

Interim condensed consolidated financial information and review report

**Gulf Cable and Electrical Industries Company – KPSC
and Subsidiaries**

Kuwait

30 June 2021 (Unaudited)

Contents

	Page
Review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5 - 6
Interim condensed consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial information	8 to 22



Report on review of interim condensed consolidated financial information

To the board of directors of
Gulf Cable and Electrical Industries Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Cable and Electrical Industries Company – KPSC (“Parent Company”) and its subsidiaries (“the Group”) as of 30 June 2021 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2021 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

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended (Unaudited)		Six months ended (Unaudited)	
		30 June 2021 KD	30 June 2020 KD	30 June 2021 KD	30 June 2020 KD
Revenue					
Sales		13,570,977	18,052,517	27,801,452	35,108,907
Cost of sales		(9,938,826)	(15,576,356)	(21,577,656)	(30,982,188)
Gross profit		3,632,151	2,476,161	6,223,796	4,126,719
Investment income	5	1,183,316	3,071,986	1,284,418	3,146,233
Share of results of associate	7	24,430	(4,297)	47,268	(56,727)
Interest income		4,021	1,506	8,714	3,439
Other income		2,228	4,397	5,492	7,125
(Loss)/gain from sale of property, plant and equipment		(3,364)	-	(3,529)	199
Foreign currency exchange gain		84,291	83,113	125,623	172,488
		4,927,073	5,632,866	7,691,782	7,399,476
Expenses and other charges					
General and administrative expenses		(1,116,668)	(912,011)	(2,092,414)	(1,712,737)
Commercial expenses		(356,347)	(361,409)	(757,052)	(675,031)
Provision for obsolete and slow-moving inventories		(42,105)	(57,326)	(29,871)	(58,656)
(Provision)/reversal of provision for doubtful debts – net		(21,466)	(130,498)	47,766	(130,498)
Finance costs		-	(81,272)	(7,316)	(146,017)
		(1,536,586)	(1,542,516)	(2,838,887)	(2,722,939)
Profit before taxes		3,390,487	4,090,350	4,852,895	4,676,537
Taxes relating to overseas subsidiary		(54,405)	-	(83,054)	-
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		3,336,082	4,090,350	4,769,841	4,676,537
Provision for contribution to KFAS		(32,985)	(40,965)	(47,030)	(46,878)
Provision for NLST		(57,248)	(56,450)	(97,594)	(74,315)
Provision for Zakat		(22,624)	(22,580)	(37,534)	(29,726)
Provision for board of directors' remuneration		(77,500)	(77,500)	(155,000)	(155,000)
Profit for the period		3,145,725	3,892,855	4,432,683	4,370,618
Attributable to:					
Owners of the Parent Company		3,132,574	3,899,060	4,413,104	4,381,942
Non-controlling interests		13,151	(6,205)	19,579	(11,324)
		3,145,725	3,892,855	4,432,683	4,370,618
Basic and diluted earnings per share attributable to the owners of the Parent Company	6	15 Fils	19 Fils	21 Fils	21 Fils

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.


Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2021 KD	30 June 2020 KD	30 June 2021 KD	30 June 2020 KD
Profit for the period	3,145,725	3,892,855	4,432,683	4,370,618
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(41,131)	(17,365)	(65,642)	130,786
	(41,131)	(17,365)	(65,642)	130,786
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net change in fair value of investments at FVTOCI arising during the period	4,866,042	4,493,430	6,600,642	(8,036,757)
	4,866,042	4,493,430	6,600,642	(8,036,757)
Total other comprehensive income/(loss)	4,824,911	4,476,065	6,535,000	(7,905,971)
Total comprehensive income/(loss) for the period	7,970,636	8,368,920	10,967,683	(3,535,353)
Attributable to:				
Owners of the Parent Company	7,959,747	8,376,080	10,951,714	(3,531,222)
Non-controlling interests	10,889	(7,160)	15,969	(4,131)
	7,970,636	8,368,920	10,967,683	(3,535,353)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		7,073,486	7,160,670	7,309,145
Investment in associate	7	1,151,197	1,103,929	1,007,624
Investments at fair value through other comprehensive income	8	102,621,621	96,671,328	98,321,838
		110,846,304	104,935,927	106,638,607
Current assets				
Inventories	9	48,589,264	41,319,685	42,133,621
Trade accounts receivable	10	28,619,624	29,606,122	21,750,866
Other receivables and prepayments	11	874,578	657,532	1,038,023
Cash and bank balances	12	10,381,464	26,257,513	25,062,150
		88,464,930	97,840,852	89,984,660
Total assets		199,311,234	202,776,779	196,623,267
Equity and liabilities				
Equity				
Share capital		20,993,131	20,993,131	20,993,131
Share premium		29,160,075	29,160,075	29,160,075
Treasury shares	13	(454,480)	(454,480)	(380,946)
Treasury shares reserve		77,888	77,888	-
Statutory reserve		20,993,131	20,993,131	20,993,131
Voluntary reserve		20,993,131	20,993,131	20,993,131
General reserve		26,754,192	26,754,192	26,109,322
Other components of equity	14	54,101,873	47,904,074	35,338,284
Retained earnings		13,738,509	19,437,247	9,194,157
Total equity attributable to the owners of the Parent Company		186,357,450	185,858,389	162,400,285
Non-controlling interests		457,767	441,798	447,391
Total equity		186,815,217	186,300,187	162,847,676
Non-current liabilities				
Provision for employees' end of service benefits		3,980,962	3,929,186	3,990,828
Current liabilities				
Trade accounts payable		2,568,628	1,702,884	2,859,891
Other payables and accruals		5,942,404	7,179,352	14,989,604
Short term loans	15	-	3,646,476	6,430,626
Ijara finance payable		-	-	130,000
Murabaha payables	16	-	-	5,276,456
Due to banks	12	4,023	18,694	98,186
		8,515,055	12,547,406	29,784,763
Total liabilities		12,496,017	16,476,592	33,775,591
Total equity and liabilities		199,311,234	202,776,779	196,623,267


Bader Naser Al-Kharaifi
Chairman

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.



Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company										Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 14) KD	Retained earnings KD	Sub-total KD		
Balance at 1 January 2021 (Audited)	20,993,131	29,160,075	(454,480)	77,888	20,993,131	20,993,131	26,754,192	47,904,074	19,437,247	185,858,389	441,798	186,300,187
Cash dividend (note 17)	-	-	-	-	-	-	-	-	(10,452,653)	(10,452,653)	-	(10,452,653)
Profit for the period	-	-	-	-	-	-	-	-	4,413,104	4,413,104	19,579	4,432,683
Other comprehensive income/(loss)	-	-	-	-	-	-	-	6,538,610	-	6,538,610	(3,610)	6,535,000
Total comprehensive income for the period	-	-	-	-	-	-	-	6,538,610	4,413,104	10,951,714	15,969	10,967,683
Gain on sale of investments at FVTOCI	-	-	-	-	-	-	-	(340,811)	340,811	-	-	-
Balance at 30 June 2021 (Unaudited)	20,993,131	29,160,075	(454,480)	77,888	20,993,131	20,993,131	26,754,192	54,101,873	13,738,509	186,357,450	457,767	186,815,217

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (note 14) KD	Retained earnings KD	Sub-total KD		
Balance at 1 January 2020 (Audited)	20,993,131	29,160,075	-	20,993,131	20,993,131	26,109,322	43,560,477	12,866,109	174,675,376	451,522	175,126,898
Purchase of treasury shares	-	-	(380,946)	-	-	-	-	-	(380,946)	-	(380,946)
Cash dividend (Note 17)	-	-	-	-	-	-	-	(8,362,923)	(8,362,923)	-	(8,362,923)
Transactions with owners	-	-	(380,946)	-	-	-	-	(8,362,923)	(8,743,869)	-	(8,743,869)
Profit/(loss) for the period	-	-	-	-	-	-	-	4,381,942	4,381,942	(11,324)	4,370,618
Other comprehensive (loss)/income	-	-	-	-	-	-	(7,913,164)	-	(7,913,164)	7,193	(7,905,971)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(7,913,164)	4,381,942	(3,531,222)	(4,131)	(3,535,353)
Gain on sale of investments at FVTOCI	-	-	-	-	-	-	(309,029)	309,029	-	-	-
Balance at 30 June 2020 (Unaudited)	20,993,131	29,160,075	(380,946)	20,993,131	20,993,131	26,109,322	35,338,284	9,194,157	162,400,285	447,391	162,847,676

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2021 (Unaudited) KD	Six months ended 30 June 2020 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		4,432,683	4,370,618
Adjustments:			
Depreciation		442,493	448,307
Provision for employees' end of service benefits		234,199	184,538
Finance costs		7,316	146,017
Interest income		(8,714)	(3,439)
Dividend income		(1,324,253)	(3,057,576)
Other investment income		-	(944)
Share of results of associate		(47,268)	56,727
Loss/(gain) from sale of property, plant and equipment		3,529	(199)
Provision for obsolete and slow-moving inventories		29,871	58,656
(Reversal of provision)/provision for doubtful debts – net		(47,766)	130,498
Foreign exchange loss on non-operating liabilities		-	88,913
		3,722,090	2,422,116
Changes in operating assets and liabilities:			
Inventories		(7,299,450)	(7,770,089)
Trade accounts receivable		1,034,264	(4,803,045)
Other receivables and prepayments		(217,045)	49,323
Trade accounts payable		865,744	617,615
Other payables and accruals		(1,383,384)	629,420
Employees' end of service benefits paid		(182,423)	(22,554)
Net cash used in operating activities		(3,460,204)	(8,877,214)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(386,144)	(47,020)
Proceeds from sale of property, plant and equipment		17,500	200
Purchase of Investments at FVTOCI		(393,648)	(375,890)
Proceeds from sale of Investments at FVTOCI		1,043,996	2,633,447
Dividend income received		1,324,253	3,057,576
Other investment income received		-	4,895
Interest income received		8,714	3,439
Net cash from investing activities		1,614,671	5,276,647
FINANCING ACTIVITIES			
Payment of cash dividends		(10,291,980)	(11,941)
Receipt of short-term loans		-	3,646,476
Repayment of short-term loans		(3,646,476)	(916,050)
Receipt of murabaha payables		-	1,761,187
Purchase of treasury shares		-	(380,946)
Finance costs paid		(21,553)	(101,474)
Net cash (used in)/from financing activities		(13,960,009)	3,997,252
(Decrease)/Increase in cash and cash equivalents		(15,805,542)	396,685
Foreign currency adjustment		(55,836)	100,783
Cash and cash equivalents at beginning of the period	12	26,238,819	24,466,496
Cash and cash equivalents at end of the period	12	10,377,441	24,963,964

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Gulf Cable and Electrical Industries 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.

Pursuant to the decision of the extraordinary general assembly held on 22 June 2020, the objectives of the Parent Company were amended, and the amendments were authenticated in the commercial register on 2 September 2020.

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 Parent Company’s objectives;
- 11- Import the raw materials for this industry;
- 12- Invest the surplus funds in investment portfolios in order to serve the Parent Company’s objectives;
13. Owning real estate and movables for the benefit of the Parent Company.

The Parent Company may have interest or participate in any aspect in the entities 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 entities or affiliate them therewith.

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

This interim condensed consolidated financial information for the six-month period ended 30 June 2021 was authorised for issue by the Parent Company’s board of directors on 3 August 2021.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2020, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the Parent Company.

This interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For further details, refer to the consolidated financial statements and their disclosures for the year ended 31 December 2020.

The Group has consolidated its subsidiaries using management accounts for the period ended 30 June 2021.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

No new amendments or standards were effective for the current period.

However, the IFRS 16 Leases amendment relating to Covid19 Rent Related Concessions has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, 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 interim condensed consolidated financial information 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 interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

<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 current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

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.

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 interim condensed consolidated financial information in future should such transactions arise.

IAS 1 Amendments - Classification of 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 interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 1 Amendments – Disclosure of accounting policies

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

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

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.

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

IAS 16 Amendments – Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's interim condensed consolidated financial information.

IAS 37 Amendments – Onerous contracts - Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's interim condensed consolidated financial information.

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle (continued)

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Taxation in fair value measurements – Before this amendment, when an entity used a discounted cash flow technique to determine the fair value applying IAS 41, IAS 41.22 required the entity to exclude taxation cash flows from the calculation. The amendment to IAS 41 removed from this requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

4 Judgment and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2020.

5 Investment income

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2021 KD	30 June 2020 KD	30 June 2021 KD	30 June 2020 KD
Dividend income on investments at FVTOCI held at the end of the period	1,208,187	3,054,903	1,324,253	3,057,576
Other investment (loss)/income	-	(3,784)	-	944
Foreign currency exchange (loss)/gain	(24,871)	20,867	(39,835)	87,713
	1,183,316	3,071,986	1,284,418	3,146,233

Notes to the interim condensed consolidated financial information (continued)

6 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 period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period after excluding treasury shares as follows:

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Profit for the period attributable to the owners of the Parent Company (KD)	3,132,574	3,899,060	4,413,104	4,381,942
Weighted average number of shares outstanding during the period (excluding treasury shares) - share	209,091,309	209,146,223	209,091,309	209,536,788
Basic and diluted earnings per share attributable to the owners of the Parent Company	15 Fils	19 Fils	21 Fils	21 Fils

7 Investment in associate

Details of the investment in associate are given below:

Name	Country of incorporation	Ownership percentage			Principal activities
		30 June 2021 (Unaudited) %	31 Dec. 2020 (Audited) %	30 June 2020 (Unaudited) %	
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	47.5	47.5	47.5	Financing and investment

Movement in the carrying amount of the investment in associate is as follows:

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Carrying amount at the beginning of the period/year	1,103,929	1,064,351	1,064,351
Share of results for the period/year	47,268	39,578	(56,727)
Carrying amount at the end of period/year	1,151,197	1,103,929	1,007,624

The Group's share of result of associate has been accounted for using equity method based on management accounts as at and for the period ended 30 June 2021.

Notes to the interim condensed consolidated financial information (continued)

8 Investments at fair value through other comprehensive income

The components of investments at fair value through other comprehensive income are as follows:

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Local quoted securities held through managed portfolios	41,669,161	36,610,973	40,644,766
Local unquoted securities held through managed portfolios	4,695,799	4,135,390	4,151,710
Foreign quoted securities held through managed portfolios	14,031,792	14,696,038	15,568,895
Foreign unquoted securities held through managed portfolios	2,698,145	2,952,755	2,952,755
Foreign managed unquoted securities	3,756,497	2,900,238	-
Foreign unquoted securities	30,918,165	31,234,529	31,234,529
Local unquoted securities	-	-	5,250
Local managed funds	4,852,062	4,141,405	3,763,933
	102,621,621	96,671,328	98,321,838

These investments are held in equity instruments for medium to long term strategic objectives. Accordingly, 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 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.

Local managed funds include investments in units of equity investments. 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.

9 Inventories

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Raw materials	27,996,346	20,202,130	16,333,201
Finished goods	14,597,574	11,754,109	13,283,307
Work-in-progress	3,943,166	5,873,624	7,827,064
Spare parts	2,809,215	2,604,487	2,433,922
	49,346,301	40,434,350	39,877,494
Less: provision for obsolete and slow-moving inventories	(1,095,983)	(1,067,407)	(1,270,798)
	48,250,318	39,366,943	38,606,696
Goods in transit and prepaid letters of credit	338,946	1,952,742	3,526,925
	48,589,264	41,319,685	42,133,621

10 Trade accounts receivable

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Trade accounts receivable	34,783,349	35,823,165	27,744,177
Less: provision for doubtful debts	(6,163,725)	(6,217,043)	(5,993,311)
	28,619,624	29,606,122	21,750,866

Notes to the interim condensed consolidated financial information (continued)

11 Other receivables and prepayments

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Financial assets:			
Staff receivable	60,188	52,972	122,666
Other receivables	225,801	286,477	415,866
	285,989	339,449	538,532
Non-financial assets:			
Prepaid expenses	588,589	318,083	499,491
	874,578	657,532	1,038,023

12 Cash and cash equivalents

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

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Cash in hand	49,919	104,604	22,998
Cash held in managed portfolios	143,021	293,688	13,339,933
Bank balances	10,188,524	25,859,221	11,699,219
Total cash and bank balances	10,381,464	26,257,513	25,062,150
Less: due to banks	(4,023)	(18,694)	(98,186)
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	10,377,441	26,238,819	24,963,964

Due to banks represent overdraft facilities which carry an interest rate of 1.25% per annum above Central Bank of Kuwait discount rate and are payable on demand.

13 Treasury shares

The Group holds treasury shares as follows:

	30 June 2021 (Unaudited)	31 Dec. 2020 (Audited)	30 June 2020 (Unaudited)
Number of shares	840,000	840,000	820,000
Percentage of issued shares	0.40%	0.40%	0.39%
Market value (KD)	630,000	625,800	456,740
Cost (KD)	454,480	454,480	380,946

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

Notes to the interim condensed consolidated financial information (continued)

14 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2021 (Audited)	47,398,434	505,640	47,904,074
Exchange differences arising on translation of foreign operations	-	(62,032)	(62,032)
Net change in fair value of investments at FVTOCI arising during the period	6,600,642	-	6,600,642
Total other comprehensive income/(loss) for the period	6,600,642	(62,032)	6,538,610
Transferred to retained earnings on sale of investments at FVTOCI	(340,811)	-	(340,811)
Balance at 30 June 2021 (Unaudited)	53,658,265	443,608	54,101,873
Balance at 1 January 2020 (Audited)	43,064,933	495,544	43,560,477
Exchange differences arising on translation of foreign operations	-	123,593	123,593
Net change in fair value of investments at FVTOCI arising during the period	(8,036,757)	-	(8,036,757)
Total other comprehensive (loss)/income for the period	(8,036,757)	123,593	(7,913,164)
Transferred to retained earnings on sale of investments at FVTOCI	(309,029)	-	(309,029)
Balance at 30 June 2020 (Unaudited)	34,719,147	619,137	35,338,284

15 Short term loans

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Kuwaiti Dinar facilities	-	3,646,476	3,646,476
USD facilities	-	-	2,784,150
	-	3,646,476	6,430,626

Short-term loans denominated in Kuwaiti Dinar were unsecured and carried interest rate of 0.75% to 1.25% per annum above Central Bank of Kuwait discount rate. The loans were fully settled during the period.

16 Murabaha payables

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
USD murabaha facilities	-	-	5,276,456
	-	-	5,276,456

Notes to the interim condensed consolidated financial information (continued)

16 Murabaha payables (continued)

Murabaha facilities were obtained by the Group from a local Islamic bank and carried a profit rate of 1.98% per annum. The Group settled the entire balance of these USD murabaha facilities during the prior year.

17 General Assembly of the Shareholders and dividend distribution

The Annual General Assembly of the shareholders held on 4 May 2021 approved the consolidated financial statements of the Group for the year ended 31 December 2020 and cash dividend of 50% (2019: 40%) equivalent to 50 Fils (2019: 40 Fils) per share of the paid-up share capital amounting to KD10,452,653 for the year ended 31 December 2020 (2019: KD8,362,923).

Further, the shareholders approved the board of directors' remuneration of KD310,000 for the year ended 31 December 2020 (2019: KD310,000) and was paid following that approval.

18 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to the Group's profit or loss.

The Group's reportable segments are cable manufacture and investment. The information relating to these segments are as follows:

	Cable manufacture KD	Investment KD	Total KD
For the three months ended 30 June 2021 (Unaudited):			
Revenue	13,570,977	1,207,746	14,778,723
Segment results	2,202,039	1,188,448	3,390,487
Unallocated expenses			(244,762)
Profit for the period			3,145,725
Additions to property, plant and equipment	309,735	-	309,735
Depreciation	224,194	-	224,194
Finance costs	-	-	-
Dividend income	-	1,208,187	1,208,187

Notes to the interim condensed consolidated financial information (continued)

18 Segmental information (continued)

	Cable manufacture KD	Investment KD	Total KD
For the six months ended 30 June 2021 (Unaudited):			
Revenue	27,801,452	1,331,686	29,133,138
Segment results	3,560,447	1,292,448	4,852,895
Unallocated expenses			(420,212)
Profit for the period			4,432,683
Additions to property, plant and equipment	386,144	-	386,144
Depreciation	442,493	-	442,493
Finance costs	7,316	-	7,316
Dividend income	-	1,324,253	1,324,253
Total assets	95,359,004	103,952,230	199,311,234
Total liabilities	(12,459,700)	(36,317)	(12,496,017)
Net assets	82,899,304	103,915,913	186,815,217
For the three months ended 30 June 2020 (Unaudited):			
Revenue	18,052,517	3,067,689	21,120,206
Segment results	1,088,411	3,001,939	4,090,350
Unallocated expenses			(197,495)
Profit for the period			3,892,855
Additions to property, plant and equipment	30,115	-	30,115
Depreciation	223,639	-	223,639
Finance costs	62,749	18,523	81,272
Dividend income	-	3,054,903	3,054,903
For the six months ended 30 June 2020 (Unaudited):			
Revenue	35,108,907	3,089,506	38,198,413
Segment results	1,709,230	2,967,307	4,676,537
Unallocated expenses			(305,919)
Profit for the period			4,370,618
Additions to property, plant and equipment	47,020	-	47,020
Depreciation	448,307	-	448,307
Finance costs	103,824	42,193	146,017
Dividend income	-	3,057,576	3,057,576
Total assets	83,901,655	112,721,612	196,623,267
Total liabilities	(30,934,626)	(2,840,965)	(33,775,591)
Net assets	52,967,029	109,880,647	162,847,676

Notes to the interim condensed consolidated financial information (continued)

19 Related party balances and 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. 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 related parties are disclosed below.

its related parties are disclosed below:

	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD	
Balances included in the interim condensed consolidated statement of financial position:				
Trade accounts payables	20,199	15,994	14,342	
Purchase of property, plant and equipment	68,300	259,585	-	
<hr/>				
	Three months ended		Six months ended	
	30 June 2021 (Unaudited) KD	30 June 2020 (Unaudited) KD	30 June 2021 (Unaudited) KD	30 June 2020 (Unaudited) KD
Amounts included in the Interim condensed consolidated statement of profit or loss:				
Sales	9,453	7,700	24,287	27,456
Expenses	-	-	-	(861)
<hr/>				
Key management compensation:				
Salaries and other short-term benefits	146,859	171,257	312,520	333,427
End of service benefits	43,919	16,719	57,495	29,289
Provision for directors' remuneration	77,500	77,500	155,000	155,000
	268,278	265,476	525,015	517,716

20 Contingent liabilities

Contingent liabilities as at 30 June 2021 in respect of outstanding letters of guarantee amounted to KD4,720,566 (31 December 2020: KD5,284,878 and 30 June 2020: KD5,381,906).

21 Capital commitments

At the period end, the Group had capital commitments to purchase new machinery and equipment amounting to KD18,607 (31 December 2020: KD30,160 and 30 June 2020: KD53,486).

22 Fair value measurement

22.1 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 interim condensed 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:

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.1 Fair value hierarchy (continued)

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

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.

22.2 Fair value measurement of financial instruments

The financial assets measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 June 2021 (Unaudited):	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	41,669,161	-	-	41,669,161
Local unquoted securities held through managed portfolios	-	-	4,695,799	4,695,799
Foreign quoted securities held through managed portfolios	14,031,792	-	-	14,031,792
Foreign unquoted securities held through managed portfolios	-	-	2,698,145	2,698,145
Foreign managed unquoted securities	-	-	3,756,497	3,756,497
Foreign unquoted securities	-	-	30,918,165	30,918,165
Local managed funds	-	4,852,062	-	4,852,062
	55,700,953	4,852,062	42,068,606	102,621,621
	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2020 (Audited):				
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	36,610,973	-	-	36,610,973
Local unquoted securities held through managed portfolios	-	-	4,135,390	4,135,390
Foreign quoted securities held through managed portfolios	14,696,038	-	-	14,696,038
Foreign unquoted securities held through managed portfolios	-	-	2,952,755	2,952,755
Foreign managed unquoted securities	-	-	2,900,238	2,900,238
Foreign unquoted securities	-	-	31,234,529	31,234,529
Local managed funds	-	4,141,405	-	4,141,405
	51,307,011	4,141,405	41,222,912	96,671,328

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement for financial instruments (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 June 2020 (Unaudited):				
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	40,644,766	-	-	40,644,766
Local unquoted securities held through managed portfolios	-	-	4,151,710	4,151,710
Foreign quoted securities held through managed portfolios	15,568,895	-	-	15,568,895
Foreign unquoted securities held through managed portfolios	-	-	2,952,755	2,952,755
Foreign unquoted securities	-	-	31,234,529	31,234,529
Local unquoted securities	-	-	5,250	5,250
Local managed funds	-	3,763,933	-	3,763,933
	56,213,661	3,763,933	38,344,244	98,321,838

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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:

	(Unquoted securities) (Investments at fair value through OCI)		
	30 June 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	30 June 2020 (Unaudited) KD
Opening balance at the beginning of the period/year	41,222,912	39,192,708	39,192,708
Additions	-	2,904,433	-
Disposals	-	(24,717)	-
Net changes in fair value	845,694	(849,512)	(848,464)
Closing balance at the end of period/year	42,068,606	41,222,912	38,344,244

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.

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement for financial instruments (continued)

Level 3 fair value measurements (continued)

The investment managers 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. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and adjusted net book value to determine fair value.

The impact on interim condensed 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%.

23 Covid19 pandemic impact

The outbreak of Coronavirus (“COVID19”) pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The assessment did not result into any significant impact on this interim condensed consolidated financial information.

Management is aware that a continued and persistent disruption could negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.

24 Subsequent event

During the period, the board of directors of the Parent Company approved to acquire 99% of a Kuwaiti limited liability company. The remaining 1% will be acquired by one of the Group’s subsidiaries. The value of the transaction upon completion will be KD4,600,000. Management of the Parent Company expect to finalize the acquisition during the third quarter of 2021.