

Interim condensed consolidated financial information and review report

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

**and Subsidiaries**

**Kuwait**

30 September 2020 (Unaudited)

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## 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 September 2020 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 nine-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 nine-month period ended 30 September 2020 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 nine-month period ended 30 September 2020 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  
10 November 2020

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended (Unaudited)		Nine months ended (Unaudited)	
		30 Sept. 2020 KD	30 Sept. 2019 KD	30 Sept. 2020 KD	30 Sept. 2019 KD
<b>Revenue</b>					
Sales		22,274,675	16,407,407	57,383,582	45,826,730
Cost of sales		(19,841,334)	(15,205,690)	(50,823,522)	(41,988,307)
<b>Gross profit</b>		<b>2,433,341</b>	<b>1,201,717</b>	<b>6,560,060</b>	<b>3,838,423</b>
Investment (loss)/income	5	(47,362)	63,784	3,098,871	4,269,434
Share of results of associate	7	80,107	(1,656)	23,380	(59,424)
Interest income		1,467	1,989	4,906	9,922
Other income/(losses)		43,602	(45,363)	50,926	(30,939)
Foreign currency exchange gain		144,285	78,796	316,773	268,595
		<b>2,655,440</b>	<b>1,299,267</b>	<b>10,054,916</b>	<b>8,296,011</b>
<b>Expenses and other charges</b>					
General and administrative expenses		(893,353)	(806,530)	(2,606,090)	(2,526,083)
Commercial expenses		(439,526)	(405,779)	(1,114,557)	(1,228,204)
Reversal of provision for obsolete and slow-moving inventories – net	9	71,522	13,293	12,866	113,678
(Provision for)/reversal of provision for doubtful debts – net	10	(42,558)	6,373	(173,056)	455,299
Finance costs		(105,744)	(134,842)	(251,761)	(396,818)
		<b>(1,409,659)</b>	<b>(1,327,485)</b>	<b>(4,132,598)</b>	<b>(3,582,128)</b>
<b>Profit/(loss) for the period before income tax for overseas subsidiary</b>		<b>1,245,781</b>	<b>(28,218)</b>	<b>5,922,318</b>	<b>4,713,883</b>
Reversal of provision for income tax of an overseas subsidiary		-	11,802	-	-
<b>Profit/(loss) before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration</b>		<b>1,245,781</b>	<b>(16,416)</b>	<b>5,922,318</b>	<b>4,713,883</b>
(Provision for)/reversal of provision for contribution to KFAS		(12,165)	47	(59,043)	(47,224)
(Provision for)/reversal of provision for NLST		(31,889)	3,941	(106,204)	(38,226)
(Provision for)/reversal of provision for Zakat		(12,523)	1,577	(42,249)	(13,198)
Provision for directors' remuneration		(77,500)	(77,500)	(232,500)	(232,500)
<b>Profit/(loss) for the period</b>		<b>1,111,704</b>	<b>(88,351)</b>	<b>5,482,322</b>	<b>4,382,735</b>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Parent Company		1,105,689	(76,704)	5,487,631	4,391,248
Non-controlling interests		6,015	(11,647)	(5,309)	(8,513)
<b>Profit/(loss) for the period</b>		<b>1,111,704</b>	<b>(88,351)</b>	<b>5,482,322</b>	<b>4,382,735</b>
<b>Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company</b>	6	<b>5.3 Fils</b>	<b>(0.4) Fils</b>	<b>26.2 Fils</b>	<b>20.9 Fils</b>

The notes set out on pages 7 to 19 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)		Nine months ended (Unaudited)	
	30 Sept. 2020 KD	30 Sept. 2019 KD	30 Sept. 2020 KD	30 Sept. 2019 KD
<b>Profit/(loss) for the period</b>	<b>1,111,704</b>	<b>(88,351)</b>	<b>5,482,322</b>	<b>4,382,735</b>
<b>Other comprehensive income:</b>				
<i>Items that maybe reclassified subsequently to consolidated statement of profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(44,385)	34,966	86,401	29,572
<b>Total other comprehensive (loss)/income that maybe reclassified subsequently to consolidated statement of profit or loss</b>	<b>(44,385)</b>	<b>34,966</b>	<b>86,401</b>	<b>29,572</b>
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>				
Investments at fair value through other comprehensive income				
- Net change in fair value arising during the period	22,551,996	2,179,559	14,515,239	17,318,009
<b>Total other comprehensive income that will not be reclassified subsequently to consolidated statement of profit or loss</b>	<b>22,551,996</b>	<b>2,179,559</b>	<b>14,515,239</b>	<b>17,318,009</b>
Total other comprehensive income	22,507,611	2,214,525	14,601,640	17,347,581
<b>Total comprehensive income for the period</b>	<b>23,619,315</b>	<b>2,126,174</b>	<b>20,083,962</b>	<b>21,730,316</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Parent Company	23,615,741	2,135,898	20,084,519	21,737,203
Non-controlling interests	3,574	(9,724)	(557)	(6,887)
	<b>23,619,315</b>	<b>2,126,174</b>	<b>20,083,962</b>	<b>21,730,316</b>

The notes set out on pages 7 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		7,213,928	7,680,430	5,579,929
Investment in associate	7	1,087,731	1,064,351	988,850
Investments at fair value through other comprehensive income	8	132,780,298	108,616,152	123,385,906
		<b>141,081,957</b>	<b>117,360,933</b>	<b>129,954,685</b>
<b>Current assets</b>				
Inventories	9	45,095,283	34,422,188	42,069,962
Trade accounts receivable	10	28,881,746	17,078,319	11,063,157
Other receivables and prepayments	11	683,247	1,091,297	1,254,556
Cash and bank balances	12	5,460,782	24,467,421	7,011,697
		<b>80,121,058</b>	<b>77,059,225</b>	<b>61,399,372</b>
<b>Total assets</b>		<b>221,203,015</b>	<b>194,420,158</b>	<b>191,354,057</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		20,993,131	20,993,131	20,993,131
Share premium		29,160,075	29,160,075	29,160,075
Statutory reserve		20,993,131	20,993,131	20,993,131
Voluntary reserve		20,993,131	20,993,131	20,993,131
General reserve		26,109,322	26,109,322	25,631,110
Treasury shares	13	(649,799)	-	-
Other components of equity	14	57,859,986	43,560,477	41,519,877
Retained earnings		10,288,196	12,866,109	9,068,865
<b>Total equity attributable to the owners of the Parent Company</b>		<b>185,747,173</b>	<b>174,675,376</b>	<b>168,359,320</b>
Non-controlling interests		450,965	451,522	462,449
<b>Total equity</b>		<b>186,198,138</b>	<b>175,126,898</b>	<b>168,821,769</b>
<b>Non-current liabilities</b>				
Provision for employees' end of service benefits		4,074,005	3,828,844	3,885,571
<b>Current liabilities</b>				
Trade accounts payable		2,083,508	2,242,276	1,484,719
Other payables and accruals		6,156,798	5,964,659	4,992,619
Short term loans	15	13,133,143	3,657,450	7,667,200
Ijara finance payable		130,000	130,000	-
Murabaha payables	16	5,249,165	3,469,106	4,480,495
Due to banks	12	4,178,258	925	21,684
		<b>30,930,872</b>	<b>15,464,416</b>	<b>18,646,717</b>
<b>Total liabilities</b>		<b>35,004,877</b>	<b>19,293,260</b>	<b>22,532,288</b>
<b>Total equity and liabilities</b>		<b>221,203,015</b>	<b>194,420,158</b>	<b>191,354,057</b>

  
Bader Naser Al-Kharafi  
Chairman

The notes set out on pages 7 to 19 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										Total KD
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares KD	Other components of equity (note 14) KD	Retained earnings KD	Sub-total KD	Non- controlling interests KD	
<b>Balance at 31 December 2019 (Audited)</b>	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 (Note 13)	-	-	-	-	-	(649,799)	-	-	(649,799)	-	(649,799)
Cash dividend (Note 17)	-	-	-	-	-	-	-	(8,362,923)	(8,362,923)	-	(8,362,923)
Transactions with owners	-	-	-	-	-	(649,799)	-	(8,362,923)	(9,012,722)	-	(9,012,722)
Profit/(loss) for the period	-	-	-	-	-	-	-	5,487,631	5,487,631	(5,309)	5,482,322
Other comprehensive income	-	-	-	-	-	-	14,596,888	-	14,596,888	4,752	14,601,640
Total comprehensive income/(loss)/ for the period	-	-	-	-	-	-	14,596,888	5,487,631	20,084,519	(557)	20,083,962
Profit on sale of investments at FVTOCI (Note 8)	-	-	-	-	-	-	(297,379)	297,379	-	-	-
<b>Balance at 30 September 2020 (Unaudited)</b>	20,993,131	29,160,075	20,993,131	20,993,131	26,109,322	(649,799)	57,859,986	10,288,196	185,747,173	450,965	186,198,138
<b>Balance at 31 December 2018 (Audited)</b>	20,993,131	29,160,075	20,993,131	20,993,131	25,631,110	-	24,592,071	9,926,581	152,289,230	469,336	152,758,566
Cash dividend (Note 17)	-	-	-	-	-	-	-	(5,667,113)	(5,667,113)	-	(5,667,113)
Transactions with owners	-	-	-	-	-	-	-	(5,667,113)	(5,667,113)	-	(5,667,113)
Profit/(loss) for the period	-	-	-	-	-	-	-	4,391,248	4,391,248	(8,513)	4,382,735
Other comprehensive income	-	-	-	-	-	-	17,345,955	-	17,345,955	1,626	17,347,581
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	17,345,955	4,391,248	21,737,203	(6,887)	21,730,316
Profit on sale of investments at FVTOCI (Note 8)	-	-	-	-	-	-	(418,149)	418,149	-	-	-
<b>Balance at 30 September 2019 (Unaudited)</b>	20,993,131	29,160,075	20,993,131	20,993,131	25,631,110	-	41,519,877	9,068,865	168,359,320	462,449	168,821,769

The notes set out on pages 7 to 19 form an integral part of this interim condensed consolidated financial information

## Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		5,482,322	4,382,735
Adjustments:			
Depreciation		683,899	734,120
Provision for employees' end of service benefits		298,378	451,837
Finance costs		251,761	396,818
Interest income		(4,906)	(39,028)
Dividend income		(3,064,968)	(4,183,485)
Other investment loss/(income)		460	(19,572)
Gain on sale of investments at fair value through profit or loss		-	(690)
Share of results of associate		(23,380)	59,424
(Gain)/loss on sale/disposal of property, plant and equipment		(199)	47,540
Provision for/(reversal of provision) for doubtful debts – net		173,056	(455,299)
Reversal of provision for obsolete and slow-moving inventories – net		(12,866)	(113,678)
Foreign exchange loss on non-operating liabilities		47,223	17,488
		<b>3,830,780</b>	<b>1,278,210</b>
<b>Changes in operating assets and liabilities:</b>			
Inventories		(10,660,229)	(2,298,854)
Trade accounts receivable		(11,976,483)	7,070,004
Other receivables and prepayments		402,695	3,403,085
Trade accounts payable		(158,768)	(231,193)
Other payables and accruals		(188,897)	(2,575,830)
Employees' end of service benefits paid		(53,217)	(279,888)
<b>Net cash (used in)/from operating activities</b>		<b>(18,804,119)</b>	<b>6,365,534</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(195,189)	(601,017)
Proceeds from sale of property, plant and equipment		200	1,363
Purchase of Investments at fair value through other comprehensive income		(12,351,490)	(5,750,942)
Proceeds from sale of Investments at fair value through other comprehensive income		2,702,583	4,515,579
Proceeds from sale of investments at fair value through profit or loss		-	691
Dividend income received		3,064,968	4,183,485
Other investment income received		4,895	14,331
Interest income received		4,906	39,028
Movement in restricted bank balance		-	(2,600,000)
<b>Net cash used in investing activities</b>		<b>(6,769,127)</b>	<b>(197,482)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of cash dividends		(7,997,513)	(5,707,219)
Purchase of treasury shares		(649,799)	-
Receipt of term loans		10,363,393	4,000,000
Repayment of term loans		(916,050)	(4,293,359)
Receipt of murabaha payables		1,761,186	1,000,000
Finance costs paid		(236,135)	(379,437)
<b>Net cash from/(used in) financing activities</b>		<b>2,325,082</b>	<b>(5,380,015)</b>
(Decrease)/increase in cash and cash equivalents		(23,248,164)	788,037
Foreign currency adjustments		64,192	15,645
Cash and cash equivalents at beginning of the period	12	24,466,496	3,586,331
<b>Cash and cash equivalents at end of the period</b>	12	<b>1,282,524</b>	<b>4,390,013</b>

The notes set out on pages 7 to 19 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. The objectives became as follows:

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.

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 nine-month period ended 30 September 2020 was authorised for issue by the Parent Company’s board of directors on 10 November 2020.

## Notes to the interim condensed consolidated financial information (continued)

### 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2020 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 2019, except for the changes described in note 3.

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 nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For further details, refer to the consolidated financial statements and their disclosures for the year ended 31 December 2019.

The Group has consolidated its subsidiaries using management accounts for the period ended 30 September 2020.

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 – Amendments	1 January 2020
IAS 1 and IAS 8 – Amendments	1 January 2020

#### ***IFRS 3 – Amendments***

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The application of the amendments did not 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)

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

##### *IAS 1 and IAS 8 – Amendments*

The amendments to IAS 1 and IAS 8 clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The application of the amendments did not have a significant impact on the Group’s interim condensed consolidated financial information.

#### 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. 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.

### 4 Judgment and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, 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 2019.

### 5 Investment (loss)/income

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2020 KD	30 Sept. 2019 KD	30 Sept. 2020 KD	30 Sept. 2019 KD
Dividend income	7,392	28,939	3,064,968	4,183,485
Other investment (loss)/income	(1,404)	4,911	(460)	19,572
Gain on sale of investments at fair value through profit or loss	-	-	-	690
Interest income	-	-	-	29,106
Foreign currency exchange (loss)/gain	(53,350)	29,934	34,363	36,581
	<b>(47,362)</b>	<b>63,784</b>	<b>3,098,871</b>	<b>4,269,434</b>

## Notes to the interim condensed consolidated financial information (continued)

### 6 Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2020	30 Sept. 2019	30 Sept. 2020	30 Sept. 2019
Profit/(loss) for the period attributable to the owners of the Parent Company (KD)	1,105,689	(76,704)	5,487,631	4,391,248
Weighted average number of shares outstanding during the period (excluding treasury shares)	209,053,363	209,931,309	209,374,470	209,931,309
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	5.3 Fils	(0.4) Fils	26.2 Fils	20.9 Fils

### 7 Investment in associate

Details of the investment in associate is given below:

Name	Country of incorporation	Ownership percentage			Principal activities
		30 Sept. 2020 (Unaudited) %	31 Dec. 2019 (Audited) %	30 Sept. 2019 (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 associates is as follows:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Carrying amount at the beginning of the period/year	1,064,351	1,048,274	1,048,274
Share of results for the period/year	23,380	16,077	(59,424)
Carrying amount at the end of period/year	1,087,731	1,064,351	988,850

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 September 2020.

## 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 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Local quoted securities held through managed portfolios	75,357,647	43,490,942	58,724,691
Local unquoted securities held through managed portfolios	4,126,993	4,151,710	4,772,431
Foreign quoted securities held through managed portfolios	15,100,979	21,535,449	22,843,447
Foreign unquoted securities held through managed portfolios	2,952,755	3,300,291	3,300,291
Foreign unquoted securities	31,234,529	31,735,457	29,553,769
Local unquoted securities	5,250	5,250	7,500
Local managed funds	4,002,145	4,397,053	4,183,777
	<b>132,780,298</b>	<b>108,616,152</b>	<b>123,385,906</b>

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 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.

During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD2,405,204 (30 September 2019: KD4,097,430) for a total consideration of KD2,702,583 (30 September 2019: KD4,515,579) resulting in a profit of KD297,379 (30 September 2019: KD418,149) recognized directly in retained earnings within equity.

Local managed funds include investments in units of private 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 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Raw materials	21,947,349	12,362,868	17,203,697
Finished goods	13,064,421	12,909,851	13,429,460
Work-in-progress	6,397,349	5,924,804	7,109,019
Spare parts	2,525,947	2,414,834	2,074,213
	<b>43,935,066</b>	<b>33,612,357</b>	<b>39,816,389</b>
Less: provision for obsolete and slow-moving inventories	<b>(1,197,968)</b>	<b>(1,208,267)</b>	<b>(1,579,746)</b>
	<b>42,737,098</b>	<b>32,404,090</b>	<b>38,236,643</b>
Goods in transit and prepaid letters of credit	2,358,185	2,018,098	3,833,319
	<b>45,095,283</b>	<b>34,422,188</b>	<b>42,069,962</b>

## Notes to the interim condensed consolidated financial information (continued)

### 10 Trade accounts receivable

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Trade accounts receivable	34,913,644	22,929,357	16,931,602
Less: provision for doubtful debts	(6,031,898)	(5,851,038)	(5,868,445)
	<b>28,881,746</b>	<b>17,078,319</b>	<b>11,063,157</b>

### 11 Other receivables and prepayments

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
<b>Financial assets:</b>			
Staff receivable	108,320	152,590	149,913
Other receivables	229,494	682,906	710,620
	<b>337,814</b>	<b>835,496</b>	<b>860,533</b>
<b>Non-financial assets:</b>			
Prepaid expenses	345,433	255,801	394,023
	<b>683,247</b>	<b>1,091,297</b>	<b>1,254,556</b>

### 12 Cash and cash equivalents

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

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Cash in hand	63,264	64,109	85,356
Cash held in managed portfolios	3,374,159	20,010,149	400,126
Restricted bank balance	-	-	2,600,000
Bank balances	2,023,359	4,393,163	3,926,215
Total cash and bank balances	5,460,782	24,467,421	7,011,697
Less: due to banks	(4,178,258)	(925)	(21,684)
Less: restricted bank balance	-	-	(2,600,000)
<b>Cash and cash equivalents as per interim condensed consolidated statement of cash flows</b>	<b>1,282,524</b>	<b>24,466,496</b>	<b>4,390,013</b>

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.

## Notes to the interim condensed consolidated financial information (continued)

### 13 Treasury shares

The Group holds treasury shares as follows:

	30 Sept. 2020 (Unaudited)	31 Dec. 2019 (Audited)	30 Sept. 2019 (Unaudited)
Number of shares	1,201,000	-	-
Percentage of issued shares	0.57%	-	-
Market value (KD)	820,283	-	-
Cost (KD)	649,799	-	-

### 14 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
<b>Balance at 31 December 2019 (Audited)</b>	<b>43,064,932</b>	<b>495,545</b>	<b>43,560,477</b>
Exchange differences arising on translation of foreign operations	-	81,649	81,649
Investments at fair value through other comprehensive income: - Net change in fair value arising during the period	14,515,239	-	14,515,239
Total other comprehensive income for the period	14,515,239	81,649	14,596,888
Profit on sale of investments at FVTOCI (note 8)	(297,379)	-	(297,379)
<b>Balance at 30 September 2020 (Unaudited)</b>	<b>57,282,792</b>	<b>577,194</b>	<b>57,859,986</b>
<b>Balance at 31 December 2018 (Audited)</b>	<b>24,102,073</b>	<b>489,998</b>	<b>24,592,071</b>
Exchange differences arising on translation of foreign operations	-	27,946	27,946
Investments at fair value through other comprehensive income: - Net change in fair value arising during the period	17,318,009	-	17,318,009
Total other comprehensive income for the period	17,318,009	27,946	17,345,955
Profit on sale of investments at FVTOCI (note 8)	(418,149)	-	(418,149)
<b>Balance at 30 September 2019 (Unaudited)</b>	<b>41,001,933</b>	<b>517,944</b>	<b>41,519,877</b>

### 15 Short term loans

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Kuwaiti Dinar facilities	10,363,393	916,050	4,000,000
USD facilities	2,769,750	2,741,400	3,667,200
	<b>13,133,143</b>	<b>3,657,450</b>	<b>7,667,200</b>

## Notes to the interim condensed consolidated financial information (continued)

### 15 Short term loans (continued)

The short-term loans denominated in Kuwaiti Dinar are unsecured and carry interest rate of 0.75% to 1.00% (31 December 2019: 0.75% to 1.00% and 30 September 2019: 0.75% to 1.25%) per annum above Central Bank of Kuwait discount rate. The loans mature various dates ending on 20 September 2021 (31 December 2019: various dates ending 30 April 2020 and 30 September 2019: various dates ending 30 April 2020).

The USD loans facilities carry interest rate of 1.75% (31 December 2019: 1.75% and 30 September 2019: 1.75%) per annum above three-month LIBOR. The loans mature on 6 November 2020 and renewed subsequently (31 December 2019: various dates ending 7 March 2020 and 30 September 2019: various dates ending 1 December 2019).

### 16 Murabaha payables

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Kuwaiti Dinar murabaha facility	-	-	1,000,000
USD murabaha facilities	5,249,165	3,469,106	3,480,495
	<b>5,249,165</b>	<b>3,469,106</b>	<b>4,480,495</b>

The murabaha facilities were granted to the Group by a local Islamic Bank and carry profit rate of 2.03% (31 December 2019: 3.73% and 30 September 2019: 3.79% to 4.25%) per annum. The murabaha payables mature on various dates ending on 4 December 2020 and are renewable (31 December 2019: various dates ending on 13 May 2020 and 30 September 2019: various dates ending on 4 March 2020, renewable).

### 17 General Assembly of the Shareholders and dividend distribution

The annual general assembly of the shareholders held on 22 June 2020 approved the consolidated financial statements of the Group for the year ended 31 December 2019 and cash dividend of 40% (2018: 27%) equivalent to 40 Fils (2018: 27 Fils) per share of the paid-up share capital amounting to KD8,362,923 for the year ended 31 December 2019 (2018: KD5,667,113).

Further, the shareholders approved the board of directors' remuneration of KD310,000 for the year ended 31 December 2019 (2018: 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.



## Notes to the interim condensed consolidated financial information (continued)

### 18 Segmental information (continued)

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
<b>For the three months ended 30 September 2020 (Unaudited):</b>			
Revenue	22,274,675	32,746	22,307,421
Segment profit/(loss)	1,270,449	(24,668)	1,245,781
Unallocated expenses			(134,077)
Profit for the period			1,111,704
Additions to property, plant and equipment	148,169	-	148,169
Depreciation	235,592	-	235,592
Finance costs	91,426	14,318	105,744
Dividend income	-	7,392	7,392
<b>For the nine months ended 30 September 2020 (Unaudited):</b>			
Revenue	57,383,582	3,122,252	60,505,834
Segment profit	2,979,679	2,942,639	5,922,318
Unallocated expenses			(439,996)
Profit for the period			5,482,322
Additions to property, plant and equipment	195,189	-	195,189
Depreciation	683,899	-	683,899
Finance costs	195,250	56,511	251,761
Dividend income	-	3,064,968	3,064,968
Total assets	83,910,011	137,293,004	221,203,015
Total liabilities	(32,198,809)	(2,806,068)	(35,004,877)
Net assets	51,711,202	134,486,936	186,198,138
<b>For the three months ended 30 September 2019 (Unaudited):</b>			
Revenue	16,407,407	62,128	16,469,535
Segment loss	(27,111)	(1,107)	(28,218)
Unallocated expenses			(60,133)
Loss for the period			(88,351)
Additions to property, plant and equipment	131,297	-	131,297
Depreciation	241,444	-	241,444
Finance costs	106,089	28,753	134,842
Dividend income	-	28,939	28,939

## Notes to the interim condensed consolidated financial information (continued)

### 18 Segmental information (continued)

	Cable manufacture KD	Investment KD	Total KD
For the nine months ended 30 September 2019 (Unaudited)			
Revenue	45,826,730	4,210,010	50,036,740
Segment profit	377,414	4,336,469	4,713,883
Unallocated expenses			(331,148)
Profit for the period			4,382,735
Additions to property, plant and equipment	601,017	-	601,017
Depreciation	734,120	-	734,120
Finance costs	268,372	128,446	396,818
Dividend income	-	4,183,485	4,183,485
Total assets	66,537,617	124,816,440	191,354,057
Total Liabilities	(19,745,570)	(2,786,718)	(22,532,288)
Net assets	46,792,047	122,029,722	168,821,769

### 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.

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD	
<b>Balances included in the interim condensed consolidated statement of financial position:</b>				
Trade accounts payables	15,192	13,831	21,856	
Purchase of property, plant and equipment	9,000	-	-	
	<b>Three months ended (Unaudited)</b>		<b>Nine months ended (Unaudited)</b>	
	30 Sept. 2020 KD	30 Sept. 2019 KD	30 Sept. 2020 KD	30 Sept. 2019 KD
<b>Amounts included in the interim condensed consolidated statement of profit or loss:</b>				
Sales	8,206	9,796	35,662	291,258
Expenses	(850)	(1,200)	(1,711)	(2,400)
Reversal of provision for doubtful debts	-	-	-	353,267
<b>Key management compensation:</b>				
Salaries and other short-term benefits	171,272	142,033	504,699	383,518
End of service benefits	16,857	32,076	46,146	73,732
Provision for directors' remuneration	77,500	77,500	232,500	232,500
	265,629	251,609	783,345	689,750

## Notes to the interim condensed consolidated financial information (continued)

### 20 Contingent liabilities

Contingent liabilities as at 30 September 2020 in respect of outstanding letters of guarantee amounted to KD5,502,481 (31 December 2019: KD4,244,215 and 30 September 2019: KD5,261,331).

### 21 Capital commitments

At the period end, the Group had capital commitments to purchase new machinery and equipment amounting to KD57,402 (31 December 2019: KD54,753 and 30 September 2019: KD36,737).

### 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:

- 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 September 2020 (Unaudited):	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Investments at fair value through other comprehensive income:</b>				
Local quoted securities held through managed portfolios	75,357,647	-	-	75,357,647
Local unquoted securities held through managed portfolios	-	-	4,126,993	4,126,993
Foreign quoted securities held through managed portfolios	15,100,979	-	-	15,100,979
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	-	4,002,145	-	4,002,145
	<b>90,458,626</b>	<b>4,002,145</b>	<b>38,319,527</b>	<b>132,780,298</b>

## Notes to the interim condensed consolidated financial information (continued)

### 22 Fair value measurement (continued)

#### 22.2 Fair value measurement of financial instruments (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2019 (Audited):</b>				
<b>Investments at fair value through other comprehensive income:</b>				
Local quoted securities held through managed portfolios	43,490,942	-	-	43,490,942
Local unquoted securities held through managed portfolios	-	-	4,151,710	4,151,710
Foreign quoted securities held through managed portfolios	21,535,449	-	-	21,535,449
Foreign unquoted securities held through managed portfolios	-	-	3,300,291	3,300,291
Foreign unquoted securities	-	-	31,735,457	31,735,457
Local unquoted securities	-	-	5,250	5,250
Local managed funds	-	4,397,053	-	4,397,053
	65,026,391	4,397,053	39,192,708	108,616,152
<b>30 September 2019 (Unaudited):</b>				
<b>Investments at fair value through other comprehensive income:</b>				
Local quoted securities held through managed portfolios	58,724,691	-	-	58,724,691
Local unquoted securities held through managed portfolios	-	-	4,772,431	4,772,431
Foreign quoted securities held through managed portfolios	22,843,447	-	-	22,843,447
Foreign unquoted securities held through managed portfolios	-	-	3,300,291	3,300,291
Foreign unquoted securities	-	-	29,553,769	29,553,769
Local unquoted securities	-	-	7,500	7,500
Local managed funds	-	4,183,777	-	4,183,777
	81,568,138	4,183,777	37,633,991	123,385,906

#### 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 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Opening balance at the beginning of the period/year	39,192,708	34,437,004	34,437,004
Additions	-	3,300,291	3,300,291
Disposals	(24,717)	(142,879)	-
Net changes in fair value	(848,464)	1,598,292	(103,304)
<b>Closing balance at the end of period/year</b>	<b>38,319,527</b>	<b>39,192,708</b>	<b>37,633,991</b>

## 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 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 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 market multiples to determine fair value.

The impact on interim condensed consolidated statement of profit or loss and 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 Effects of COVID-19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity 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 COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations and on the reported amounts of the financial and non-financial assets, which represent management's best assessment based on current available information.