

Consolidated financial statements and independent auditor's report

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

**and Subsidiaries**

**Kuwait**

31 December 2020

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# Independent auditor's report

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

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Gulf Cable and Electrical Industries Company - KPSC ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

#### *Revenue recognition*

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

Our audit procedures included testing the operating effectiveness of associated internal controls and performing substantive audit procedures.

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

Revenue by segment is disclosed in Note 26.

## **Independent Auditor's Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)**

### ***Inventories and cost of inventories***

Inventories represent a significant part of the Group's total assets which comprise raw materials, finished goods, work in progress and spare parts. Recognition of the value of inventories is subject to global price fluctuations, particularly those associated with copper prices and, consequently, prices of finished goods. This may lead to potential assumptions on full recoverability of the value of those inventories.

Our audit procedures included testing of the Group's internal controls over the movement of the incoming and outgoing inventories and the period end balances; agreeing the cost of inventories on a sample basis with the relevant documents such as purchase invoices; considering and testing the calculation of the other overhead costs absorbed into inventory; reviewing the relationship between the carrying value of inventory and the cost of production during the period in which the inventory was produced. We also considered the provisioning levels recorded in the light of net sales values actually achieved at the year end and those that will likely be achieved later and comparing that with the quoted prices of materials. We also considered the appropriateness of disclosures in relation to inventories in the consolidated financial statements.

The Group's disclosures about its inventories are included in Note 13.

### ***Trade accounts receivable***

The Group has significant trade accounts receivable with customers and given the nature of the Group's customers, the risk of those customer insolvency remains significant.

Our audit procedures included testing the Group's internal control procedures over the receivables' collection processes, and testing the adequacy of the Group's provisions against trade receivables by challenging the relevant assumptions and factors used to measure the expected credit losses, taking account of our own knowledge of recent collections experience in this industry and also historical data from the Group's previous collections experience. We have also considered the adequacy of the Group's disclosures in this area.

The Group's disclosures about its trade accounts receivable are included in Note 14.

### ***Valuation of unquoted investments at fair value through other comprehensive income***

The Group's investments in unquoted investments at fair value through other comprehensive income represent a significant part of the Group's total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in those valuations. As a result, the valuation of those instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions.

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

The Group's disclosures about its investments at fair value through other comprehensive income are included in Note 12.

### ***Other information included in the Group's Annual Report for the year ended 31 December 2020***

Management is responsible for the other information. Other information consists of the information included in the Group's annual Report for the year ended 31 December 2020, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



## **Independent Auditor's Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)**

### **Other information included in the Group's Annual Report for the year ended 31 December 2020 (continued)**

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



## **Independent Auditor's Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)**

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 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

## Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
<b>Revenue</b>			
Sales		76,148,034	67,717,318
Cost of sales		(67,390,625)	(62,234,900)
<b>Gross profit</b>		<b>8,757,409</b>	<b>5,482,418</b>
Investment income	8	3,066,499	4,396,943
Share of results of associate	11	39,578	16,077
Interest income		6,005	11,479
Gain/(loss) on sale/disposal of property, plant and equipment	10	898	(47,533)
Other income		122,710	39,901
Foreign currency exchange gain		342,653	358,038
		<b>12,335,752</b>	<b>10,257,323</b>
<b>Expenses and other charges</b>			
General and administrative expenses		(3,701,465)	(3,728,369)
Commercial expenses		(1,576,008)	(1,852,484)
(Provision for)/reversal of provision for doubtful debts - net	14,27	(365,912)	469,313
Reversal of provision for obsolete and slow moving inventories - net	13	143,095	487,794
Impairment in value of property, plant and equipment		-	(378,087)
Finance costs		(397,079)	(491,504)
		<b>(5,897,369)</b>	<b>(5,493,337)</b>
<b>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</b>		<b>6,438,383</b>	<b>4,763,986</b>
Provision for contribution to KFAS		(64,091)	(47,660)
Provision for NLST		(359,938)	(139,267)
Provision for Zakat		(143,580)	(52,254)
Provision for directors' remuneration		(310,000)	(310,000)
<b>Profit for the year</b>	<b>7</b>	<b>5,560,774</b>	<b>4,214,805</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Parent Company		5,571,085	4,232,942
Non-controlling interests		(10,311)	(18,137)
<b>Profit for the year</b>		<b>5,560,774</b>	<b>4,214,805</b>
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company</b>	<b>9</b>	<b>27 Fils</b>	<b>20 Fils</b>

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
<b>Profit for the year</b>	<b>5,560,774</b>	<b>4,214,805</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>		
Exchange differences arising on translation of foreign operations	10,682	5,869
<b>Total other comprehensive income that may be reclassified subsequently to consolidated statement of profit or loss</b>	<b>10,682</b>	<b>5,869</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 during the year (note 12)	14,341,348	23,814,771
<b>Total other comprehensive income that will not be reclassified subsequently to consolidated statement of profit or loss</b>	<b>14,341,348</b>	<b>23,814,771</b>
<b>Total other comprehensive income</b>	<b>14,352,030</b>	<b>23,820,640</b>
<b>Total comprehensive income for the year</b>	<b>19,912,804</b>	<b>28,035,445</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the Parent Company	19,922,528	28,053,259
Non-controlling interests	(9,724)	(17,814)
	<b>19,912,804</b>	<b>28,035,445</b>

*The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.*



## Consolidated statement of financial position

	Notes	31 Dec. 2020 KD	31 Dec. 2019 KD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	7,160,670	7,680,430
Investment in associate	11	1,103,929	1,064,351
Investments at fair value through other comprehensive income	12	96,671,328	108,616,152
		<b>104,935,927</b>	<b>117,360,933</b>
<b>Current assets</b>			
Inventories	13	41,319,685	34,422,188
Trade accounts receivable	14	29,606,122	17,078,319
Other receivables and prepayments	15	657,532	1,091,297
Cash and bank balances	16	26,257,513	24,467,421
		<b>97,840,852</b>	<b>77,059,225</b>
<b>Total assets</b>		<b>202,776,779</b>	<b>194,420,158</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	20,993,131	20,993,131
Share premium	17	29,160,075	29,160,075
Treasury shares	18	(454,480)	-
Treasury shares reserve		77,888	-
Statutory reserve	19	20,993,131	20,993,131
Voluntary reserve	19	20,993,131	20,993,131
General reserve	19	26,754,192	26,109,322
Other components of equity	20	47,904,074	43,560,477
Retained earnings		19,437,247	12,866,109
<b>Total equity attributable to the owners of the Parent Company</b>		<b>185,858,389</b>	<b>174,675,376</b>
Non-controlling interests	6	441,798	451,522
<b>Total equity</b>		<b>186,300,187</b>	<b>175,126,898</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits		3,929,186	3,828,844
<b>Current liabilities</b>			
Trade accounts payable		1,702,884	2,242,276
Other payables and accruals	21	7,179,352	5,964,659
Short term loans	22	3,646,476	3,657,450
Ijara finance payable	23	-	130,000
Murabaha payables	24	-	3,469,106
Due to banks	16	18,694	925
		<b>12,547,406</b>	<b>15,464,416</b>
<b>Total liabilities</b>		<b>16,476,592</b>	<b>19,293,260</b>
<b>Total equity and liabilities</b>		<b>202,776,779</b>	<b>194,420,158</b>

Bader Naser Al-Kharafi  
Chairman

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

### Equity attributable to the owners of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 20) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2019	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	-	-	(649,799)	-	-	-	-	-	-	(649,799)	-	(649,799)
Sales of treasury shares	-	-	195,319	77,888	-	-	-	-	-	273,207	-	273,207
Cash dividend (note 25)	-	-	-	-	-	-	-	-	(8,362,923)	(8,362,923)	-	(8,362,923)
Transactions with owners	-	-	(454,480)	77,888	-	-	-	-	(8,362,923)	(8,739,515)	-	(8,739,515)
Profit/(loss) for the year	-	-	-	-	-	-	-	-	5,571,085	5,571,085	(10,311)	5,560,774
Other comprehensive income	-	-	-	-	-	-	-	14,351,443	-	14,351,443	587	14,352,030
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	14,351,443	5,571,085	19,922,528	(9,724)	19,912,804
Transfer to general reserve	-	-	-	-	-	-	644,870	-	(644,870)	-	-	-
Profit on sale of investments at FVOCI (Note 12)	-	-	-	-	-	-	-	(10,007,846)	10,007,846	-	-	-
Balance at 31 December 2020	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

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								Non-controlling interests KD	Total KD
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 20) KD	Retained earnings KD	Sub-total KD		
<b>Balance at 31 December 2018</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 25)	-	-	-	-	-	-	(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 year	-	-	-	-	-	-	4,232,942	4,232,942	(18,137)	4,214,805
Other comprehensive income	-	-	-	-	-	23,820,317	-	23,820,317	323	23,820,640
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	-	-	23,820,317	4,232,942	28,053,259	(17,814)	28,035,445
Transfer to general reserve	-	-	-	-	478,212	-	(478,212)	-	-	-
Profit on sale of investments at FVOCI (Note 12)	-	-	-	-	-	(4,851,911)	4,851,911	-	-	-
<b>Balance at 31 December 2019</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

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		5,560,774	4,214,805
Adjustments:			
Depreciation		1,093,924	1,002,087
Provision for employees' end of service benefits		399,090	543,324
Finance costs		397,079	491,504
Interest income		(6,005)	(11,479)
Dividend income		(3,069,163)	(4,313,762)
Other investment loss/(gain)		459	(53,646)
Share of results of associate		(39,578)	(16,077)
Gain on sale of investments at fair value through profit or loss		-	(690)
Impairment in value of property, plant and equipment		-	378,087
(Gain)/loss on sale/disposal of property, plant and equipment		(898)	47,533
Provision/(reversal of provision) for doubtful debts – net		365,912	(469,313)
Reversal of provision for obsolete and slow moving inventories – net		(143,095)	(487,794)
Foreign exchange gain on non-operating liabilities		(49,594)	(4,701)
		<b>4,508,905</b>	<b>1,319,878</b>
<b>Changes in operating assets and liabilities:</b>			
Inventories		(6,754,402)	5,723,036
Trade accounts receivable		(12,893,715)	1,068,856
Other receivables and prepayments		428,410	3,566,457
Trade accounts payable		(539,392)	526,364
Other payables and accruals		850,542	(1,561,255)
Employees' end of service benefits paid		(298,748)	(428,102)
<b>Net cash (used in)/from operating activities</b>		<b>(14,698,400)</b>	<b>10,215,234</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(566,574)	(3,350,776)
Proceeds from sale of property, plant and equipment		900	1,388
Purchase of Investments at fair value through other comprehensive income		(21,183,997)	(5,826,476)
Proceeds from sale of Investments at fair value through other comprehensive income		47,474,364	25,857,629
Proceeds from sale of investments at fair value through profit or loss		-	691
Dividend income received		3,064,968	4,313,762
Other investment income received		4,894	48,292
Interest income received		6,005	11,479
<b>Net cash from investing activities</b>		<b>28,800,560</b>	<b>21,055,989</b>
<b>FINANCING ACTIVITIES</b>			
Payment of cash dividend		(7,997,512)	(5,747,867)
Purchase of treasury shares		(649,799)	-
Proceeds from sale of treasury shares		273,207	-
Proceeds from short term loans		15,863,393	4,416,050
Repayment of short-term loans		(15,876,167)	(8,708,359)
Receipt from ijara finance payable		-	130,000
Repayment of ijara finance payable		(130,000)	-
Receipt of murabaha payables		3,952,747	1,000,000
Repayment of murabaha payables		(7,370,459)	(1,000,000)
Finance costs paid		(398,337)	(476,010)
<b>Net cash used in financing activities</b>		<b>(12,332,927)</b>	<b>(10,386,186)</b>
Increase in cash and cash equivalents		1,769,233	20,885,037
Foreign currency adjustment		3,090	(4,872)
Cash and cash equivalents at beginning of the year	16	24,466,496	3,586,331
<b>Cash and cash equivalents at end of the year</b>	16	<b>26,238,819</b>	<b>24,466,496</b>

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.



## Notes to the consolidated financial statements

### 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 (Note 6).

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.

These consolidated financial statements for the year ended 31 December 2020 were authorised for issue by the board of directors of the Parent Company on 29 March 2021 and are subject to the approval of the General Assembly of the shareholders.

## Notes to the consolidated financial statements (continued)

### 2 Statement of compliance

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

### 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 – Definition of Business	1 January 2020
IAS 1 and IAS 8 – Amendments – Definition of Material	1 January 2020
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	1 June 2020

#### IFRS 3 – Amendments- Definition of Business

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 consolidated financial statements.

#### 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 consolidated financial statements.

#### IFRS 16 – Amendments- COVID19 Rent Related Concessions

IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied. However, applying these requirements to potentially a significant number of leases could be difficult, particularly from a practical perspective due to pressures resulting from the pandemic.

## Notes to the consolidated financial statements (continued)

### 3 Changes in accounting policies (continued)

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

##### IFRS 16 – Amendments- COVID19 Rent Related Concessions (continued)

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.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

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

#### 3.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 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
IAS 1 – Amendments – Classification of current or non-current	1 January 2023

## Notes to the consolidated financial statements (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

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

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 consolidated financial statements in future should such transactions arise.

##### **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 consolidated financial statements.

##### **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 consolidated financial statements.



## Notes to the consolidated financial statements (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### 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.

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.

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

##### IAS 1 Amendments - Classification of current or non-current

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

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

### 4 Significant accounting policies

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

#### 4.1 Basis of preparation

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.1 Basis of preparation (continued)

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

#### 4.2 Basis of consolidation

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

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

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

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

#### 4.3 Business combinations

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

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.3 Business combinations (continued)

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

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

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

#### 4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.20 for a description of impairment testing procedures.

#### 4.5 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.5 Investment in associates (continued)

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

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

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

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

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

#### 4.6 Revenue

The Group recognizes revenue from sale of goods.

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

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

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

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

##### 4.6.1 Sale of goods

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, which is generally at the point in time when the customer has taken undisputed delivery of the goods.



## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.7 Interest income

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

#### 4.8 Dividend income

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

#### 4.9 Operating expenses

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

#### 4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

#### 4.11 Taxation

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

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

##### 4.11.2 *National Labour Support Tax (NLST)*

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

##### 4.11.3 *Zakat*

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

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

##### 4.11.4 *Taxation on overseas subsidiaries*

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

#### 4.12 Segment reporting

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.12 Segment reporting (continued)

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

#### 4.13 Property, plant and equipment

##### 4.13.1 Land

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

##### 4.13.2 Buildings, vehicles and other equipment

Buildings, vehicles and other equipment (comprising plant and machinery, furniture and agriculture farm and related facilities) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Buildings, vehicles and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, vehicles and other equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

The following useful lives are applied:

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

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

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

#### 4.14 Leased assets

##### *The Group as a lessee*

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

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.14 Leased assets (continued)

##### *The Group as a lessee (continued)*

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

##### *Measurement and recognition of leases as a lessee*

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

##### *Right of use asset*

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

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

##### *Lease liability*

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

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

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

#### 4.15 Financial instruments

##### *4.15.1 Recognition, initial measurement and derecognition*

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.15 Financial instruments (continued)

##### 4.15.1 *Recognition, initial measurement and derecognition (continued)*

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

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

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

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

##### 4.15.2 *Classification of financial assets*

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

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

The classification is determined by both:

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

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

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



## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.15 Financial instruments (continued)

##### 4.15.3 Subsequent measurement of financial assets

- **Financial assets at amortised cost**

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

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

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

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

##### *Trade accounts receivable*

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

##### *Cash and cash equivalents*

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

##### *Due from related parties*

Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- **Financial assets at FVTOCI**

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.15 Financial instruments (continued)

##### 4.15.3 Subsequent measurement of financial assets (continued)

##### • Financial assets at FVTOCI (continued)

###### *Equity investments at FVTOCI*

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

A financial asset is held for trading if:

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

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

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

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

##### • Financial assets at FVTPL

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

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

##### 4.15.4 Impairment of financial assets

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.15 Financial instruments (continued)

##### 4.15.4 Impairment of financial assets (continued)

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

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

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

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

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

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

##### 4.15.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, murabaha payables, ijara finance payable, trade payables, other payables and accruals.

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

#### *Financial liabilities at amortized cost*

##### *Borrowings*

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

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.15 Financial instruments (continued)

##### 4.15.5 Classification and subsequent measurement of financial liabilities (continued)

##### *Financial liabilities at amortized cost (continued)*

##### *Murabaha and ijara finance payable*

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

##### *Trade payables, other payables and accruals*

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

#### 4.16 Trade and settlement date accounting

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

#### 4.17 Offsetting of financial instruments

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

#### 4.18 Amortised cost of financial instruments

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

#### 4.19 Fair value of financial instruments

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

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

#### 4.20 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and assets specific risk factors.

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.20 Impairment testing of non-financial assets (continued)

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

#### 4.21 Inventories

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

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

#### 4.22 Equity, reserves and dividend payments

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

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

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

General reserve comprises appropriations of current and prior period profits.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries into Kuwait Dinars.
- Fair value reserve – comprises gains and losses relating to the investments at fair value through other comprehensive income.

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

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

#### 4.23 Treasury shares

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

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



## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.24 Employees' end of service benefits

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

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

#### 4.25 Foreign currency translation

##### 4.25.1 Functional and presentation currency

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

##### 4.25.2 Foreign currency transactions and balances

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

##### 4.25.3 Foreign operations

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

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

#### 4.26 Provisions, contingent assets and contingent liabilities

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

## Notes to the consolidated financial statements (continued)

### 4 Significant accounting policies (continued)

#### 4.26 Provisions, contingent assets and contingent liabilities (continued)

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

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

#### 4.27 Related party transactions

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

### 5 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Further, Note 33 discusses the impact of COVID 19 on the preparation of the consolidated financial statements.

#### 5.1 Significant management judgments

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

##### 5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.15). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

##### 5.1.2 Control assessment

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

#### 5.2 Estimates uncertainty

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

##### 5.2.1 Impairment of assets with definite lives

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

## Notes to the consolidated financial statements (continued)

### 5 Significant management judgements and estimation uncertainty (continued)

#### 5.2 Estimates uncertainty (continued)

##### 5.2.2 Impairment of associates

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

##### 5.2.3 Impairment of financial assets

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

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

##### 5.2.4 Impairment of inventories

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

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

##### 5.2.5 Useful lives of depreciable assets

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

##### 5.2.6 Fair value of financial instruments

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

##### 5.2.7 Significant influence

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

## Notes to the consolidated financial statements (continued)

### 6 Subsidiary companies

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

Subsidiary's name	Country of incorporation	Ownership Percentage		Principal activities
		31 Dec. 2020	31 Dec. 2019	
Gulf Cable and Multi Industries Company – JSC	Jordan	94.5%	94.5%	Manufacture and supply of electrical cables and related products and holding investments.
Hawraa Regional General Trading & Contracting Co. - WLL ("Hawra")	Kuwait	97.3%	97.3%	General Trading and Contracting
Sofer Real Estate Co. - SPC	Kuwait	100%	100%	Sale and purchase of land and properties

6.1 The Group's subsidiary "Hawra" has not commenced its activities as of the date of these consolidated financial statements.

6.2 Non-controlling interests of the above subsidiaries with a balance of KD441,798 (2019: KD451,522) are not individually material to the Group.

6.3 The Group has no interests in unconsolidated structural entities.

### 7 Profit for the year

Profit for the year is stated after charging:

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Staff costs (note 7 - a)	8,275,075	7,838,348
Depreciation (note 7 - b)	1,093,924	1,002,087

a. Staff costs for the year have been allocated as follows:

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Cost of sales	4,542,716	4,142,067
General and administrative expenses	2,700,017	2,731,773
Commercial expenses	1,032,342	964,508
	8,275,075	7,838,348

b. Depreciation for the year has been allocated as follows:

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Cost of sales	905,759	861,808
General and administrative expenses	172,438	129,911
Commercial expenses	15,727	10,368
	1,093,924	1,002,087

## Notes to the consolidated financial statements (continued)

### 8 Investment income

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Dividend income	3,069,163	4,313,762
Other investment (loss)/gain	(459)	53,646
Gain on sale of investments at fair value through profit or loss	-	690
Foreign currency exchange (loss)/gain	(2,205)	28,845
	<b>3,066,499</b>	<b>4,396,943</b>

### 9 Basic and diluted earnings per share attributable to the owners of the Parent Company

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

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019
Profit for the year attributable to the owners of the Parent Company - KD	5,571,085	4,232,942
Weighted average number of shares outstanding during the year (excluding treasury shares) - shares	209,237,340	209,931,309
Basic and diluted earnings per share attributable to the owners of the Parent Company	27 Fils	20 Fils



## Notes to the consolidated financial statements (continued)

### 10 Property, plant and equipment

	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
<b>31 December 2020</b>							
<b>Cost</b>							
At 1 January 2020	1,544,649	9,523,269	28,330,959	3,832,234	418,426	1,211,630	44,861,167
Additions	-	8,000	132,786	354,726	1,776	69,286	566,574
Transfers from assets under construction - (note b)	-	300,175	971,046	-	-	(1,271,221)	-
Disposals - (note d)	-	-	-	(7,050)	-	-	(7,050)
Foreign currency adjustment	194	709	6,843	444	276	6	8,472
<b>At 31 December 2020</b>	<b>1,544,843</b>	<b>9,832,153</b>	<b>29,441,634</b>	<b>4,180,354</b>	<b>420,478</b>	<b>9,701</b>	<b>45,429,163</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	-	7,236,501	26,884,072	3,047,068	13,096	-	37,180,737
Charge for the year	-	280,485	511,874	291,680	9,885	-	1,093,924
Relating to disposals - (note d)	-	-	-	(7,048)	-	-	(7,048)
Foreign currency adjustment	-	(942)	3,073	(971)	(280)	-	880
<b>At 31 December 2020</b>	<b>-</b>	<b>7,516,044</b>	<b>27,399,019</b>	<b>3,330,729</b>	<b>22,701</b>	<b>-</b>	<b>38,268,493</b>
<b>Net book value</b>							
<b>At 31 December 2020</b>	<b>1,544,843</b>	<b>2,316,109</b>	<b>2,042,615</b>	<b>849,625</b>	<b>397,777</b>	<b>9,701</b>	<b>7,160,670</b>

## Notes to the consolidated financial statements (continued)

### 10 Property, plant and equipment (continued)

	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
<b>31 December 2019</b>							
<b>Cost</b>							
At 1 January 2019	294,684	8,527,866	28,062,105	3,308,438	387,200	993,277	41,573,570
Additions - (note c)	1,250,000	995,530	225,170	515,035	-	365,041	3,350,776
Transfers from assets under construction - (note b)	-	-	44,912	13,596	88,180	(146,688)	-
Disposals - (note d)	-	-	-	(4,858)	(58,140)	-	(62,998)
Foreign currency adjustment	(35)	(127)	(1,228)	23	1,186	-	(181)
<b>At 31 December 2019</b>	<b>1,544,649</b>	<b>9,523,269</b>	<b>28,330,959</b>	<b>3,832,234</b>	<b>418,426</b>	<b>1,211,630</b>	<b>44,861,167</b>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2019	-	6,677,633	26,262,600	2,866,912	18,417	-	35,825,562
Charge for the year	-	181,770	630,406	186,124	3,787	-	1,002,087
Impairment in value	-	378,087	-	-	-	-	378,087
Relating to disposals - (note d)	-	-	-	(4,857)	(9,220)	-	(14,077)
Foreign currency adjustment	-	(989)	(8,934)	(1,111)	112	-	(10,922)
<b>At 31 December 2019</b>	<b>-</b>	<b>7,236,501</b>	<b>26,884,072</b>	<b>3,047,068</b>	<b>13,096</b>	<b>-</b>	<b>37,180,737</b>
<b>Net book value</b>							
<b>At 31 December 2019</b>	<b>1,544,649</b>	<b>2,286,768</b>	<b>1,446,887</b>	<b>785,166</b>	<b>405,330</b>	<b>1,211,630</b>	<b>7,680,430</b>

- The Parent Company's buildings are constructed on lands leased from the Public Authority for Industry on long-term leases for periods of 5 years renewable for similar period.
- Assets under construction represent the cost incurred on construction of plant, machinery and equipment. During the year, certain machinery and equipment, which were completed and ready for their intended use were capitalized in the appropriate categories.
- During the previous year, the Group acquired a residential building in the State of Kuwait with a total land area of 821 square meters for a total consideration of KD2,234,154. The Group acquired the building for the purpose of accommodation of its labours. The acquisition was partly financed by a local Islamic financial institution through Ijara finance facility (note 23).
- During the year, the Group sold/disposed of property, plant and equipment with a total net book value of KD2 (31 December 2019: KD48,921) for a total consideration of KD900 (31 December 2019: KD1,388) resulting into a gain of KD898 (31 December 2019: loss of KD47,533).

## Notes to the consolidated financial statements (continued)

### 11 Investment in associate

11.1 Details of the investment in associate are given below:

	Country of incorporation	Ownership percentage		Principal activities
		31 Dec. 2020 %	31 Dec. 2019 %	
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	47.5	47.5	Financing and investment

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Carrying amount at the beginning of the year	1,064,351	1,048,274
Share of results for the year	39,578	16,077
Carrying amount at the end of year	1,103,929	1,064,351

The Group's share of result of associate has been accounted for using equity method based on audited financial statements as at and for the year ended 31 December 2020.

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
<b>Total assets</b>	<b>3,088,706</b>	<b>3,126,661</b>
<b>Total liabilities</b>	<b>764,029</b>	<b>885,344</b>
<b>Net assets</b>	<b>2,324,677</b>	<b>2,241,317</b>
<b>Net assets attributable to owners of the associate</b>	<b>2,324,062</b>	<b>2,240,738</b>
<b>Net assets attributable to non-controlling interests</b>	<b>615</b>	<b>579</b>
	<b>Year ended 31 Dec. 2020 KD</b>	<b>Year ended 31 Dec. 2019 KD</b>
Revenue	2,406,211	2,570,654
Profit for the year attributable to owners of the associate	83,324	33,846
Group's share of results	39,578	16,077

The financial statements of the associate as at 31 December 2020 included contingent liabilities of KD609,616 (31 December 2019: KD614,902).

## Notes to the consolidated financial statements (continued)

### 12 Investments at fair value through other comprehensive income

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Local quoted securities held through managed portfolios	36,610,973	43,490,942
Local unquoted securities held through managed portfolios	4,135,390	4,151,710
Foreign quoted securities held through managed portfolios	14,696,038	21,535,449
Foreign unquoted securities held through managed portfolios	2,952,755	3,300,291
Foreign managed unquoted securities	2,900,238	-
Foreign unquoted securities	31,234,529	31,735,457
Local unquoted securities	-	5,250
Local managed funds	4,141,405	4,397,053
	<b>96,671,328</b>	<b>108,616,152</b>

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Opening balance	108,616,152	104,832,534
Additions	21,188,192	5,826,476
Disposals	(47,474,364)	(25,857,629)
Net change in fair value arising during the year	14,341,348	23,814,771
	<b>96,671,328</b>	<b>108,616,152</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 consolidated statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

During the year, the Group sold investments at fair value through other comprehensive income with a total cost of KD37,466,518 (31 December 2019: KD21,005,718) for a total consideration of KD47,474,364 (31 December 2019: KD25,857,629) resulting in a profit of KD10,007,846 (31 December 2019: profit of KD4,851,911) recognized in retained earnings within equity.

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.

## Notes to the consolidated financial statements (continued)

### 13 Inventories

	31 Dec. 2020 KD	31 Dec. 2019 KD
Raw materials	20,202,130	12,362,868
Finished goods	11,754,109	12,909,851
Work in progress	5,873,624	5,924,804
Spare parts	2,604,487	2,414,834
	<b>40,434,350</b>	<b>33,612,357</b>
Less: provision for obsolete and slow moving inventories	<b>(1,067,407)</b>	<b>(1,208,267)</b>
	<b>39,366,943</b>	<b>32,404,090</b>
Goods in transit and prepaid letters of credit	<b>1,952,742</b>	<b>2,018,098</b>
	<b>41,319,685</b>	<b>34,422,188</b>

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at 1 January	1,208,267	1,692,042
Charge for the year	72,885	-
Reversal of provision no longer required	(215,980)	(487,794)
Foreign currency adjustment	2,235	4,019
Balance at 31 December	<b>1,067,407</b>	<b>1,208,267</b>

### 14 Trade accounts receivable

	31 Dec. 2020 KD	31 Dec. 2019 KD
Trade accounts receivable	35,823,165	22,929,357
Less: provision for doubtful debts	<b>(6,217,043)</b>	<b>(5,851,038)</b>
	<b>29,606,122</b>	<b>17,078,319</b>

14.1 In measuring the expected credit losses, the trade accounts receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and nature of customers.



## Notes to the consolidated financial statements (continued)

### 14 Trade accounts receivable (continued)

The expected credit loss for the trade accounts receivable above at 31 December 2020 and 31 December 2019 was determined as follows:

	Current KD	More than 30 Days KD	More than 90 Days KD	More than 180 Days KD	More than a year KD	Total KD
<b>31 December 2020:</b>						
Total carrying amount	4,741,264	6,772,391	13,365,310	5,010,457	5,933,743	35,823,165
Less: Provision for doubtful debts	(96,392)	(113,273)	(105,034)	(59,997)	(5,842,347)	(6,217,043)
<b>Total trade accounts receivables</b>	<b>4,644,872</b>	<b>6,659,118</b>	<b>13,260,276</b>	<b>4,950,460</b>	<b>91,396</b>	<b>29,606,122</b>
<b>31 December 2019:</b>						
Total carrying amount	5,852,091	8,033,593	2,978,824	205,046	5,859,803	22,929,357
Less: Provision for doubtful debts	(8,505)	(11,145)	(76,542)	(9,136)	(5,745,710)	(5,851,038)
<b>Total trade accounts receivables</b>	<b>5,843,586</b>	<b>8,022,448</b>	<b>2,902,282</b>	<b>195,910</b>	<b>114,093</b>	<b>17,078,319</b>

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at 1 January	5,851,038	5,968,091
Charge for the year	389,923	111,944
Reversal of provision no longer required	(24,011)	(227,990)
Write off during the year	-	(942)
Foreign currency adjustment	93	(65)
<b>Balance at 31 December</b>	<b>6,217,043</b>	<b>5,851,038</b>

### 15 Other receivables are prepayments

	31 Dec. 2020 KD	31 Dec. 2019 KD
<b>Financial assets:</b>		
Staff receivable	52,972	152,590
Other receivables	286,477	682,906
	<b>339,449</b>	<b>835,496</b>
<b>Non-financial assets:</b>		
Prepaid expenses	318,083	255,801
	<b>657,532</b>	<b>1,091,297</b>

## Notes to the consolidated financial statements (continued)

### 16 Cash and cash equivalents

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Cash in hand	104,604	64,109
Cash held in managed portfolios	293,688	20,010,149
Bank balances	25,859,221	4,393,163
Total cash and bank balances	26,257,513	24,467,421
Less: due to bank	(18,694)	(925)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>26,238,819</b>	<b>24,466,496</b>

Due to bank 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.

### 17 Share capital and share premium

	31 Dec. 2020 KD	31 Dec. 2019 KD
Authorised, issued and fully paid in cash - 209,931,309 shares of 100 Fils each	20,993,131	20,993,131

Share premium is not available for distribution.

### 18 Treasury shares

	31 Dec. 2020	31 Dec. 2019
Number of shares	840,000	-
Percentage of issued shares	0.40%	-
Cost of treasury shares (KD)	454,480	-
Market value (KD)	625,800	-

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

### 19 Statutory, voluntary and general reserves

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

Distribution of statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

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

The board of directors decided to transfer an amount of KD644,870 (2019: KD478,212) to the general reserve.

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

## Notes to the consolidated financial statements (continued)

### 20 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 31 December 2019	43,064,933	495,544	43,560,477
Exchange differences arising on translation of foreign operations	-	10,095	10,095
Investments at fair value through OCI: - Net change in fair value arising during the year	14,341,348	-	14,341,348
Total other comprehensive income for the year	14,341,348	10,095	14,351,443
Profit on sale of investments at FVOCI (note 12)	(10,007,846)	-	(10,007,846)
Balance at 31 December 2020	47,398,435	505,639	47,904,074
Balance at 31 December 2018	24,102,073	489,998	24,592,071
Exchange differences arising on translation of foreign operations	-	5,546	5,546
Investments at fair value through OCI: - Net change in fair value arising during the year	23,814,771	-	23,814,771
Total other comprehensive income for the year	23,814,771	5,546	23,820,317
Profit on sale of investments at FVOCI (note 12)	(4,851,911)	-	(4,851,911)
Balance at 31 December 2019	43,064,933	495,544	43,560,477

### 21 Other payables and accruals

	31 Dec. 2020 KD	31 Dec. 2019 KD
Contribution to Kuwait Foundation for the Advancement of Sciences	111,751	47,660
National Labour Support Tax	359,938	139,267
Zakat	143,580	52,254
Directors' remuneration	310,000	310,000
Uncollected dividends	2,359,804	2,194,327
Accrued staff dues	2,721,447	2,432,013
Other liabilities	1,172,832	789,138
	7,179,352	5,964,659

### 22 Short term loans

	31 Dec. 2020 KD	31 Dec. 2019 KD
Kuwaiti Dinar facilities	3,646,476	916,050
USD facilities	-	2,741,400
	3,646,476	3,657,450

## Notes to the consolidated financial statements (continued)

### 22 Short term loans (continued)

The short-term loans denominated in Kuwaiti Dinar are unsecured and carry interest rate ranging from 0.75% to 1.25% (31 December 2019: 0.75% to 1.00%) per annum above Central Bank of Kuwait discount rate. Those loans mature on various dates ending 1 February 2021 and settled subsequently (2019: various dates ending 30 April 2020). The USD loans facilities carried interest rate of 1.75% (31 December 2019: 1.75%) per annum above three-month LIBOR. The Group settled the entire balance of the USD short term loan facilities during the year.

### 23 Ijara finance payable

	31 Dec. 2020 KD	31 Dec. 2019 KD
Ijara finance facility of KD130,000	-	130,000
	-	130,000

During the previous year, the Group (through its subsidiary) obtained ijara financing facility from a local Islamic financial institution to partly finance the purchase of a labours' residential building (note 10). Ijara finance carried an annual effective profit rate of 4.62%. The Group settled the entire balance of this Ijara facility during the year.

### 24 Murabaha payables

	31 Dec. 2020 KD	31 Dec. 2019 KD
USD murabaha facilities	-	3,469,106
	-	3,469,106

The murabaha facilities were obtained by the Group from a local Islamic bank and carried a profit rate of 1.98% (31 December 2019: 3.73%) per annum. The Group settled the entire balance of these USD murabaha facilities during the year.

### 25 General assembly of shareholders and dividends distribution

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of Parent Company propose for the year ended 31 December 2020 a cash dividend of 50 Fils per share of the paid-up share capital.

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.

## Notes to the consolidated financial statements (continued)

### 26 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 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
<b>31 December 2020:</b>			
Revenue	76,148,034	3,106,077	79,254,111
Segment profit	3,562,267	2,876,116	6,438,383
Unallocated expenses			(877,609)
Profit for the year			5,560,774
Additions to property, plant and equipment	566,574	-	566,574
Depreciation	1,093,924	-	1,093,924
Finance costs	326,456	70,623	397,079
Dividend income	-	3,069,163	3,069,163
Total assets	104,671,269	98,105,510	202,776,779
Total liabilities	(16,440,274)	(36,318)	(16,476,592)
Net assets	88,230,995	98,069,192	186,300,187
<b>31 December 2019:</b>			
Revenue	67,717,318	4,413,020	72,130,338
Segment profit	285,663	4,478,323	4,763,986
Unallocated expenses			(549,181)
Profit for the year			4,214,805
Additions to property, plant and equipment	3,350,776	-	3,350,776
Depreciation	1,002,087	-	1,002,087
Finance costs	336,632	154,872	491,504
Dividend income	-	4,313,762	4,313,762
Total assets	64,687,835	129,732,323	194,420,158
Total liabilities	(16,515,542)	(2,777,718)	(19,293,260)
Net assets	48,172,293	126,954,605	175,126,898

## Notes to the consolidated financial statements (continued)

### 26 Segmental information (continued)

Geographical information: -

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Revenue:		
Kuwait	65,218,686	54,736,898
Middle East	14,017,159	17,344,502
International	18,266	48,938
	<b>79,254,111</b>	<b>72,130,338</b>

### 27 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 other related parties are disclosed below.

	31 Dec. 2020 KD	31 Dec. 2019 KD
<b>Balances included in consolidated statement of financial position</b>		
Trade accounts payable	15,994	13,831
Purchase of property, plant and equipment	259,585	-
	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
<b>Amounts included in consolidated statement of profit or loss</b>		
Sales	142,227	382,015
Expenses	(5,618)	(2,400)
Reversal of provision for doubtful debts	-	353,267
<b>Key management compensation:</b>		
Salaries and other short term benefits	666,575	543,278
End of service benefits	59,666	86,434
Provision for directors' remuneration	310,000	310,000
	<b>1,036,241</b>	<b>939,712</b>

### 28 Contingent liabilities

Contingent liabilities at 31 December 2020 in respect of outstanding letters of guarantee amounted to KD5,284,878 (31 December 2019: KD4,244,215).

### 29 Capital commitments

At the year end, the Group had capital commitments to purchase new machinery and equipment amounting to KD30,160 (31 December 2019: KD54,753).



## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies

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

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

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

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

#### 30.1 Market risk

##### a) Foreign currency risk

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

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

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

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Bahraini Dinar	336,413	138,306
US Dollar	1,043,658	(2,977,230)

The foreign currency sensitivity is determined based on 2% (31 December 2019: 2%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

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

## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies (continued)

#### 30.1 Market risk (continued)

##### a) Foreign currency risk (continued)

	Profit for the year	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Bahraini Dinar	(6,728)	(2,766)
US Dollar	(20,873)	59,545
	(27,601)	56,779

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

##### b) Interest and profit rate risk

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

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

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and -1% (31 December 2019: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

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

	31 Dec. 2020		31 Dec. 2019	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit for the year	200,350	(200,350)	(41,429)	41,429

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

##### c) Price risk

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

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

## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies (continued)

#### 30.1 Market risk (continued)

##### c) Price risk (continued)

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

If equity prices had individually been 2% (31 December 2019: 2%) higher/lower, the effect on the equity would have been as follows:

	31 Dec. 2020		31 Dec. 2019	
	Increase 2% KD	Decrease 2% KD	Increase 2% KD	Decrease 2% KD
Investments at fair value through other comprehensive income:				
Impact on equity	1,933,427	(1,933,427)	2,172,323	(2,172,323)

#### 30.2 Credit risk

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

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Investments at fair value through other comprehensive income (note 12)	65,436,799	76,875,445
Trade accounts receivable	29,606,122	17,078,319
Other receivables excluding prepayments (note 15)	339,449	835,496
Bank balances and cash held in managed portfolios (note 16)	26,152,909	24,403,312
	<b>121,535,279</b>	<b>119,192,572</b>

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

#### 30.3 Liquidity risk

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

## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies (continued)

#### 30.3 Liquidity risk (continued)

The Group's maturity profile of financial liabilities based on discounted contractual arrangement is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Total KD
<b>31 December 2020:</b>				
<b>Liabilities</b>				
Trade accounts payable	-	1,702,884	-	1,702,884
Other payables and accruals	430,159	1,645,127	5,104,066	7,179,352
Short term loans	1,560,043	2,093,999	-	3,654,042
Due to banks	18,694	-	-	18,694
	<b>2,008,896</b>	<b>5,442,010</b>	<b>5,104,066</b>	<b>12,554,972</b>
<b>31 December 2019:</b>				
<b>Liabilities</b>				
Trade accounts payable	-	2,242,276	-	2,242,276
Other payables and accruals	121,788	1,258,924	4,583,947	5,964,659
Short term loans	-	3,687,074	-	3,687,074
Ijara finance payable	-	-	135,277	135,277
Murabaha payables	-	1,972,053	1,530,886	3,502,939
Due to banks	925	-	-	925
	<b>122,713</b>	<b>9,160,327</b>	<b>6,250,110</b>	<b>15,533,150</b>

### 31 Fair value measurement

#### 31.1 Fair value hierarchy

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

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

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

## Notes to the consolidated financial statements (continued)

### 31 Fair value measurement (continued)

#### 31.2 Fair value measurement of financial instruments

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

	31 Dec 2020 KD	31 Dec 2019 KD
<b>Financial assets:</b>		
<b>At amortised cost:</b>		
- Trade accounts receivable	29,606,122	17,078,319
- Other receivables excluding prepayments (note 15)	339,449	835,496
- Cash and bank balances	26,257,513	24,467,421
<b>Investments at fair value through other comprehensive income:</b>		
-At fair value	96,671,328	108,616,152
	<b>152,874,412</b>	<b>150,997,388</b>
<b>Financial liabilities:</b>		
<b>Financial liabilities at amortised cost:</b>		
-Trade accounts payable	1,702,884	2,242,276
-Other payables and accruals	7,179,352	5,964,659
-Short term loans	3,646,476	3,657,450
-Ijara finance payable	-	130,000
-Murabaha payables	-	3,469,105
-Due to banks	18,694	925
	<b>12,547,406</b>	<b>15,464,415</b>

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

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

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2020</b>				
<b>Investments at fair value through other comprehensive income:</b>				
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
	<b>51,307,011</b>	<b>4,141,405</b>	<b>41,222,912</b>	<b>96,671,328</b>

## Notes to the consolidated financial statements (continued)

### 31 Fair value measurement (continued)

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2019</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

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

#### Measurement at fair value

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

#### a) Quoted securities

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

#### b) Unquoted securities

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

#### c) Investment in managed funds

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

#### Level 3 fair value measurements

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



## Notes to the consolidated financial statements (continued)

### 31 Fair value measurement (continued)

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

##### Level 3 fair value measurements (continued)

	Unquoted securities Investments at fair value through other comprehensive income	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Opening balance	39,192,708	34,437,004
Additions	2,904,433	3,300,291
Disposals	(24,717)	(142,879)
Change in fair value	(849,512)	1,598,292
<b>Closing balance</b>	<b>41,222,912</b>	<b>39,192,708</b>

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

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

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

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

### 32 Capital management objectives

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

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

## Notes to the consolidated financial statements (continued)

### 32 Capital management objectives (continued)

The capital structure of the Group consists of the following:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Short term loans (note 22)	3,646,476	3,657,450
Ijara finance payable (note 23)	-	130,000
Murabaha payables (note 24)	-	3,469,106
Less: Cash and cash equivalents (note 16)	(26,238,819)	(24,466,496)
Net debt	(22,592,343)	(17,209,940)
Equity attributable to the owners of the Parent Company	185,858,389	174,675,376

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity attributable to the owners of the Parent Company as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Net debt	(22,592,343)	(17,209,940)
Total equity attributable to the owners of the Parent Company	185,858,389	174,675,376
Gearing ratio	(12%)	(10%)

### 33 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 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 COVID19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. However, management of the Group is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

Management has updated its assumptions with respect to judgements and estimates, discussed below, due to continued uncertainties in the volatile economic environment in which the Group conducts its operations.

#### Impairment of financial assets and Estimated Credit Losses (ECL)

The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID19 have been factored into the Group’s forecasts of future conditions, which may have resulted in an increase in its allowance for ECLs of trade and other receivables. This is to reflect:

- a greater probability of default across many customers, even those that currently do not exhibit significant increases in credit risk but may in the future, and
- a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

For the unquoted financial assets, the Group considered, among other factors, impacts of the volatility in the markets and affected sectors in its assessment of any indicators of impairment which represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants.

## Notes to the consolidated financial statements (continued)

### 33 Covid19 Pandemic Impact (continued)

#### Impairment of non-financial assets

The Group has performed an assessment for its equity accounted investments using various factors including considering the impact of COVID19 on entities operating in the similar sector, and compared the actual results for the period against the approved budgets and industry standards to determine any indicators of impairment. The assessment did not result into any material impact.

The Group has also considered any impairment indicators arising as a result of COVID19 and any significant uncertainties around other non-financial assets including its property, plant and equipment and inventories and concluded there is no material impact due to COVID19.

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets as at 31 December 2020 due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

#### Going concern

At each reporting date, management assesses the entity's ability to continue as a going concern and considers all available information about the future, which is at least, but is not limited to, twelve months from the annual reporting date. Management assessment of going concern included a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing, and the ability to continue providing services with due consideration for economic uncertainties resulting from COVID19. Although, the full impact of COVID19 continues to evolve, the results of current projections and assumptions show that the Group has adequate resources to continue its normal operations. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.

#### Contingencies and Commitments

The Group's assessment of anticipated losses on account of reduction in demand, meeting contractual obligations, supply chain disruptions or losses due to an overall decline in economic output as a result of COVID19 did not result into any matters that need disclosure in the consolidated financial statements.