secretary	Academic qualification and work experience	Date of the first election / appointment of the Secretary
Asaad Al-Banwan	Chairman	Non-Executive	University Degree	April 1996
Bader Naser Al-Kharafi	Vice Chairman	Non-Executive	Master of Business Administration	March 2004
Bader Mohammad Abdul-Wahab Al-Juan	Board Member	Non-Executive (Independent)	University Degree	October 1993
Sabah Khalid Saleh Al-Ghunaim	Board Member	Non-Executive	University Degree	December 1995
Jamal Naser Hamad Al Falah	Board Member	Non-Executive	University Degree	January 2007
Juhail Mohammad Abdul-Rahman Al-Juhail	Board Member	Non-Executive	University Degree	April 2004
Yousef Ibrahim Yousef Al-Raqm	Board Member	Non-Executive (Independent)	University Degree	January 2007
Mohammad Saad Mohammad Al-Saad	Board Member	Non-Executive	University Degree	April 2007
Naser Omran Kanaan	Board Secretary	Board Secretary	University Degree	April/2013

• Board meetings during 2023

The table below shows the number of meetings of Company's Board of Directors during the year 2023 indicating the date of each meeting and the attendance or absence of each member of the Board, where the mark (✓) is indicated whenever the member attends the meeting.

Member Name / Secretary	Meeting No. (1) held on 11 JAN 2023	Meeting No. (2) held on 18 JAN 2023	Meeting No. (3) held on 02 FEB 2023	Meeting No. (4) held on 28 MAR 2023	Meeting No. (5) held on 15 MAY 2023	Meeting No. (6) held on 14 AUG 2023	Meeting No. (7) held on 14 NOV 2023	No. of Meetings
Mr. Asaad Al-Banwan (Chairman)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Bader Naser Al-Kharafi (Vice Chairman)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Juhail Mohammad Abdul-Rahman Al-Juhail (Member)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Bader Mohammad Abdul-Wahab Al-Juan (Independent Member)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Sabah Khalid Saleh Al-Ghunaim (Member)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Jamal Naser Hamad Al Falah (Member)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Yousef Ibrahim Yousef Al-Raqm (Independent Member)	✓	✓	✓	✓	✓	✓	✓	7
Mr. Mohammad Saad Mohammad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	✓	7

• Board Secretary and the requirements for registration, coordination and keeping the Minutes of the Company's Board meetings

Tasks of the Company's Board Secretary include the following:

1. Recording and keeping the minutes of meetings of the Board of Directors and its committees dated and serialized in a special record numbered with consecutive numbers for the year in which the meeting was held, indicating the place, date, beginning and end of the meeting, as well as the archives, letters, and reports referred to and from the Board.
2. Coordinating between the various Board members, as well as coordinating between the Board and other stakeholders, including shareholders, management, and employees.
3. Assisting the Chairman to facilitate access of the Board members to all relevant information.
4. Providing advice to the Board on issues related to governance and the instructions of CMA and Ministry of Commerce.
5. Preparing minutes of discussions and deliberations, including voting processes that have taken place, and classifying and saving them for easy reference.

Acknowledgement of Independent Board Members

Independent Board Member Acknowledgement Gulf Cables & Electrical Industries Group Co.

As an independent member in Gulf Cables & Electrical Industries Group Co. Board of Directors, I hereby declare the below:

1. I do not hold 5% or more of the Company's shares.
2. I do not have a first-degree relation with any of the members of the Board of Directors or executive management members in the Company or any other company in its Group or the relevant main parties.
3. I am not a Member of the Board of Directors in any company of the Group.
4. I am not an employee in the Company or any company in the Group or for any of the Stakeholders.
5. I am not an employee for corporate entities who own Control shares in the Company.
6. As an independent member, I have the qualifications, experiences and technical skills which are constituent with the Company's activity.
7. I do meet all board member independent requirements (of which the above serve as a non-exhaustive list) and I do not have any matter that contravenes with the independent requirements.
8. I pledge to notify the Company upon non-compliance to any of the above-mentioned independence requirements or any requirement determined by the regulatory entities (Ministry of Commerce & Industry and/or Capital Markets Authority).
9. The Company shall have the right to take all required procedures should it be deemed that the above acknowledgement is not true.

Name of Independent Board Member:

Mr. Bader Mohammad Abdul-Wahab Al-Juan

Signature:

Independent Board Member Acknowledgement Gulf Cables & Electrical Industries Group Co.

As an independent member in Gulf Cables & Electrical Industries Group Co. Board of Directors, I hereby declare the below:

1. I do not hold 5% or more of the Company's shares.
2. I do not have a first-degree relation with any of the members of the Board of Directors or executive management members in the Company or any other company in its Group or the relevant main parties.
3. I am not a Member of the Board of Directors in any company of the Group.
4. I am not an employee in the Company or any company in the Group or for any of the Stakeholders.
5. I am not an employee for corporate entities who own Control shares in the Company.
6. As an independent member, I have the qualifications, experiences and technical skills which are constituent with the Company's activity.
7. I do meet all board member independent requirements (of which the above serve as a non-exhaustive list) and I do not have any matter that contravenes with the independent requirements.
8. I pledge to notify the Company upon non-compliance to any of the above-mentioned independence requirements or any requirement determined by the regulatory entities (Ministry of Commerce & Industry and/or Capital Markets Authority).
9. The Company shall have the right to take all required procedures should it be deemed that the above acknowledgement is not true.

Name of Independent Board Member:

Mr. Yousef Ibrahim Yousef Al-Raqm

Signature:

SECOND RULE

Proper Definition of Duties and Responsibilities

- **Duties and responsibilities of each of the Board members and executive management**

Duties and responsibilities of each of the Board members and executive management have been clearly defined in the approved policies and guidelines to reflect the balance in the powers and authorities between them through the Board of Directors work charter, which was discussed and approved by the Board. The charter defined the duties and responsibilities of the Board of Directors and the executive management, and specified the duties and responsibilities of the Chairman, CEO, and the Board Secretary, as well as the rules of professional conduct for the Board members. The Board charter also stipulated existence of a structure for the Company's Board commensurate with the size and nature of the Company's activities. Emphasis was placed on the policy of non-conflict of interests and independence of the Board of Directors from executive management. Further, the charter stipulated the importance of allocating sufficient time for the Board meetings to perform their duties and responsibilities.

- **Board of Directors' achievements during the year**

- 1- Approving the Company's goals, policies, plans and strategies.
- 2- Reviewing and approving the interim and annual financial statements.
- 3- Studying, reviewing, and approving the estimated budget.
- 4- Implementing corporate governance system and monitoring the effectiveness of its implementation in accordance with CMA Law and its executive regulations.
- 5- Following up and supervising the performance of the executive management team and ensuring effectiveness of internal controls.
- 6- Reviewing the Board of Directors' performance evaluation.
- 7- Approving the Executive Management team and employee's remuneration.
- 8- Approving the Board of Directors' remuneration recommended by the Nomination and Remuneration Committee prior to presenting it before the General Assembly for ratification.

- On 28/04/2022, the Board formed independent specialized committees in order to assist in performing tasks assigned to them for the electoral period of the Board for years 2022, 2023 and 2024, as follows:

Committee Name	Committee Members	Committee duties and achievements	Number of Committee Meetings
Nomination & Remuneration Committee	<ul style="list-style-type: none"> Mr. Bader Naser Al-Kharafi (Committee Chairman) Mr. Juhail Mohammad AbdulRahman Al-Juhail (Vice Chairman) Mr. Bader Mohammad Abdul-Wahab Al-Juan (Independent Member) Mr. Naser Omran Kanaan (Committee Secretary) 	<ul style="list-style-type: none"> The Nomination and Remuneration Committee assists the Board of Directors in nominating members for the Board of Directors and its committees based on the membership criteria in each committee and ensure that there is sufficient number of non-executive Board members in each committee for more independence of their decisions. It adopts policies for the remuneration of the Company's Board members and its employees, in addition to regularly monitoring the implementation of such policies. The committee reviews Company's strategy and policy with regard to remuneration, nominations, and remuneration distribution mechanism, and submits them to the Board of Directors for approval. Discussing the human resources policy and the remuneration policy manual and submitting them to Board members for approval. <p>The committee's most prominent achievements during the year:</p> <ul style="list-style-type: none"> Working with the concerned departments and committees to assign the required competencies in the Company. Discussing necessary provisions to approve remuneration of Board members and employees of the Company. Evaluate the performance of the members of the Board of Directors and the committees derived from it and assess the performance of the Executive Management. 	1
Audit Committee	<ul style="list-style-type: none"> Mr. Bader Naser Al-Kharafi (Committee Chairman) Mr. Jamal Naser Hamad Al Falah (Vice Chairman) Mr. Yousef Ibrahim Yousef Al-Raqm (Independent Member) Mr. Mohammad Saad Mohammad Al-Saad (Member) Mr. Naser Omran Kanaan (Committee Secretary) 	<ul style="list-style-type: none"> Discussing plan of internal control management, audit committee charter, and internal audit policy and procedures manual, and submitting them to Board members for approval and implementation. <p>The committee's most prominent achievements during the year:</p> <ul style="list-style-type: none"> Monitoring financial reports, managing internal control, internal and external audit, following up on compliance also ensured that the internal control systems are maintained and ensure their adequacy and effectiveness for the Company, and other matters that commensurate with its specializations. Reviewing financial statements and reports of internal control for the interim periods during 2022. Approval of the internal audit plan. Nomination of an external auditor for the fiscal year 2023. 	6
Risk Committee	<ul style="list-style-type: none"> Mr. Juhail Mohammad AbdulRahman Al-Juhail (Committee Chairman) Mr. Bader Mohammad Abdul-Wahab Al-Juan (Vice Chairman - Independent Member) Mr. Yousef Ibrahim Yousef Al-Raqm (Independent Member) Mr. Naser Omran Kanaan (Committee Secretary) 	<ul style="list-style-type: none"> The Risk Committee is responsible for following up monitoring of Company's risk management systems, which include all risks faced by the Company, and assisting the Board of Directors in identifying and evaluating level of risk appetite of the Company. Discussing the Risk Committee work charter and the risk management policy and submitting them to the Board members for approval. <p>The committee's most prominent achievements during the year:</p> <ul style="list-style-type: none"> The Risk Committee is responsible for following up monitoring of the Company's risk management systems, which include all risks faced by the Company, and assisting the Board of Directors in identifying and evaluating the level of risk appetite of the Company. Discussing and approving the two risk management reports for the financial year ended 31/12/2022 and 30/06/2023, also studies on the risks related to the sale or purchase of investments, prepared by the Risk and Compliance Department. Discussing the risk management strategy and risk appetite prepared by the Risk and Compliance Department for the financial year 2023, as it was presented to and approved by the Board of Directors. 	4

- **Relationship between the Board of Directors and Executive Management**

The Board members can reach any member of the executive management to obtain all the basic information and data that enable them to view and carry out their duties and tasks efficiently and effectively and to ensure that all reports are prepared with a high degree of quality and accuracy and are submitted to the Board members in due course to facilitate the decision-making process.

Furthermore, duties and responsibilities of each of the Board members and executive management have been clearly defined in the approved policies and regulations to reflect the balance in the powers and authorities between the Board of Directors and executive management through the Board of Directors work charter, which was discussed and approved by the Board. The Executive Management also prepares periodic reports to the Board of Directors on the Company's performance, which are prepared to a high degree of quality within a specific period to facilitate their supervisory role.

THIRD RULE

Selection of Qualified Persons for Membership of the Board of Directors and Executive Management

- **Formation of Nomination & Remuneration Committee**

The Company formed the Nomination and Remuneration Committee, which is responsible for preparing recommendations related to nominations for the positions of members of the Board of Directors and executive management and those related to the policies and regulations governing compensation and remuneration. In rule (2) herein, more details were made about this committee and its most important achievements.

- **Approval of remuneration granted to members of the Board of Directors and Executive Management**

- 1- Remuneration of the Board of Directors Members and Board Secretary**

The Board of Directors approved its recommendation to the members of the Ordinary General Assembly to approve the remuneration of the members of the Board of Directors, with a total amount of KWD 305 thousand, in addition to its approval of remuneration to the Board Secretary.

- 2- Remuneration of the Executive Management**

The remuneration system for the executive management is linked to the Company's performance and the extent to which the desired growth goals are achieved, and in proportion to the size, nature and degree of risks and responsibilities of the job. The remuneration includes a fixed segment represented in salaries, bonuses, and other fixed benefits in addition to a variable segment represented in annual incentives.

- 3- Any substantial deviations from remuneration policy approved by Board of Directors**

(Nil)

4- Remuneration Approval Report

Remunerations and benefits granted to members of the Board of Directors							
Total Members of the Board of Directors	Remunerations and benefits through the parent company			Remunerations and benefits through subsidiary companies			
	Fixed Remunerations and benefits	Variable Remunerations and benefits		Fixed Remunerations and benefits		Variable Remunerations and benefits	
	health insurance	Annual Remunerations	Committees Remunerations	health insurance	Total monthly salaries	Annual Remunerations	Committees Remunerations
8	Nil	305,000	Nil	Nil	Nil	Nil	Nil
The total remuneration and benefits granted to the CEO and executive managers of the company							
Total number of executive managers	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiary companies			
	Fixed Remunerations and benefits		Variable Remunerations and benefits	Fixed Remunerations and benefits		Variable Remunerations and benefits	
	Total monthly salaries	health insurance	Annual Remunerations	Total monthly salaries	health insurance	Annual Remunerations	
8	390,300	5,014	100,135	Nil	Nil	Nil	

FOURTH RULE

Integrity of Financial Reporting

- Fairness and integrity of the prepared financial reports**

The executive management pledged in writing to the Company's Board of Directors that the Company's financial reports are presented in a true and fair manner, and the financial reports disclose all financial aspects of the Company, including operational data and results, and that they are prepared in accordance with International Accounting Standards approved by CMA.

• Board of Directors pledge on fairness and integrity of the financial reports

We, the Chairman and members of the Board of Directors of Gulf Cables & Electrical Industries Group Co., pledge to the fairness and integrity of the Company's prepared financial statements during the financial year ended 31/12/2023, as well as all reports related to the Company's activity. We pledge that those reports were truly and fairly presented, and that those reports were prepared in accordance with the International Accounting Standards approved by CMA, based on the undertaking received by us from the executive management, as well as the report of the external auditors in this regard.

Name	Title
Asaad Al-Banwan	Chairman
Bader Naser Al-Kharafi	Vice Chairman
Bader Mohammad Abdul-Wahab Al-Juan	Board Member - Independent Member
Sabah Khalid Saleh Al-Ghunaim	Board Member
Jamal Naser Hamad Al Falah	Board Member
Juhail Mohammad Abdul-Rahman Al-Juhail	Board Member
Yousef Ibrahim Yousef Al-Raqm	Board Member - Independent Member
Mohammad Saad Mohammad Al-Saad	Board Member

• Formation of Audit Committee

The Company has formed audit committee that is mainly concerned with ensuring the fairness and integrity of financial reports and internal control systems. It also monitors work of the external auditors, studies the adopted accounting policies, evaluates internal control systems, and reviews internal audit. In rule (2) herein, more details were made about this committee and its most important achievements.

• Emphasizing the independence and neutrality of the external auditors

- 1- It has been ensured that the external auditors are independent of the Company and its Board of Directors, and that they do not perform additional work for the Company that is not part of the review and audit engagements, which may affect the neutrality or independence.
- 2- The Board of Directors relies on the services provided by the external auditors based on a recommendation of the Audit Committee submitted to the Board.
- 3- The audit committee also recommends the Board of Directors to appoint and reappoint the external auditors, whereby the external auditors are appointed or changed in the Ordinary General Assembly based on the recommendations of the Board. Further, it also recommends the Board of Directors to determine fees of the external auditors, assuring their independency, reviewing their appointment letters, studying their notes on the Company's financial statements, and ensuring that they are registered in the special register at CMA.
- 4- Mr. Abdullatif M. Al Aiban from Messrs. Grant Thornton – Al-Qatami, Al-Aiban & Partners were appointed as external auditors for the year 2023 based on approval of the General Assembly.

FIFTH RULE

Developing Valid Risk Management and Internal Control Systems

- **Formation of an independent department / office / unit for risk management**

The Company has created a Risk Department, which is a department with complete technical independence and reports to the Risk Committee. A Director has been appointed to determine, measure and limit all types of risks facing the Company to achieve its desired goals and submits its recommendations to the Risk Management Committee.

- **Formation of Risk Management Committee**

The Company has formed a Risk Management Committee, which is primarily concerned with developing policies and regulations for managing risks, in line with the Company's appetite to risk tolerance. In rule (2) herein, more details were made about this committee and its most important achievements.

- **Internal monitoring and control systems**

The Company adopts a set of internal monitoring and control systems that cover all of its activities by following the administrative policies approved within the Company and adhering to the limits and regulatory guidelines, the legitimacy of transactions, good documentation and establishing an appropriate framework for approvals, permissions, verification and settlement. The Board of Directors supervises the implementation of the internal control systems through Risk Committee and Audit Committee.

The Company has used services of an independent agency to prepare a report on valuation and revision of the Internal Control Systems (ICR) in accordance with the requirements of CMA for the financial year ended 31 December 2023. The examination was conducted in accordance with the standards specified in the internal control framework. It was found that the internal control systems in the Gulf Cables Company have been applied and maintained in accordance with the specified standards.

- **Internal Audit Department**

The Board of Directors has assigned the Internal Audit Department, through the Audit Committee, with its tasks and responsibilities. Therefore, the Company's Internal Audit Department is a department with complete technical independence and reports to the Company's Board Audit Committee. Internal Audit Department provides the Board of Directors and the Executive Management with an independent and objective opinion on the availability of controls and regulatory conditions that would include the fairness and effectiveness of the Company to reach its objectives, provided that the reports of the Internal Audit Department are to be submitted through the Audit Committee to the Board of Directors.

SIXTH RULE

Promote Professional Conduct and Ethical Values

- **Work Charter**

The role of the Board of Directors is to set standards and limitations that establish the ethical concepts and values of the Company, while the responsibilities of the executive management are to implement the Company's objectives in accordance with those standards and limitations. Therefore, a work charter has been developed for the Company that contributes to the performance of the Board of Directors and all employees to perform the tasks fully entrusted to them and to provide the necessary directions to avoid disputes or conflicts, support appropriate conduct and maintain the confidentiality of information.

Members of the Board of Directors have approved a set of internal policies and procedures to adhere to the principles of governance and to enhance the professional conduct and ethical values to establish a clear separation between interests of the Company and those related to the Board of Directors and the Company's employees.

- **Conflict of Interest**

This policy aims to ensure that appropriate procedures are applied to discover cases of conflict of interest. This policy is deemed as an approved mechanism for the Board of Directors to prevent members of the Board, independent members and employees from misuse of the information obtained due to their work in the Company to achieve personal benefits. In addition, information and data related to the Company should not be disclosed unless it is permitted to be disclosed by law. Employees must make full and fair disclosure of all matters that could be expected to impair their independence and objectivity or conflict with respective duties to their current or potential clients or the Company.

SEVENTH RULE

Accurate and Timely Disclosure and Transparency

- **Disclosure and transparency**

The Board of Directors oversees accurate and timely disclosure procedures to solidify the financial health of the Company and provides information and data for all those interested in the Company whether they are current or potential investors. The Company disclosed any information with a high degree of accuracy and credibility.

During 2023, the Company disclosed material information so that the announcement contained sufficient information and data to allow anyone to find such information with an explanation of its impact on the financial statements. The Company also disclosed its major shareholders whose ownership reaches 5% or more of the Company's share capital according to the instructions of CMA. The Company has updated the list of its insiders.

The Company has prepared a special record that includes all the disclosures that have been announced, and the data of such record is periodically updated. The website also contains, in the announcement section, all the disclosures that were announced.

• Register of disclosures of members of the Board of Directors and executive management

There is a particular register for the disclosures of members of Board of Directors and executive management, which is available for perusal by all the Shareholders of the Company.

• Investor Affairs Regulatory Unit

The Company has designated a section on its website for Investors Affairs that includes financial reports, Company dividends, market share price, flowcharts, and a statement of the major shareholders of the Company. These sections contain comprehensive financial information about the Company's performance that would provide analysts, shareholders and other concerned parties with the information needed for perusal.

• Information Technology

The Company has established a section dedicated to corporate governance on its website according to the instructions issued by CMA and the regulatory rules. This section contains the pillars of governance as defined by CMA that deals with major sectors in the Company, which are the organizational structure of governance, the Board of Directors and its committees, behavioral values, professional conduct and ethical standards, disclosure and transparency, risk management and internal control, whistleblower protection, and Memorandum of Incorporation and Articles of Association.

The Company is keen to follow the instructions of CMA and Boursa Kuwait, as the correspondence takes place by e-mail and the electronic portal of Boursa Kuwait and CMA. The legal representative of the Company is responsible for entering the information and data of the Company and updating it on websites of Boursa Kuwait and CMA.

EIGHTH RULE

Respecting Shareholders Rights

• Protection of Shareholders Rights

The Company has set its internal bylaws, procedures and controls necessary to ensure that all shareholders exercise their rights in a manner that achieves justice and equality and does not contradict the applicable laws and regulations and the decisions and instructions issued in this regard. Therefore, the general rights of the shareholders have been preserved by registering the property value in the Company's records at Kuwait Clearing Company and according to the instructions determined for the same, and the shareholder obtaining the share determined in dividend distributions, obtaining data and information on the Company's activity and its operational and investment strategy on a regular basis, and participating in the Shareholders General Assembly Meetings and voting on their decisions.

• Shareholder's register

The Company has maintained a special register with Kuwait Clearing Company in which the names of the shareholders, their nationalities, their domicile, and the number of their owned shares are recorded, and any changes to the data registered therein are indicated in the shareholders register according to the data received by the Company or by Kuwait Clearing Company. Each concerned person may request from Kuwait Clearing Company or the Company to provide him with data from this register without conflicting with the laws and regulations issued by the relevant regulatory authorities.

• Encouraging shareholders to participate and vote in the Company's General Assembly meetings

The Company encouraged shareholders to participate and vote in the Company's General Assembly meetings, upon an invitation from the Board of Directors, within the three months following end of the financial year. The invitation was sent to the shareholders to attend the General Assembly meeting, including agenda, time and place of the meeting. Items on the agenda of the General Assembly included briefing the shareholders to discuss the governance report, the audit committee report, the Board of Directors' report on the Company's activity, its financial position and its business results, to discuss and approve the external auditor's report on the results of the Company's financial statements, to approve the distributable net profit, and to discuss dealings with related parties, and to discuss the topics on the agenda and related inquiries.

• List of major shareholders

Shareholder's Name	Share percentage
Bader Nasser AlKharafi and Group (Al Khair Global for Buying & Selling Shares)	23.73%
Juhail Mohammed Juhail & Group (Ejabi Holding Co.)	12.07%
Public Institution for Social Security (PIFSS)	5.58%
Ibrahim Abdulrahman Al-Asfour	5.95%

NINTH RULE

Understanding the Role of Stakeholders

• Stakeholder's rights

The Company has set the rules and procedures that guarantee the protection and recognition of stakeholders' rights. It included confirming that dealing with members of the Board of Directors and stakeholders is carried out under the same conditions that the Company applies with the various parties of stakeholders without any discrimination or preferential conditions and the procedures that will be taken in case any of the parties breach their obligations. The policy also included the mechanisms for compensating stakeholders in case their rights are violated, and the mechanisms to settle complaints or disputes that may arise between them and the Company. It shall be taken into consideration that stakeholders shall not be given any preference through dealing in contracts and deals that are carried out under the Company's normal course of business in order not to conflict with stakeholders' transactions, whether contracts or deals with the Company, with the interest of shareholders.

• Encouraging stakeholders to follow Company's activities

The Company encourages stakeholders to participate in the follow-up of its various activities through enabling them to obtain information and data related to their activities, through website so that they can rely upon it in a timely manner and on a regular basis to obtain all the information they need from the factories, products, network sales, purchases, and the Company's policy as well as investors' affairs and corporate governance.

TENTH RULE

Enhancing and Improving the Performance

• Evaluating and training members of the Board of Directors and executive management

Members of the Board of Directors and executive management have an appropriate understanding of the Company's business and its operations, from the Company's strategy and objectives to the financial and operational aspects of all the Company's activities, the legal and regulatory obligations entrusted to them, the responsibilities and tasks assigned to them, and the role of the Board committees. All members of the Company's Board of Directors were provided with the approved copy of the policies, charters and work systems of the Board of Directors and executive management.

The Company has developed systems and mechanisms to evaluate the performance of the Board of Directors as a whole and the performance of each member of the Board of Directors and the executive management on a regular basis, through developing a set of Key Performance Indicators related to the extent to which the strategic objectives of the Company are achieved, the quality of risk management and the adequacy of internal control systems, to evaluate the Board of Directors as a whole, evaluate the contribution of each member of the Board and each of its committees, and to evaluate the performance of the executive managers, periodically (annually), in addition to identifying weaknesses and strengths and proposing how to address them in accordance with the Company's interest.

• Value Creation

The Board of Directors emphasized the importance of value creation among employees of the Company, through constant work to achieve strategic objectives of the Company, improve performance rates, and adhere to laws and regulations, especially governance rules, through:

1. Adding value to the Company's brand, and increasing the confidence of stakeholders, partners, societies, and governments in the Company.
2. Facilitating opportunity for teamwork to give priority to the Company's interests over other interests to achieve its goals.
3. Encouraging self-censorship and showing more professional responsibility and high professionalism in performance.
4. Encouraging employees to know work values and to introduce them to others.
5. Spreading the concept of compliance with laws and regulations, which helps employees to work in an environment that adheres to the regulations.

ELEVENTH RULE

Emphasizing the Importance of Social Responsibility

- **Company's goals**

The Company seeks to develop a policy to balance between Company goals and those of the society in order to achieve them. It is working on the development of living, social and economic conditions of the society in which it operates.

- **The Company's efforts in social work**

- 1- The Company attracts promising professionals in various sectors and is keen to provide basic training programs to improve and grow their career path.
- 2- The Company's management continues its social duty in cooperation with Kuwait University - College of Engineering and Petroleum, as well as the Public Authority for Applied Education and Training, to provide services through field visits to students to see the mechanism of working in production lines and technical works. The Company's management also sponsors graduation projects for students of the College of Engineering and Petroleum in the first and second semesters of each year.

AUDIT COMMITTEE REPORT

For the Year Ended 31 December 2023

Committee Members

- Mr. Bader Naser Al-Kharafi (Committee Chairman)
- Mr. Jamal Naser Hamad Al Falah (Vice Chairman)
- Mr. Yousef Ibrahim Yousef Al-Raqm (Independent Member)
- Mr. Mohammad Saad Mohammad Al-Saad (Member)
- Mr. Naser Omran Kanaan (Committee Secretary)

Committee Meetings and Achievements

The Audit Committee held its meetings six times during 2023, its most important achievements are:

1. Monitoring financial reports, managing internal control, internal and external audit, following up on compliance, and other matters that are commensurate with its specializations and evaluation of internal control systems.
2. Reviewing the financial statements and results of the internal audit department reports for the year 2023 and submitting recommendations to the Board of Directors.
3. Nomination of an external auditor for the fiscal year 2023.

Committee Opinion on the Company's Internal Audit

During 2023, the committee supervised the Company's internal audit department to verify its effectiveness in implementing the tasks specified by the Board of Directors. The committee also ensured that the internal control systems are maintained and ensure their adequacy and effectiveness for the Company. The committee is keen on the Company's compliance with the relevant laws, policies, regulations, and instructions.



CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**Gulf Cables & Electrical Industries Group Co. K.S.C.P.
and Subsidiaries**

Kuwait

31 December 2023



Grant Thornton

AL-Qatami, Al-Aiban & Partners

An instinct for growth™

Auditors & Consultants

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Independent auditor's report

To the Shareholders of
Gulf Cables and Electrical Industries Group Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Cables and Electrical Industries Group Company – KPSC (“the Parent Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product to a customer. The Group follows a five-step process to recognize revenue as disclosed in the accounting policy related to revenue recognition (note 4.6). This is an area of audit focus as management assumptions are required to apply the revenue recognition criteria to each separately identifiable component of revenue. This can result in circumstances which require careful consideration to determine how revenue should be recognized.

Our audit procedures included testing the operating effectiveness of associated internal controls and performing substantive audit procedures. We also performed analytical reviews and reviewed management accounts to identify any material new revenue streams. Our testing procedures included reviewing customer contracts, checking delivery records and price lists, and checking that the recognition criteria of IFRS were met. We also assessed the adequacy of the Group's disclosures of its revenue recognition policy, the judgements involved and other related disclosures.

Revenue by segment is disclosed in Note 26.



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Independent Auditor's Report to the Shareholders of Gulf Cables and Electrical Industries Group Company – KPSC (continued)

Valuation of unquoted investments

The Group's investments in unquoted investments classified as at fair value through other comprehensive income represent a significant part of the Group's total assets and categorized within Level 3 of the fair value hierarchy as disclosed in the Note 30 to the consolidated financial statements. The valuation of these investments is inherently subjective as it is primarily based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets or other observable inputs. Therefore, there is significant measurement uncertainty involved in those valuations. As a result, the valuation of those instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions.

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group's Annual Report for the year ended 31 December 2023

Management is responsible for the other information. Other information consists of the information included in the Group's annual Report for the year ended 31 December 2023, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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.



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Independent Auditor's Report to the Shareholders of Gulf Cables and Electrical Industries Group Company – KPSC (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 skepticism 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, related safeguards.

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



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Independent Auditor's Report to the Shareholders of Gulf Cables and Electrical Industries Group Company – KPSC (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)

(Licence No. 94-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait

7 March 2024

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Revenue			
Sales and contracting revenue		102,217,662	102,496,345
Cost of revenue		(89,034,410)	(89,558,281)
Gross profit		13,183,252	12,938,064
Change in fair value of investments at fair value through profit or loss		(310,959)	(81,993)
Gain on sale of investments at fair value through profit or loss		-	85,629
Dividend income		16,854,161	6,763,284
Other investment gains		107,629	22,559
Share of results of associates and joint venture	13	3,206,016	3,760,024
Interest and other income		492,865	64,202
Foreign currency exchange gain		472,629	446,386
		34,005,593	23,998,155
Expenses and other charges			
General and administrative expenses		(5,753,596)	(4,531,221)
Commercial expenses		(2,975,534)	(2,656,219)
Provision charge for obsolete and slow-moving inventories – net	15	(59,403)	(1,809)
Provision charge for doubtful debts – net	16	(966,813)	(318,100)
Provision charge for other receivables		(200,000)	(57,900)
Finance costs		(1,893,072)	(1,991,275)
		(11,848,418)	(9,556,524)
Profit before provision for taxation and Directors' remuneration		22,157,175	14,441,631
Provision for taxation	8	(833,253)	(1,175,642)
Directors' remuneration		(305,000)	(305,000)
Profit for the year	7	21,018,922	12,960,989
Profit for the year attributable to:			
Owners of the Parent Company		21,039,534	12,948,313
Non-controlling interests		(20,612)	12,676
Profit for the year		21,018,922	12,960,989
Basic and diluted earnings per share attributable to the owners of the Parent Company	10	101 Fils	62 Fils

The notes set out on pages 48 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Profit for the year	21,018,922	12,960,989
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive (loss)/income of associates	(15,630)	26,852
Exchange differences arising on translation of foreign operations	21,501	109,619
	5,871	136,471
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive (loss)/income of associates	(2,026,658)	2,194,457
Net change in fair value of investments at FVTOCI	(4,570,594)	(812,487)
	(6,597,252)	1,381,970
Total other comprehensive (loss)/income	(6,591,381)	1,518,441
Total comprehensive income for the year	14,427,541	14,479,430
Total comprehensive income attributable to:		
Owners of the Parent Company	14,446,970	14,460,725
Non-controlling interests	(19,429)	18,705
	14,427,541	14,479,430

The notes set out on pages 48 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2023 KD	31 Dec. 2022 KD
Assets			
Non-current assets			
Goodwill	11	3,603,180	3,603,180
Property, plant and equipment	12	9,248,051	9,261,814
Right-of-use assets		489,322	468,675
Investment in associates and joint venture	13	83,034,820	89,122,225
Investments at fair value through other comprehensive income	14	103,795,144	108,310,881
		200,170,517	210,766,775
Current assets			
Inventories	15	37,937,162	37,385,413
Trade accounts receivable	16	27,647,083	31,100,230
Other receivables and prepayments		1,705,791	2,028,888
Investments at fair value through profit or loss		3,214,470	596,767
Cash and cash equivalents	17	9,965,807	8,694,999
		80,470,313	79,806,297
Total assets		280,640,830	290,573,072
Equity and liabilities			
Equity			
Share capital	18	20,993,131	20,993,131
Share premium	18	29,160,075	29,160,075
Treasury shares	19	(1,361,022)	(1,686,080)
Statutory, voluntary and general reserves	20	74,109,625	71,893,702
Other components of equity	21	58,867,251	65,297,391
Retained earnings		48,507,417	42,164,366
Total equity attributable to the owners of the Parent Company		230,276,477	227,822,585
Non-controlling interests		503,918	523,347
Total equity		230,780,395	228,345,932
Non-current liabilities			
Provision for employees' end of service benefits		4,879,549	4,597,596
Term loans	22	23,691,000	17,500,000
Islamic financing	23	-	18,072,368
Lease liabilities		293,408	289,140
		28,863,957	40,459,104
Current liabilities			
Trade accounts payable		3,914,516	3,660,167
Other payables and accruals	24	8,860,218	8,937,217
Lease liabilities		189,270	151,416
Term loans	22	7,466,495	6,534,495
Islamic financing	23	-	1,815,789
Due to banks	17	565,979	668,952
		20,996,478	21,768,036
Total liabilities		49,860,435	62,227,140
Total equity and liabilities		280,640,830	290,573,072

The notes set out on pages 48 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share capital KD	Share premium KD	Treasury shares KD	Statutory, voluntary and general reserves KD	Other components of equity KD	Retained earnings KD	Sub-total KD	Non- Controlling Interests KD	Total KD
Balance at 1 January 2023	20,993,131	29,160,075	(1,686,080)	71,893,702	65,297,391	42,164,366	227,822,585	523,347	228,345,932
Purchase of treasury shares	-	-	(352,683)	-	-	-	(352,683)	-	(352,683)
Sale of treasury shares	-	-	677,741	-	160,446	-	838,187	-	838,187
Cash dividend (note 25)	-	-	-	-	-	(12,478,582)	(12,478,582)	-	(12,478,582)
Transactions with owners	-	-	325,058	-	160,446	(12,478,582)	(11,993,078)	-	(11,993,078)
Profit for the year	-	-	-	-	-	21,039,534	21,039,534	(20,612)	21,018,922
Other comprehensive (loss)/income	-	-	-	-	(6,592,564)	-	(6,592,564)	1,183	(6,591,381)
Total comprehensive (loss)/income for the year	-	-	-	-	(6,592,564)	21,039,534	14,446,970	(19,429)	14,427,541
Transfer to general reserve	-	-	-	2,215,923	-	(2,215,923)	-	-	-
Loss on sale of investments at FVTOCI	-	-	-	-	1,978	(1,978)	-	-	-
Balance at 31 December 2023	20,993,131	29,160,075	(1,361,022)	74,109,625	58,867,251	48,507,417	230,276,477	503,918	230,780,395

The notes set out on pages 48 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-Controlling Interests KD	Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Statutory, voluntary and general reserves KD	Other components of equity KD	Retained earnings KD	Sub-total KD		
Balance at 1 January 2022	20,993,131	29,160,075	(575,724)	70,459,281	82,741,073	24,227,964	227,005,800	504,642	227,510,442
Purchase of treasury shares	-	-	(1,110,356)	-	-	-	(1,110,356)	-	(1,110,356)
Cash dividend (note 25)	-	-	-	-	-	(12,533,584)	(12,533,584)	-	(12,533,584)
Transactions with owners	-	-	(1,110,356)	-	-	(12,533,584)	(13,643,940)	-	(13,643,940)
Profit for the year	-	-	-	-	-	12,948,313	12,948,313	12,676	12,960,989
Other comprehensive income	-	-	-	-	1,512,412	-	1,512,412	6,029	1,518,441
Total comprehensive income for the year	-	-	-	-	1,512,412	12,948,313	14,460,725	18,705	14,479,430
Transfer to general reserve	-	-	-	1,434,421	-	(1,434,421)	-	-	-
Gain on sale of investments at FVTOCI	-	-	-	-	(18,956,094)	18,956,094	-	-	-
Balance at 31 December 2022	20,993,131	29,160,075	(1,686,080)	71,893,702	65,297,391	42,164,366	227,822,585	523,347	228,345,932

The notes set out on pages 48 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
OPERATING ACTIVITIES			
Profit for the year		21,018,922	12,960,989
Adjustments:			
Depreciation		1,844,484	1,625,574
Finance costs		1,893,072	1,991,275
Interest income		(269,662)	(9,042)
Dividend income		(16,854,161)	(6,763,284)
Share of results of associates and joint venture		(3,206,016)	(3,760,024)
(Gain)/loss on sale/ disposal of property, plant and equipment		(38,698)	3,128
Provision charge for doubtful debts – net		966,813	318,100
Provision charge for other receivables		200,000	57,900
Provision charge for obsolete and slow moving inventories – net		59,403	1,809
Provision charge for employees' end of service benefits		512,839	457,508
Foreign exchange gain on non-operating liabilities		-	29,500
		6,126,996	6,913,433
Changes in operating assets and liabilities:			
Inventories		(611,152)	(2,191,180)
Investments at fair value through profit or loss		(2,617,703)	(596,767)
Trade accounts receivable		2,486,334	370,484
Other receivables and prepayments		130,324	(952,726)
Trade accounts payable		254,349	1,621,932
Other payables and accruals		63,777	(737,196)
Employees' end of service benefits paid		(230,886)	(270,849)
KFAS paid		(273,492)	-
Net cash from operating activities		5,328,547	4,157,131
INVESTING ACTIVITIES			
Investment in associates		-	(5,087,601)
Investment in joint venture		-	(2,500,000)
Purchase of property, plant and equipment		(1,722,608)	(975,374)
Proceeds from sale of property, plant and equipment		134,721	22,564
Purchase of investments at FVTOCI		(56,394)	(5,105,978)
Proceeds from sale of investments at FVTOCI		1,537	25,079,891
Dividend income received		16,854,161	6,763,284
Dividend received from associates		7,251,133	10,615,622
Interest income received		262,434	9,042
Net cash from investing activities		22,724,984	28,821,450
FINANCING ACTIVITIES			
Payment of cash dividend		(12,381,021)	(12,459,168)
Purchase of treasury shares		(352,683)	(1,110,356)
Proceeds from sale of treasury shares		838,187	-
Net movement in term loans		7,123,000	(8,147,661)
Net movement in Islamic financing		(19,888,157)	(20,111,843)
Finance costs paid		(1,846,327)	(2,041,690)
Payment of lease liabilities		(189,270)	(151,416)
Net cash used in financing activities		(26,696,271)	(44,022,134)
Increase/(decrease) in cash and cash equivalents		1,357,260	(11,043,553)
Foreign currency adjustments		16,521	88,112
Cash and cash equivalents at beginning of the year	17	8,026,047	18,981,488
Cash and cash equivalents at end of the year	17	9,399,828	8,026,047

The notes set out on pages 48 to 92 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Incorporation and activities

Gulf Cables and Electrical Industries Group Company – KPSC (“the Parent Company”) is a registered Kuwaiti Public Shareholding Company, which was established on 15 March 1975. The shares of the Parent Company are listed on Kuwait Stock Exchange.

The Group comprises the Parent Company and its subsidiaries. Details of the Group’s subsidiaries are disclosed in Note 6.

The shareholders in their Extra-Ordinary General Assembly held on 18 October 2022 approved to change the name of the Parent Company from Gulf Cable and Electrical Industries Company – KPSC to Gulf Cables and Electrical Industries Group Company – KPSC, which was registered in the commercial register on 28 November 2022.

Pursuant to the decision of the Extra-Ordinary General Assembly held on 18 October 2022, the objectives of the Parent Company were amended, and the amendments were authenticated in the commercial register on 29 November 2022.

Objectives for which the Parent Company was incorporated are as follows:

- 1- Produce all kinds of electrical and telephone cables of various sizes and varieties;
- 2- Produce all kinds of electric and telephone wires of various sizes and varieties;
- 3- Produce the wires necessary for the production of light bulbs;
- 4- Produce light bulbs of all varieties and sizes after obtaining the necessary license from the Public Authority for Industry;
- 5- Manufacture electrical transformers, switches and distribution panels after obtaining the necessary license from the Public Authority for Industry;
- 6- Various manufacturing relating to power equipment and tools for industrial or household purposes after obtaining the necessary license from the Public Authority for Industry;
- 7- Produce all kinds of aluminum chips and nylon covering rolls of various sizes and varieties after obtaining the necessary license from the Public Authority for Industry;
- 8- Produce copper bars which are used in the production of electrical and telephone cables after obtaining the necessary license from the Public Authority for Industry;
- 9- Trade in all kinds of these products;
- 10- Import machinery, plant, equipment and tools necessary to achieve the Company’s objectives;
- 11- Import the raw materials for this industry;
- 12- Invest the surplus funds in investment portfolios in order to serve the Company’s objectives;
13. Owning real estate and movables for the benefit of the Company.
- 14- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti and non-Kuwaiti limited liability companies and participating in the establishment of, lending and managing of these companies and acting as guarantor for these companies.
- 15- Managing its subsidiaries or participating in the management of other companies in which it contributes and providing the necessary support for them.

The Parent Company may have interest or participate in any aspect in the authorities and companies which practice similar activities, or which may assist it in the achievement of its objectives in Kuwait and abroad. The Parent Company may also purchase these authorities and companies or affiliate them therewith.

The address of the Parent Company’s registered office is PO Box 1196, Safat 13012, State of Kuwait.

These consolidated financial statements for the year ended 31 December 2023 were authorised for issue by the board of directors of the Parent Company on 7 March 2024 and are subject to the approval of the General Assembly of the shareholders.

Notes to the consolidated financial statements (continued)

2. Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) .

3. Changes in accounting policies

3.1 New and amended standards adopted by the Group

The following new amendments or standards were effective for the current period.

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023
IAS 8 Amendments - Definition of accounting estimates	1 January 2023
IAS 12 Amendments – Income taxes - Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 12 Amendments- International Tax Reform-Pillar Two Model Rules	1 January 2023

IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies to assist entities to provide accounting policy disclosures that are more useful. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 12 Amendments – Income taxes- Deferred tax related to assets and liabilities arising from a single transaction

The amendments to IAS 12 provide an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 12 Amendments – International Tax Reform-Pillar Two Model Rules

The amendments introduce the following:

- an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes;
- an entity applies the exception disclose that it has applied the exception immediately upon issuance of the amendments;

Notes to the consolidated financial statements (continued)

3. Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IAS 12 Amendments – International Tax Reform-Pillar Two Model Rules (continued)

- Amendments requirement that an entity has to disclose separately its current tax expense (income) related to pillar two income taxes;
- Amendments requirement that state that in periods in which pillar two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from that legislation;

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Amendments – Supplier finance arrangements disclosure	1 January 2024
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Notes to the consolidated financial statements (continued)

3. Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities as current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of liabilities as current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements disclosure

The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

To meet the disclosure objectives, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

Notes to the consolidated financial statements (continued)

3. Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements disclosure (continued)

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

Management will make required disclosures in the consolidated financial statements when the amendments become effective.

IAS 21 Amendments – Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 16 Amendments – Lease liability in a sale and leaseback

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4. Material accounting policies

The material accounting policies adopted in the preparation of the consolidated financial statements are set out below.

4.1 Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention except for investments at fair value through other comprehensive income and investment at fair value through profit or loss which are measured at fair value.

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

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income".

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.2 Basis of consolidation (continued)

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.5 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The Group's investment in associates and joint ventures are accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate and joint venture arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's/joint venture's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate or joint venture equal or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and joint venture.

Unrealised gains on transactions with an associate or joint venture are eliminated to the extent of the Group's share in the associate and joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates and joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate and joint venture are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Upon loss of significant influence over the associate and joint venture the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate and joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.5 Investment in associates and joint ventures (continued)

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.6 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.6.1 Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

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

4.6.2 Rendering of services

The Group provides cleaning services relating to its customers. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced periodically in accordance with individual contracts as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.7 Interest income

Interest income is recognised on an accrual basis using the effective interest method.

4.8 Dividend income

Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

4.9 Operating expenses

Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

4.10 Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance of borrowing payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

4.11 Taxation

4.11.1 *Kuwait Foundation for the Advancement of Sciences (KFAS)*

The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the shareholders of the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4.11.2 *National Labour Support Tax (NLST)*

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the Parent Company for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.11.3 *Zakat*

Contribution to Zakat is calculated at 1% of the profit of the Group attributable to the shareholders of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior year is permitted.

4.11.4 *Taxation on overseas subsidiaries*

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.12 Segment reporting

The Group has three operating segments: the cable manufacture, investment and rendering services segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.13 Property, plant and equipment

4.13.1 Land

Land held for use in production or administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

4.13.2 Buildings, vehicles and other equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment of value. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

- Buildings: 20 to 25 years
- Plant and machinery: 10 years
- Vehicles, furniture and equipment: 4 to 10 years
- Agriculture farm and related facilities: 5 to 10 years.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss and other comprehensive income.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

4.14 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.14 Leases (continued)

The Group as a lessee (continued)

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.14 Leases (continued)

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.,

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4.15 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units 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 or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.16 Financial instruments

4.16.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

4.16.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.16 Financial instruments (continued)

4.16.2 Classification of financial assets (continued)

The Group may make the following irrevocable tests/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

4.16.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise mainly of the following:

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with cash in portfolios and time deposits due within three months that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to banks.

Trade accounts receivable and other receivables and prepayments

Trade accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other financial assets"

b) Financial assets at FVTOCI

The Group's financial assets at FVTOCI mainly comprise of investments in equity instruments which represent investments in equity shares of various companies and include both quoted and unquoted.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.16 Financial instruments (continued)

4.16.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVTOCI (continued)

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value account within equity. The cumulative gain or loss is transferred to retained earnings on disposal within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

c) Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise investment in equity shares.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.16 Financial instruments (continued)

4.16.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

The Group always recognises lifetime ECL for trade receivables, and due from related parties balances. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.16.5 Classification and subsequent measurement of financial liabilities

The Group’s financial liabilities include due to banks, term loans, Islamic financing facilities, trade payables, other payables and accruals.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.16 Financial instruments (continued)

4.16.5 Classification and subsequent measurement of financial liabilities (continued)

The subsequent measurement of financial liabilities depends on their classification as follows:

a) Financial liabilities at amortized cost

Term loans and due to banks

All term loans and due to banks are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Islamic financing

Islamic financing facilities represent Murabaha amounts payable on deferred settlement basis for assets purchases under Murabaha arrangements. Murabaha payables are stated at the total amount payable, less deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking account of the borrowing rate attributable and the balance outstanding.

Trade payables, other payables and accruals

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

4.17 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.18 Offsetting of financial instruments

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

4.19 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.20 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.21 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the cost formula. For other items of inventory, cost is calculated using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.22 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' law and the Parent Company's articles of association.

General reserve comprises appropriations of current and prior period profits.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries into Kuwait Dinars.
- Cumulative changes in fair value– comprises gains and losses relating to the investments at fair value through other comprehensive income.
- Treasury shares reserve – comprises cumulative gains, net of any losses, arising on sale of treasury shares

Retained earnings includes all current and prior period retained profits/(losses). All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.23 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in "treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.24 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

4.25 Foreign currency translation

4.25.1 Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

4.25.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.25.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On sale of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on sale.

4.26 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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. Provisions are discounted to their present values, where the time value of money is material.

Notes to the consolidated financial statements (continued)

4. Material accounting policies (continued)

4.26 Provisions, contingent assets and contingent liabilities (continued)

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

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 benefits is remote.

4.27 Related party transactions

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

4.28 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (eg regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

5. Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.1 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:

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.16). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterion set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

Notes to the consolidated financial statements (continued)

5. Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.3 Control assessment

When determining control, the management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.1.4 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5.2.2 Impairment of associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in associates and joint ventures, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

5.2.3 Impairment of assets with definite lives

At the financial position date, the Group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.4 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

Notes to the consolidated financial statements (continued)

5. Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.5 Impairment of inventories

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

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

5.2.6 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.7 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6. Interests in subsidiaries

6.1 Composition of the Group

Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Effective ownership interests held by the Group at year end	
			31 Dec. 2023 %	31 Dec. 2022 %
Gulf Cable and Multi Industries Company – JSC	Jordan	Manufacture and supply of electrical cables and holding investments.	94.5	94.5
Care for Buildings and Cities Cleaning Contracting Company – WLL (6.3)	Kuwait	Cleaning services	100	100
Hawraa Regional General Trading & Contracting Co.- WLL ("Hawraa")	Kuwait	General Trading & Contracting	97.3	97.3
Sofer Real Estate Co. - SPC	Kuwait	Sale and purchase of land and properties	100	100

Notes to the consolidated financial statements (continued)

6. Interests in subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests

Non-controlling interests of the above subsidiaries with an aggregate amount of KD503,918 (2022: KD523,347) are not individually material to the Group.

6.3 Unconsolidated structural entities

The Group has no interests in unconsolidated structured entities.

7. Profit for the year

Profit for the year is stated after charging the following expenses:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Staff costs (a)	14,482,124	10,502,229
Depreciation (b)	1,844,484	1,625,574
Rent-operating leases	106,266	97,640

a) Staff costs is allocated as follows:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Cost of revenue	9,029,679	6,198,416
Expenses and other charges	5,452,445	4,303,813
	14,482,124	10,502,229

b) Depreciation is allocated as follows:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Cost of revenue	1,450,739	1,247,341
Expenses and other charges	393,745	378,233
	1,844,484	1,625,574

Notes to the consolidated financial statements (continued)

8. Provision for taxation

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Taxation charged on overseas subsidiary	18,558	84,745
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	189,904	105,797
Zakat	177,944	280,668
National Labour Support Tax (NLST)	446,847	704,432
	833,253	1,175,642

9. Net gain on financial assets and financial liabilities

Net gain on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Financial assets at amortised cost:		
- Interest income	269,662	9,042
- Provision charge for doubtful debts – net	(966,813)	(318,100)
Financial assets at FVTOCI:		
- Recognised directly in other comprehensive income	(4,570,594)	(812,487)
- Recognised directly in profit or loss as dividend income	16,854,161	6,763,284
Financial assets at FVTPL:		
- Change in fair value	(310,959)	(81,993)
- Gain on sale	-	85,629
	11,275,457	5,645,375
Financial liabilities at amortised cost:		
- Finance costs	(1,893,072)	(1,991,275)
	9,382,385	3,654,100
Net gain recognised in the consolidated statement of profit or loss	13,952,979	4,466,587
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	(4,570,594)	(812,487)
	9,382,385	3,654,100

10. Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by weighted average number of shares outstanding during the year after excluding treasury shares as follows:

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
Profit for the year attributable to the owners of the Parent Company - KD	21,039,534	12,948,313
Weighted average number of shares outstanding during the year (excluding treasury shares)	208,048,699	208,507,185
Basic and diluted earnings per share attributable to the owners of the Parent Company	101 Fils	62 Fils

Notes to the consolidated financial statements (continued)

11. Goodwill

The goodwill resulted from acquisition of “Care for Buildings and Cities Cleaning Contracting Company – WLL”. Goodwill has been allocated to the entire subsidiary for impairment testing.

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations

Key assumption	Basis used to determine value to be assigned to key assumption
Terminal growth rate	Anticipated terminal growth rate of 2.44% (2022: 2.66%). Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a terminal growth rate of 2.44% (2022: 2.66%).
Discount rate	Discount rates of 10.12% (2022: 9.72%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment

31 December 2023	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
Cost							
At 1 January 2023	1,547,814	10,718,461	29,885,165	8,387,325	430,073	23,730	50,992,568
Additions	-	-	122,846	1,288,329	1,032	310,401	1,722,608
Transfers from assets under construction	-	12,276	67,075	14,723	-	(94,074)	-
Disposals	-	-	(1,051,032)	(284,772)	-	-	(1,335,804)
Foreign currency adjustment	437	1,595	15,441	1,055	631	22	19,181
At 31 December 2023	1,548,251	10,732,332	29,039,495	9,406,660	431,736	240,079	51,398,553
Accumulated depreciation							
At 1 January 2023	-	8,104,506	28,128,527	5,454,989	42,732	-	41,730,754
Charge for the year	-	306,825	331,946	996,343	10,211	-	1,645,325
Relating to disposals	-	-	(1,051,028)	(188,753)	-	-	(1,239,781)
Foreign currency adjustment	-	57	13,641	654	(148)	-	14,204
At 31 December 2023	-	8,411,388	27,423,086	6,263,233	52,795	-	42,150,502
Net book value							
At 31 December 2023	1,548,251	2,320,944	1,616,409	3,143,427	378,941	240,079	9,248,051

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

31 December 2022

Cost

At 1 January 2022	1,544,115	10,158,119	29,451,057	7,615,244	423,714	754,588	49,946,837
Additions	-	25,845	86,652	220,187	1,030	641,660	975,374
Transfers from assets under construction	-	521,000	216,866	634,780	-	(1,372,646)	-
Disposals	-	-	-	(91,799)	-	-	(91,799)
Foreign currency adjustment	3,699	13,497	130,590	8,913	5,329	128	162,156
At 31 December 2022	1,547,814	10,718,461	29,885,165	8,387,325	430,073	23,730	50,992,568

Accumulated depreciation

At 1 January 2022	-	7,803,489	27,680,842	4,658,141	32,373	-	40,174,845
Charge for the year	-	294,062	322,079	855,077	10,148	-	1,481,366
Relating to disposals	-	-	-	(66,107)	-	-	(66,107)
Foreign currency adjustment	-	6,955	125,606	7,878	211	-	140,650
At 31 December 2022	-	8,104,506	28,128,527	5,454,989	42,732	-	41,730,754

Net book value

At 31 December 2022	1,547,814	2,613,955	1,756,638	2,932,336	387,341	23,730	9,261,814
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12.1 The Parent Company's buildings are constructed on lands leased from the Public Authority for Industry on long-term leases for periods of 5 years renewable for similar period.

12.2 Assets under construction represent the cost incurred on construction of plant, machinery and equipment. During the current and previous year, certain buildings, machinery and equipment, which were completed and ready for their intended use, were capitalized in the appropriate categories.

Notes to the consolidated financial statements (continued)

13. Investment in associates and joint venture

	31 Dec. 2023 KD	31 Dec. 2022 KD
Investment in associates (13.1)	80,509,610	86,634,171
Investment in joint venture (13.2)	2,525,210	2,488,054
	83,034,820	89,122,225

13.1 Investment in associates

13.1.1 Details of the Group's associates are as follows:

Name of the associate	Country of incorporation and principal place of business	Principal activity	Effective interest held by the Group at the year end	
			31 Dec. 2023	31 Dec. 2022
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	Financing and investment	47.50%	47.50%
National Investment Company – KPSC (Quoted) (a)	Kuwait	Financial services	26.98%	26.98%
Heavy Engineering Industries and Shipbuilding Company – KPSC (Quoted) (b)	Kuwait	Industrial	28.33%	28.33%

13.1.2 The movement in the carrying value of investment in associates during the year is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balance as at 1 January	86,634,171	86,168,913
Additions during the year	-	5,087,601
Share of results of associates	3,168,860	3,771,970
Share of other comprehensive (loss)/gain	(2,042,288)	2,221,309
Dividends received	(7,251,133)	(10,615,622)
Balance as at 31 December	80,509,610	86,634,171

Notes to the consolidated financial statements (continued)

13. Investment in associates and joint venture (continued)

13.1 Investment in associates (continued)

13.1.3 Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate, if any.

	National Investment Company		Heavy Engineering Industries and Shipbuilding Company		Team Holding Company	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
	KD	KD	KD	KD	KD	KD
Summarised statement of financial position - 31 December						
Total assets	249,301,000	270,951,000	183,843,618	176,591,538	3,114,478	3,309,894
Total liabilities	(58,083,000)	(53,962,000)	(109,696,189)	(105,873,068)	(726,897)	(648,635)
Non-controlling interests	(18,038,000)	(18,174,000)	(3,607)	(3,166)	(643)	(628)
Equity attributable to the owners of the associate	173,180,000	198,815,000	74,143,822	70,715,304	2,386,938	2,660,631
Add back treasury shares	235,000	235,000	-	-	-	-
	173,415,000	199,050,000	74,143,822	70,715,304	2,386,938	2,660,631
Group's effective ownership interest	26.98%	26.98%	28.33%	28.33%	47.50%	47.50%
Group's share of net assets of the associate	46,781,566	53,633,637	21,007,754	20,036,325	1,133,795	1,263,800
Goodwill	1,211,861	1,211,861	10,430,101	10,430,101	-	-
Other adjustments	(55,467)	34,365	-	24,082	-	-
Carrying value of Group's ownership interest	47,937,960	54,879,863	31,437,855	30,490,508	1,133,795	1,263,800
Fair value of the Group's interest in the quoted associates	51,172,321	50,957,311	41,876,786	31,152,243	-	-
Summarised statement of profit or loss – year ended 31 December						
Revenue for the year	13,795,000	19,931,000	146,877,865	123,704,336	2,045,826	2,378,836
Profit for the year	4,412,000	9,169,000	7,225,493	5,627,525	167,346	78,744
Total comprehensive (loss)/income for the year	(2,939,000)	18,638,000	7,033,790	5,517,982	167,346	78,744
Dividends received from the associate during the year	6,020,273	9,594,237	1,021,385	1,021,385	209,475	-
Share of contingent liabilities	75,455	72,221	30,693,996	25,822,705	265,039	283,546

Notes to the consolidated financial statements (continued)

13. Investment in associates and joint venture (continued)

13.2 Investment in joint venture

This represents Group's 50% ownership in Gulf and Riyadh Electric Wires, Cables and Electronics Manufacturing Company – WLL (Kuwait) having a total share capital of KD5,000,000. The joint venture's main objective is manufacture of electric and electronic wires and cables. The joint venture is currently under construction phase and has not yet commenced operations. The movement in the carrying amount of the investment in the joint venture is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balance as at 1 January	2,488,054	-
Additions during the year	-	2,500,000
Share of results for the year	37,156	(11,946)
	2,525,210	2,488,054

14. Investments at fair value through other comprehensive income

	31 Dec. 2023 KD	31 Dec. 2022 KD
Local quoted securities held through managed portfolios (14.1)	47,482,615	54,481,729
Local unquoted securities held through managed portfolios	1,156,267	1,082,047
Foreign quoted securities held through managed portfolios and others	243,512	233,033
Foreign unquoted securities held through managed portfolios	2,882,469	2,681,623
Foreign unquoted securities	47,018,251	44,808,901
Local managed funds	5,012,030	5,023,548
	103,795,144	108,310,881

	31 Dec. 2023 KD	31 Dec. 2022 KD
Local	53,650,912	60,587,324
Foreign	50,144,232	47,723,557
	103,795,144	108,310,881

The movement of the investments at fair value through other comprehensive income during the year is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	108,310,881	129,097,281
Additions	56,394	5,105,978
Disposals	(1,537)	(25,079,891)
Net change in fair value arising during the year	(4,570,594)	(812,487)
	103,795,144	108,310,881

Notes to the consolidated financial statements (continued)

14. Investments at fair value through other comprehensive income (continued)

- 14.1 The Group's investments in local quoted securities include an investment in a local listed company (Boursa Kuwait Securities Company) having a market value of KD49,752,049 based on the quoted bid price as at 31 December 2023. Due to the restrictions on sale of this investment for a five-year period ending during Q1 2024, the Group has applied a discount of 15% (2022: 20%) amounting to KD7,462,807 on the above quoted bid price when determining its fair value. As a result of this discount, the fair value of the investment as at 31 December 2023 amounted to KD42,289,242. No discount will be applied to the market value of these shares from the date the above restriction is removed.
- 14.2 These investments are held in equity instruments for medium to long term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as investments at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these investments in the consolidated statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.
- 14.3 Local managed funds represents units held in funds. Fair value of these investments is determined using net asset values reported by the investment managers and the management believes that this represent the best estimate of fair value available for these investments.

15. Inventories

	31 Dec. 2023 KD	31 Dec. 2022 KD
Raw materials	11,837,750	9,426,021
Finished goods	15,343,453	16,988,588
Work in progress	7,714,621	8,776,645
Spare parts	3,092,494	2,997,413
	37,988,318	38,188,667
Less: provision for obsolete and slow-moving inventories	(1,158,140)	(1,098,568)
	36,830,178	37,090,099
Goods in transit and prepaid letters of credit	1,106,984	295,314
	37,937,162	37,385,413

As at 31 December, the movement in the provision for obsolete and slow-moving inventories is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balance at 1 January	1,098,568	1,094,184
Charge for the year	114,126	55,786
Reversal of provision no longer required	(54,723)	(53,977)
Foreign currency adjustment	169	2,575
Balance at 31 December	1,158,140	1,098,568

Notes to the consolidated financial statements (continued)

16. Trade accounts receivable

	31 Dec. 2023 KD	31 Dec. 2022 KD
Trade accounts receivable	37,177,806	39,668,855
Less: provision for doubtful debts	(9,530,723)	(8,568,625)
	27,647,083	31,100,230

Trade receivables are non-interest bearing.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

16.1 The expected credit loss for the trade accounts receivable at 31 December 2023 and 31 December 2022 was determined as follows:

	Current KD	More than 30 Days KD	More than 90 Days KD	More than 180 Days KD	More than a year KD	Total KD
31 December 2023:						
Total carrying amount	3,831,843	7,239,274	1,850,952	603,535	23,652,202	37,177,806
Less: Provision for doubtful debts	(1,472)	(48,752)	(10,716)	(52,683)	(9,417,100)	(9,530,723)
Total trade accounts receivables	3,830,371	7,190,522	1,840,236	550,852	14,235,102	27,647,083
31 December 2022:						
Total carrying amount	6,615,775	9,488,219	1,938,955	6,054,208	15,571,698	39,668,855
Less: Provision for doubtful debts	(49,889)	(103,910)	(190,106)	(130,251)	(8,094,469)	(8,568,625)
Total trade accounts receivables	6,565,886	9,384,309	1,748,849	5,923,957	7,477,229	31,100,230

The movement of the provision for doubtful debts during the year is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balance at 1 January	8,568,625	8,240,759
Charge for the year	987,297	491,381
Reversal of provision no longer required	(20,484)	(173,281)
Foreign currency adjustment	(4,715)	9,766
Balance at 31 December	9,530,723	8,568,625

Notes to the consolidated financial statements (continued)

17. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise the following accounts:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Cash in hand	102,868	150,313
Cash held in managed portfolios	74,827	247,710
Bank balances	5,025,026	8,129,767
Time deposit issued with original maturity not exceeding three months	4,763,086	167,209
Cash and cash equivalents for the purpose of consolidated statement of financial position	9,965,807	8,694,999
Less: due to banks	(565,979)	(668,952)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	9,399,828	8,026,047

Due to banks represent overdraft facilities carrying commercial interest rates and are payable on demand.

18. Share capital and share premium

As of 31 December 2023, authorized, issued and fully paid share capital in cash of the Parent Company comprised of 209,931,309 shares of 100 Fils each (31 December 2022: 209,931,309 shares of 100 Fils).

Share premium is not available for distribution.

19. Treasury shares

	31 Dec. 2023	31 Dec. 2022
Number of shares	1,450,955	1,866,702
Percentage of issued shares	0.69%	0.89%
Cost of treasury shares (KD)	1,361,022	1,686,080
Market value (KD)	1,864,477	2,202,708

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

20. Statutory, voluntary and general reserves

	31 Dec. 2023 KD	31 Dec. 2022 KD
Statutory reserve	20,993,131	20,993,131
Voluntary reserve	20,993,131	20,993,131
General reserve	32,123,363	29,907,440
Balance at 31 December	74,109,625	71,893,702

Statutory reserve

The Companies Law and the Parent Company's articles of association require that 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration to be transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital.

Distribution of 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 retained earnings are not sufficient for the payment of a dividend of that amount.

Notes to the consolidated financial statements (continued)

20. Statutory, voluntary and general reserves (continued)

Voluntary and general reserves

According to the Parent Company's articles of association, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is transferred to the voluntary reserve and general reserve at the discretion of the board of directors' subject to the approval of the general assembly.

The board of directors proposed to transfer an amount of KD2,215,923 (2022: KD1,434,421) to the general reserve.

There are no restrictions on distribution of voluntary and general reserves.

No transfers to reserves are required in the year the Group has incurred a loss or where accumulated losses exist.

21. Other components of equity

	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Other reserves KD	Total KD
Balance at 1 January 2023	64,608,815	598,596	77,888	12,092	65,297,391
Gain on sale of treasury shares	-	-	160,446	-	160,446
Group's share in associates' other comprehensive income	(2,026,658)	(15,630)	-	-	(2,042,288)
Exchange differences arising on translation of foreign operations	-	20,318	-	-	20,318
Change in fair value of investments at FVTOCI	(4,570,594)	-	-	-	(4,570,594)
Other comprehensive (loss)/income for the year	(6,597,252)	4,688	-	-	(6,592,564)
Loss on sale of investments at FVTOCI	1,978	-	-	-	1,978
Balance at 31 December 2023	58,013,541	603,284	238,334	12,092	58,867,251
Balance at 1 January 2022	82,195,031	468,154	77,888	-	82,741,073
Group's share in associates' other comprehensive income	2,182,365	26,852	-	12,092	2,221,309
Exchange differences arising on translation of foreign operations	-	103,590	-	-	103,590
Change in fair value of investments at FVTOCI	(812,487)	-	-	-	(812,487)
Other comprehensive income for the year	1,369,878	130,442	-	12,092	1,512,412
Gain on sale of investments at FVTOCI	(18,956,094)	-	-	-	(18,956,094)
Balance at 31 December 2022	64,608,815	598,596	77,888	12,092	65,297,391

Notes to the consolidated financial statements (continued)

22. Term loans

	31 Dec. 2023 KD	31 Dec. 2022 KD
Short term loan (22.1)	1,284,495	200,000
Long term loans (22.2)	29,873,000	23,834,495
	31,157,495	24,034,495
Due within one year	7,466,495	6,534,495
Due after one year	23,691,000	17,500,000
	31,157,495	24,034,495

22.1 Short-term loan amounting to KD1,284,495 (31 December 2022: KD200,000) is repayable on 15 May 2024.

22.2 Long term loans represent the following:

- A long-term loan amounting to KD17,500,000 (31 December 2022: KD22,500,000) repayable in 9 semi-annual instalments of KD2,500,000 each ending on 20 December 2027.
- A long-term loan amounting to KD5,000,000 (31 December 2022: Nil) repayable in 11 quarterly instalments of KD180,000 each with a balloon repayment amounting to KD3,020,000 on 1 January 2027.
- A long-term loan amounting to KD5,000,000 (31 December 2022: Nil) repayable in 31 January 2025.
- A long-term loan amounting to KD2,373,000 (31 December 2022: KD1,334,495) is repayable on various dates and matures on 1 September 2026.

The above loans denominated in Kuwaiti Dinar are unsecured and carry commercial interest rates.

23. Islamic financing

Islamic financing was repaid during the year.

24. Other payables and accruals

	31 Dec. 2023 KD	31 Dec. 2022 KD
Provision for Zakat and NLST	624,104	985,101
KFAS	189,904	273,566
Provision for Board of Directors' remuneration	305,000	305,000
Uncollected dividends	2,550,372	2,452,812
Accrued staff dues	3,093,428	2,372,533
Other liabilities	2,097,410	2,548,205
	8,860,218	8,937,217

Notes to the consolidated financial statements (continued)

25. General assembly of shareholders and dividends distribution

The board of directors of the Parent Company proposed to distribute cash dividend of to the shareholders of 65% equivalent to 65 Fils per share, and an amount of KD305,000 as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2023.

The Annual General Assembly of the shareholders held on 3 May 2023 approved the consolidated financial statements of the Group for the year ended 31 December 2022 and cash dividend of 60% (2021: 60%) equivalent to 60 Fils (2021: 60 Fils) per share of the paid-up share capital.

Further, the shareholders approved the board of directors' remuneration of KD305,000 for the year ended 31 December 2022 (2021: KD310,000).

26. Segmental information

The Group activities are concentrated in three main segments: cable manufacture, investment and rendering services. The segments' results are reported to the senior management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Geographical information of revenue:

	Kuwait KD	Middle East KD	Total KD
31 December 2023			
Total revenue	82,083,747	39,990,762	122,074,509
31 December 2022			
Total revenue	83,482,462	29,563,386	113,045,848

The following is the segments information, which conforms with the internal reporting presented to management:

	Cable manufacture KD	Investment KD	Rendering services KD	Total KD
31 December 2023:				
Total revenue	96,381,268	19,856,847	5,836,394	122,074,509
Segment profit/(loss)	5,157,203	17,503,905	(503,933)	22,157,175
Unallocated expenses				(1,138,253)
Profit for the year				21,018,922
Additions to property, plant and equipment	1,008,580	-	714,028	1,722,608
Depreciation	(1,276,329)	-	(568,155)	(1,844,484)
Finance costs	(11,871)	(1,719,452)	(161,749)	(1,893,072)
Dividend income	-	16,854,161	-	16,854,161
Total assets	82,009,674	190,155,580	8,475,576	280,640,830
Total liabilities	(17,020,118)	(27,846,331)	(4,993,986)	(49,860,435)
Net assets	64,989,556	162,309,249	3,481,590	230,780,395

Notes to the consolidated financial statements (continued)

26. Segmental information (continued)

	Cable manufacture KD	Investment KD	Rendering services KD	Total KD
31 December 2022:				
Total revenue	99,325,623	10,549,503	3,170,722	113,045,848
Segment profit/(loss)	6,828,366	8,391,167	(777,902)	14,441,631
Unallocated expenses				(1,480,642)
Profit for the year				12,960,989
Additions to property, plant and equipment	921,320	-	54,054	975,374
Depreciation	(1,125,536)	-	(500,038)	(1,625,574)
Finance costs	(11,846)	(1,883,612)	(95,817)	(1,991,275)
Dividend income	-	6,763,284	-	6,763,284
Total assets	85,491,797	198,337,797	6,743,478	290,573,072
Total liabilities	(17,050,606)	(42,424,476)	(2,752,058)	(62,227,140)
Net assets	68,441,191	155,913,321	3,991,420	228,345,932

27. Related party balances and transactions

Related parties represent subsidiaries, associates, joint venture, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note. Details of balances and transactions between the Group and its other related parties are disclosed below.

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balances included in consolidated statement of financial position		
Due from a joint venture – included within other receivables and prepayments	31,204	23,896
Trade accounts payable	7,231	16,528
Purchase of property, plant and equipment	406,250	53,400
	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Amounts included in consolidated statement of profit or loss		
Sales	11,993	54,583
Expenses	(295,099)	(206,505)
Key management compensation:		
Salaries and other short-term benefits	600,936	604,719
End of service benefits	61,762	59,594
Provision for directors' remuneration	305,000	305,000
	967,698	969,313

Notes to the consolidated financial statements (continued)

28. Capital commitments and contingent liabilities

Capital commitments at 31 December 2023 in respect of contracted capital expenditure amounted to KD893,634 (31 December 2022: Nil).

Contingent liabilities at 31 December 2023 in respect of outstanding letters of guarantee amounted to KD8,686,851 (31 December 2022: KD11,185,515).

29. Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest and profit rate risk and price risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed are described below.

29.1 Market risk

a) Foreign currency risk

The Group mainly operates in the GCC and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Bahrain Dinar and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchange contracts, if required, are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Bahraini Dinar	626,608	259,948
US Dollar	9,602,201	3,244,412

The foreign currency sensitivity is determined based on 2% (31 December 2022: 2%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

Notes to the consolidated financial statements (continued)

29. Risk management objectives and policies (continued)

29.1 Market risk (continued)

a) Foreign currency risk (continued)

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year. There is no direct impact on the Group's equity.

	Profit for the year	
	31 Dec. 2023 KD	31 Dec. 2022 KD
Bahraini Dinar	(12,532)	(5,199)
US Dollar	(192,044)	(64,888)
	(204,576)	(70,087)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the Group's profit for the year would have been equal and opposite to the above. Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Group has no significant interest-bearing assets and liabilities other than bank balances, loans and Islamic financing which are both at fixed rate and floating interest rate. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The board monitors the interest rate risk by setting limits.

Positions are monitored on a regular basis and hedging strategies are used, if required, to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and -1% (31 December 2022: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no direct impact on the Group's equity:

	31 Dec. 2023		31 Dec. 2022	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit for the year	(240,796)	240,796	(387,255)	387,255

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through other comprehensive and investments at fair value through profit or loss.

Notes to the consolidated financial statements (continued)

29. Risk management objectives and policies (continued)

29.1 Market risk (continued)

c) Price risk (continued)

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The sensitivity analysis below has been determined based on the exposure to equity price risks individually at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The price risk sensitivity is determined at the rate of 2% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 2%, the effect on the profit for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit/equity, where the equity prices increase by the above-mentioned percentages.

	Profit for the year		Other comprehensive income	
	31 Dec. 2023 KD	31 Dec. 2022 KD	31 Dec. 2023 KD	31 Dec. 2022 KD
Investments at fair value through profit or loss	64,289	11,935	-	-
Investments at fair value through other comprehensive income	-	-	2,075,903	2,166,218
	64,289	11,935	2,075,903	2,166,218

If there was a negative change in equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions (2%), there would be an equal and opposite impact on the profit and other comprehensive income for the year, and the balances shown above would be negative.

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Investments at fair value through other comprehensive income	103,795,144	108,310,881
Investments at fair value through profit or loss	3,214,470	596,767
Trade accounts receivable	27,647,083	31,100,230
Other financial assets	864,241	1,341,120
Cash and cash equivalents (note 17)	9,862,939	8,544,686
	145,383,877	149,893,684

Notes to the consolidated financial statements (continued)

29. Risk management objectives and policies (continued)

29.2 Credit risk (continued)

Bank balances are maintained with high credit quality financial institutions. Trade accounts receivable were presented after deducting provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

29.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Group's contractual maturity profile of financial liabilities based on undiscounted cash flows is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2023:					
Liabilities					
Provision for employees' end of service benefits	-	-	-	4,879,549	4,879,549
Trade accounts payable	-	3,914,516	-	-	3,914,516
Other payables and accruals	140,087	2,915,079	5,805,052	-	8,860,218
Lease liabilities	-	192,231	-	298,255	490,486
Term loans	58,504	1,752,097	7,125,233	25,895,881	34,831,715
Due to banks	565,979	-	-	-	565,979
	764,570	8,773,923	12,930,285	31,073,685	53,542,463
31 December 2022:					
Liabilities					
Provision for employees' end of service benefits	-	-	-	4,597,596	4,597,596
Trade accounts payable	-	3,660,167	-	-	3,660,167
Other payables and accruals	1,109,396	2,764,312	5,063,509	-	8,937,217
Lease liabilities	-	154,119	-	300,129	454,248
Term loans	55,667	164,530	7,271,129	20,193,945	27,685,271
Islamic financing	-	669,720	1,984,132	20,442,672	23,096,524
Due to banks	668,952	-	-	-	668,952
	1,834,015	7,412,848	14,318,770	45,534,342	69,099,975

30. Fair value measurement

30.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (continued)

30. Fair value measurement (continued)

30.2 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec 2023 KD	31 Dec 2022 KD
Financial assets:		
At amortised cost:		
- Trade accounts receivable	27,647,083	31,100,230
- Other financial assets	864,241	1,341,120
- Cash and cash equivalents	9,965,807	8,694,999
At fair value:		
- Investments at FVTPL	3,214,470	596,767
- Investments at FVTOCI	103,795,144	108,310,881
	145,486,745	150,043,997
Financial liabilities:		
At amortised cost:		
- Trade accounts payable	3,914,516	3,660,167
- Other payables and accruals	8,860,218	8,937,217
- Lease liabilities	482,678	440,556
- Term loans	31,157,495	24,034,495
- Islamic financing	-	19,888,157
- Due to banks	565,979	668,952
	44,980,886	57,629,544

Management considers that the carrying amounts of financial assets and all financial liabilities, which are stated at amortized cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value on a recurring basis in the consolidated financial position are grouped into the fair value hierarchy as follows:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2023				
Investments at FVTPL:				
Quoted equity securities	3,214,470	-	-	3,214,470
Investments at FVTOCI:				
Quoted equity securities	5,436,885	42,289,242	-	47,726,127
Unquoted equity securities	-	-	51,056,987	51,056,987
Managed funds	-	5,012,030	-	5,012,030
	8,651,355	47,301,272	51,056,987	107,009,614

Notes to the consolidated financial statements (continued)

30. Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2022				
Investments at FVTPL:				
Quoted equity securities	596,767	-	-	596,767
Investments at FVTOCI:				
Quoted equity securities	7,230,481	47,484,281	-	54,714,762
Unquoted equity securities	-	-	48,572,571	48,572,571
Managed funds	-	5,023,548	-	5,023,548
	7,827,248	52,507,829	48,572,571	108,907,648

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged.

a) Quoted securities

The underlying quoted investments in the managed portfolios primarily comprise of local and foreign quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date except as disclosed in note 14.

b) Unquoted securities

Unlisted securities are measured at fair value estimated using adjusted net book value and other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds

Investment funds managed by others mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Level 3 fair value measurements

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	48,572,571	40,584,398
Disposals	-	(6,203,369)
Change in fair value	2,484,416	14,191,542
Closing balance	51,056,987	48,572,571

Notes to the consolidated financial statements (continued)

30. Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value of financial instruments that are not traded in an active market (e.g. unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the reporting date.

The investment managers and Group's finance team in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. In determining fair value, techniques such as recent transactions prices and adjusted net book value have been used.

The impact on consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

31. Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Term loans and Islamic financing	31,157,495	43,922,652
Less: Cash and cash equivalents (note 17)	(9,399,828)	(8,026,047)
Net debt	21,757,667	35,896,605
Total equity	230,780,395	228,345,932

The Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Net debt	21,757,667	35,896,605
Total equity	230,780,395	228,345,932
Gearing ratio	9%	16%



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