

Interim condensed consolidated financial information and review report

Gulf Cable and Electrical Industries Company – KPSC

and Subsidiaries

Kuwait

30 June 2019 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Cable and Electrical Industries Company – KPSC (“Parent Company”) and its subsidiaries (“the Group”) as of 30 June 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2019 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
14 August 2019

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended (Unaudited)		Six months ended (Unaudited)	
		30 June 2019 KD	30 June 2018 KD	30 June 2019 KD	30 June 2018 KD
Revenue					
Sales		14,561,066	19,648,071	29,419,323	39,329,490
Cost of sales		(13,529,814)	(17,311,394)	(26,782,617)	(34,051,657)
Gross profit		1,031,252	2,336,677	2,636,706	5,277,833
Investment income	5	809,344	4,795,128	4,205,650	4,980,615
Share of results of associate	7	(57,768)	-	(57,768)	-
Interest income		1,784	4,384	7,933	7,272
Other income		6,710	2,072	14,424	6,303
Foreign currency exchange gain		118,308	38,483	189,799	294,597
		1,909,630	7,176,744	6,996,744	10,566,620
Expenses and other charges					
General and administrative expenses		(856,984)	(932,900)	(1,719,553)	(1,917,580)
Commercial expenses		(556,128)	(537,700)	(822,425)	(894,546)
Reversal of provision/(provision for) obsolete and slow moving inventories – net	9	41,956	(59,870)	100,385	(59,870)
Reversal of provision/(provision for) doubtful debts – net	10,11	353,267	(43)	448,926	(371,889)
Finance costs		(137,571)	(177,511)	(261,976)	(365,521)
		(1,155,460)	(1,708,024)	(2,254,643)	(3,609,406)
Profit for the period before income tax for overseas subsidiary		754,170	5,468,720	4,742,101	6,957,214
Income tax for overseas subsidiary		(3,352)	(1,053)	(11,802)	(1,053)
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		750,818	5,467,667	4,730,299	6,956,161
Provision for contribution to KFAS		(7,495)	(54,621)	(47,271)	(69,480)
Provision for NLST		(14,387)	(47,634)	(42,167)	(102,950)
Provision for Zakat		(3,755)	(18,053)	(14,775)	(39,811)
Provision for directors' remuneration		(77,500)	(77,500)	(155,000)	(155,000)
Profit for the period		647,681	5,269,859	4,471,086	6,588,920
Profit for the period attributable to:					
Owners of the Parent Company		646,473	5,264,243	4,467,952	6,580,741
Non-controlling interests		1,208	5,616	3,134	8,179
Profit for the period		647,681	5,269,859	4,471,086	6,588,920
Basic and diluted earnings per share attributable to the owners of the Parent Company	6	3 Fils	25 Fils	21 Fils	31 Fils

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

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2019 KD	30 June 2018 KD	30 June 2019 KD	30 June 2018 KD
Profit for the period	647,681	5,269,859	4,471,086	6,588,920
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(29,990)	80,421	(5,394)	73,177
Total other comprehensive (loss)/income that may be reclassified subsequently to consolidated statement of profit or loss	(29,990)	80,421	(5,394)	73,177
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>				
Equity investments at fair value through other comprehensive income				
- Net change in fair value arising during the period	3,599,121	(3,178,094)	15,138,450	3,773,086
Total other comprehensive income/(loss) that will not be reclassified subsequently to consolidated statement of profit or loss	3,599,121	(3,178,094)	15,138,450	3,773,086
Total other comprehensive income/(loss)	3,569,131	(3,097,673)	15,133,056	3,846,263
Total comprehensive income for the period	4,216,812	2,172,186	19,604,142	10,435,183
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	4,217,254	2,162,147	19,601,305	10,422,979
Non-controlling interests	(442)	10,039	2,837	12,204
	4,216,812	2,172,186	19,604,142	10,435,183

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

Interim condensed consolidated statement of financial position

	Notes	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		5,729,188	5,748,008	5,301,844
Investment in associate	7	990,506	1,048,274	1,050,000
Investments at fair value through other comprehensive income	8	119,274,386	104,832,534	102,449,904
		125,994,080	111,628,816	108,801,748
Current assets				
Inventories	9	43,271,301	39,657,430	45,813,385
Trade accounts receivable	10	13,303,160	18,031,129	18,553,408
Other receivables and prepayments	11	1,494,101	4,299,133	4,206,842
Investments at fair value through profit or loss		-	1	2
Cash and bank balances	12	5,497,419	3,608,819	3,164,306
		63,565,981	65,596,512	71,737,943
Total assets		189,560,061	177,225,328	180,539,691
Equity and liabilities				
Equity				
Share capital		20,993,131	20,993,131	20,993,131
Share premium		29,160,075	29,160,075	29,160,075
Statutory reserve		20,993,131	20,993,131	20,993,131
Voluntary reserve		20,993,131	20,993,131	20,993,131
General reserve		25,631,110	25,631,110	24,729,315
Other components of equity	13	39,213,926	24,592,071	20,184,677
Retained earnings		9,238,918	9,926,581	9,129,909
Total equity attributable to the owners of the Parent Company		166,223,422	152,289,230	146,183,369
Non-controlling interests		472,173	469,336	458,849
Total equity		166,695,595	152,758,566	146,642,218
Non-current liabilities				
Provision for employees' end of service benefits		3,902,527	3,713,622	3,611,781
Current liabilities				
Trade accounts payable		2,377,488	1,715,912	2,390,920
Other payables and accruals		4,998,228	7,591,174	7,594,545
Short term loans	14	6,443,651	7,951,613	10,855,091
Murabaha payables	15	4,470,244	3,471,953	9,417,538
Due to banks	12	672,328	22,488	27,598
		18,961,939	20,753,140	30,285,692
Total liabilities		22,864,466	24,466,762	33,897,473
Total equity and liabilities		189,560,061	177,225,328	180,539,691



Bader Naser Al-Kharafi
Chairman



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

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company									
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (note 13) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2018 (Audited)	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 16)	-	-	-	-	-	-	(5,667,113)	(5,667,113)	-	(5,667,113)
Transactions with owners	-	-	-	-	-	-	(5,667,113)	(5,667,113)	-	(5,667,113)
Profit for the period	-	-	-	-	-	-	4,467,952	4,467,952	3,134	4,471,086
Other comprehensive income/(loss)	-	-	-	-	-	15,133,353	-	15,133,353	(297)	15,133,056
Total comprehensive income for the period	-	-	-	-	-	15,133,353	4,467,952	19,601,305	2,837	19,604,142
Profit on sale of equity investments at FVTOCI (Note 8)	-	-	-	-	-	(511,498)	511,498	-	-	-
Balance at 30 June 2019 (Unaudited)	20,993,131	29,160,075	20,993,131	20,993,131	25,631,110	39,213,926	9,238,918	166,223,422	472,173	166,695,595
Balance at 31 December 2017 (Audited)	20,993,131	29,160,075	20,993,131	20,993,131	24,729,315	16,373,288	7,766,602	141,008,673	446,645	141,455,318
Cash dividend (Note 16)	-	-	-	-	-	-	(5,248,283)	(5,248,283)	-	(5,248,283)
Transactions with owners	-	-	-	-	-	-	(5,248,283)	(5,248,283)	-	(5,248,283)
Profit for the period	-	-	-	-	-	-	6,580,741	6,580,741	8,179	6,588,920
Other comprehensive income	-	-	-	-	-	3,842,238	-	3,842,238	4,025	3,846,263
Total comprehensive income for the period	-	-	-	-	-	3,842,238	6,580,741	10,422,979	12,204	10,435,183
Profit on sale of equity investments at FVTOCI (Note 8)	-	-	-	-	-	(30,849)	30,849	-	-	-
Balance at 30 June 2018 (Unaudited)	20,993,131	29,160,075	20,993,131	20,993,131	24,729,315	20,184,677	9,129,909	146,183,369	458,849	146,642,218

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

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2019 (Unaudited) KD	Six months ended 30 June 2018 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		4,471,086	6,588,920
Adjustments:			
Depreciation		492,676	523,842
Provision for employees' end of service benefits		368,452	708,981
Finance costs		261,976	365,521
Interest income		(37,039)	(31,609)
Dividend income		(4,154,546)	(4,830,907)
Other investment income		(14,661)	(33,143)
Gain on sale of investments at fair value through profit or loss		(690)	-
Share of results of associate		57,768	-
Gain on sale of equipment		(1,388)	(879)
(Reversal of provision) / provision for obsolete and slow moving inventories – net		(100,385)	59,870
(Reversal of provision)/provision for doubtful debts – net		(448,926)	371,889
Foreign exchange gain on non-operating liabilities		(3,821)	(17,760)
		890,502	3,704,725
Changes in operating assets and liabilities:			
Inventories		(3,513,486)	(544,729)
Trade accounts receivable		4,823,628	(490,814)
Other receivables and prepayments		3,163,572	(450,903)
Trade accounts payable		661,576	(120,934)
Other payables and accruals		(2,709,119)	(1,199,592)
Employees' end of service benefits paid		(179,547)	(29,504)
Net cash from operating activities		3,137,126	868,249
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(469,720)	(234,620)
Proceeds from sale of property, plant and equipment		1,388	880
Investment in associate		-	(1,050,000)
Purchase of Investments at fair value through other comprehensive income		(3,572,157)	(757,538)
Proceeds from sale of Investments at fair value through other comprehensive income		4,268,755	866,824
Proceeds from sale of investments at fair value through profit or loss		691	-
Dividend income received		4,154,546	4,830,907
Other investment income received		14,661	27,578
Interest income received		31,766	31,609
Movement in restricted bank balance		(2,600,000)	-
Net cash from investing activities		1,829,930	3,715,640
FINANCING ACTIVITIES			
Payment of cash dividends		(5,570,917)	(4,074,021)
Receipt of term loans		2,000,000	1,724,591
Repayment of term loans		(3,505,850)	-
Receipt of murabaha payables		1,000,000	3,472,053
Repayment of murabaha payables		-	(8,297,769)
Finance costs paid		(241,999)	(316,971)
Net movement in time deposit blocked against a letter of guarantee issued		-	3,543,780
Net cash used in financing activities		(6,318,766)	(3,948,337)
(Decrease)/increase in cash and cash equivalents		(1,351,710)	635,552
Foreign currency adjustment		(9,530)	45,241
Cash and cash equivalents at beginning of the period	12	3,586,331	2,455,915
Cash and cash equivalents at end of the period	12	2,225,091	3,136,708

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

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

The Group comprises the Parent Company and its subsidiaries.

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.

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

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

This interim condensed consolidated financial information for the six-month period ended 30 June 2019 was authorised for issue by the Parent Company’s board of directors on 14 August 2019.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2018, except for the changes described in note 3.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

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

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

Operating results for the six-month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the consolidated financial statements and their disclosures for the year ended 31 December 2018.

The Group has consolidated its subsidiaries using management accounts for the period ended 30 June 2019.

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 2019 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 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019

IFRS 16 Leases

IFRS 16 replaced IAS 17 and the related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged.

The adoption of this standard did not have a significant impact on this interim condensed consolidated financial information.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The adoption of these amendments did not result in any significant impact on the interim condensed consolidated financial information.

3.2 IASB Standards issued but not yet effective

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

4 Judgment and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018 except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment.

5 Investment income

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2019 KD	30 June 2018 KD	30 June 2019 KD	30 June 2018 KD
Dividend income	798,619	4,682,792	4,154,546	4,830,907
Other investment income	6,533	33,936	14,661	57,480
Gain on sale of investments at fair value through profit or loss	-	-	690	-
Interest income	22,816	-	29,106	-
Foreign currency exchange (loss)/gain	(18,624)	78,400	6,647	92,228
	809,344	4,795,128	4,205,650	4,980,615

Notes to the interim condensed consolidated financial information (continued)

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

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Profit for the period attributable to the owners of the Parent Company (KD)	646,473	5,264,243	4,467,952	6,580,741
Weighted average number of shares outstanding during the period (shares)	209,931,309	209,931,309	209,931,309	209,931,309
Basic and diluted earnings per share attributable to the owners of the Parent Company	3 Fils	25 Fils	21 Fils	31 Fils

7 Investment in associate

Details of the investment in associate is given below:

Name	Country of incorporation	Ownership percentage			Principal activities
		30 June 2019 (Unaudited) %	31 Dec. 2018 (Audited) %	30 June 2018 (Unaudited) %	
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	47.5	47.5	47.5	Financing and investment

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

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Carrying amount at the beginning of the period/year	1,048,274	-	-
Investment made during the period/year	-	997,500	1,050,000
Share of results for the period/year	(57,768)	50,774	-
Carrying amount at the end of period/year	990,506	1,048,274	1,050,000

The Group's share of result of associate has been accounted for using equity method based on management accounts as at and for the period ended 30 June 2019.

Notes to the interim condensed consolidated financial information (continued)

8 Investments at fair value through other comprehensive income

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

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Local quoted securities held through managed portfolios	57,980,513	53,018,564	52,576,779
Local unquoted securities held through managed portfolios	4,772,431	4,965,691	5,339,645
Foreign quoted securities held through managed portfolios	21,431,489	15,300,425	16,671,641
Foreign unquoted securities held through managed portfolios	3,300,291	-	-
Foreign unquoted securities	29,553,769	29,462,903	25,857,522
Local unquoted securities	7,500	8,410	8,410
Local managed fund	2,228,393	2,076,541	1,995,907
	119,274,386	104,832,534	102,449,904

These investments are held in equity instruments for medium to long term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as investments at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these investments in the statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

During the period, the Group invested an amount equivalent to KD3,300,291 in an unquoted shares in the Kingdom of Saudi.

During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD3,757,257 (30 June 2018: KD835,975) for a total consideration of KD4,268,755 (30 June 2018: KD866,824) resulting in a profit of KD511,498 (30 June 2018: KD30,849) recognized directly in retained earnings within equity.

Managed fund includes investment 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 believe that this represent the best estimate of fair value available for these investments.

9 Inventories

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Raw materials	18,296,450	12,263,722	19,249,416
Finished goods	14,258,183	15,139,335	15,327,883
Work-in-progress	7,026,601	6,618,047	6,067,424
Spare parts	2,061,472	2,076,216	2,016,278
	41,642,706	36,097,320	42,661,001
Less: provision for obsolete and slow moving inventories	(1,591,442)	(1,692,042)	(2,012,086)
	40,051,264	34,405,278	40,648,915
Goods in transit and prepaid letters of credit	3,220,037	5,252,152	5,164,470
	43,271,301	39,657,430	45,813,385

Notes to the interim condensed consolidated financial information (continued)

10 Trade accounts receivable

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Trade accounts receivable	19,175,221	23,999,220	24,716,444
Less: provision for doubtful debts	(5,872,061)	(5,968,091)	(6,163,036)
	13,303,160	18,031,129	18,553,408

11 Other receivables are prepayments

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Financial assets:			
Staff receivable	108,171	106,022	97,601
Amount due from related party – net (see a below)	-	3,273,892	3,267,901
Advance towards purchase of investment	-	-	300,900
Brokers receivables	699,465	468,086	-
Other receivables	206,848	106,698	104,752
	1,014,484	3,954,698	3,771,154
Non-financial assets:			
Prepaid expenses	479,617	344,435	435,688
	1,494,101	4,299,133	4,206,842

- a) During the period, the Group received the total balance due from related party. Accordingly, the provision for doubtful debt of KD353,267 which was previously recognised has been reversed in full during the period ended 30 June 2019 (note 18).

12 Cash and cash equivalents

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

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Cash in hand	64,642	124,847	20,866
Cash held in managed portfolios	243,107	185,193	191,031
Restricted bank balance (see a below)	2,600,000	-	-
Bank balances	2,589,670	3,298,779	2,952,409
Total cash and bank balances	5,497,419	3,608,819	3,164,306
Less: due to banks	(672,328)	(22,488)	(27,598)
Less: restricted bank balance	(2,600,000)	-	-
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	2,225,091	3,586,331	3,136,708

- a) This represents the total consideration restricted by a local bank for the purpose of purchasing a building for accommodation of the Parent Company's employees.

Notes to the interim condensed consolidated financial information (continued)

13 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 31 December 2018 (Audited)	24,102,073	489,998	24,592,071
Exchange differences arising on translation of foreign operations	-	(5,097)	(5,097)
Investments at fair value through other comprehensive income:			
- Net change in fair value arising during the period	15,138,450	-	15,138,450
Total other comprehensive income/(loss) for the period	15,138,450	(5,097)	15,133,353
Profit on sale of equity investments at FVTOCI (note 8)	(511,498)	-	(511,498)
Balance at 30 June 2019 (Unaudited)	38,729,025	484,901	39,213,926
Balance at 31 December 2017 (Audited)	15,962,062	411,226	16,373,288
Exchange differences arising on translation of foreign operations	-	69,152	69,152
Investments at fair value through other comprehensive income:			
- Net change in fair value arising during the period	3,773,086	-	3,773,086
Total other comprehensive income for the period	3,773,086	69,152	3,842,238
Profit on sale of equity investments at FVTOCI (note 8)	(30,849)	-	(30,849)
Balance at 30 June 2018 (Unaudited)	19,704,299	480,378	20,184,677

14 Short term loans

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Kuwait Dinar facilities	2,000,000	-	-
USD facilities	4,443,651	7,951,613	10,855,091
	6,443,651	7,951,613	10,855,091

The short term loans denominated in Kuwaiti Dinar are unsecured and carry interest rate ranging from 3.75% to 4.25% per annum above Central Bank of Kuwait discount rate. The loans mature various dates ending on 30 July 2019 and were renewed subsequently. The USD loans facilities carry interest rate of 1.75% (31 December 2018: 1.75% and 30 June 2018: 1.75%) per annum above three-month LIBOR. The loans mature on 1 September 2019 (31 December 2018: various dates ending 1 March 2019 and 30 June 2018: various dates ending 30 September 2018).

Notes to the interim condensed consolidated financial information (continued)

15 Murabaha payables

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Kuwait Dinar murabaha facility	1,000,000	-	-
USD murabaha facilities	3,470,244	3,471,953	9,417,538
	4,470,244	3,471,953	9,417,538

The murabaha facilities were granted to the Group by a local Islamic Bank and carry profit rate ranging from 4.25% to 4.46% (31 December 2018: 4.28% and 30 June 2018: 4.14%) per annum. The murabaha payables mature on various dates ending on 26 November 2019 and are renewable (31 December 2018: various dates ending on 4 March 2019 and 30 June 2018: various dates ending on 7 November 2018, renewable).

16 General Assembly of the Shareholders and dividend distribution

The annual general assembly of the shareholders held on 27 March 2019 approved the consolidated financial statements of the Group for the year ended 31 December 2018 and cash dividend of 27% (2017: 25%) equivalent to 27 Fils (2017: 25 Fils) per share of the paid up share capital amounting to KD5,667,113 for the year ended 31 December 2018 (2017: KD5,248,283).

Further, the shareholders approved the board of directors' remuneration of KD310,000 for the year ended 31 December 2018 (2017: KD310,000) and was paid following that approval.

17 Segmental information

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

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

	Cable manufacture KD	Investment KD	Total KD
For the three months ended 30 June 2019 (Unaudited):			
Revenue	14,561,066	751,576	15,312,642
Segment (loss)/profit	(248,671)	1,002,841	754,170
Unallocated expenses			(106,489)
Profit for the period			647,681
Additions to property, plant and equipment	165,709	-	165,709
Depreciation	238,302	-	238,302
Finance costs	68,174	69,397	137,571
Dividend income	-	798,619	798,619

Notes to the interim condensed consolidated financial information (continued)

17 Segmental information (continued)

	Cable manufacture KD	Investment KD	Total KD
For the six months ended 30 June 2019 (Unaudited):			
Revenue	29,419,323	4,147,882	33,567,205
Segment profit	404,525	4,337,576	4,742,101
Unallocated expenses			(271,015)
Profit for the period			4,471,086
Additions to property, plant and equipment	469,720	-	469,720
Depreciation	492,676	-	492,676
Finance costs	162,283	99,693	261,976
Dividend income	-	4,154,546	4,154,546
Total assets	69,010,471	120,549,590	189,560,061
Total Liabilities	(20,085,848)	(2,778,618)	(22,864,466)
Net assets	48,924,623	117,770,972	166,695,595
For the three months ended 30 June 2018 (Unaudited):			
Revenue	19,648,071	4,795,128	24,443,199
Segment profit	755,310	4,713,410	5,468,720
Unallocated expenses			(198,861)
Profit for the period			5,269,859
Additions to property, plant and equipment	118,443	-	118,443
Depreciation	261,735	-	261,735
Finance costs	126,843	50,668	177,511
Dividend income	-	4,682,792	4,682,792
For the six months ended 30 June 2018 (Unaudited):			
Revenue	39,329,490	4,980,615	44,310,105
Segment profit	2,486,725	4,470,489	6,957,214
Unallocated expenses			(368,294)
Profit for the period			6,588,920
Additions to property, plant and equipment	234,620	-	234,620
Depreciation	523,842	-	523,842
Finance costs	270,494	95,027	365,521
Dividend income	-	4,830,907	4,830,907
Total assets	73,238,026	107,301,665	180,539,691
Total Liabilities	(28,687,205)	(5,210,268)	(33,897,473)
Net assets	44,550,821	102,091,397	146,642,218

Notes to the interim condensed consolidated financial information (continued)

18 Related party balances and transactions

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

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Trade accounts receivable (net)	-	-	1,079
Other receivables and prepayments (net) – note 11	-	3,273,892	3,267,901
Trade accounts payables	14,182	32,460	10,061
	Three months ended		Six months ended
	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD
			30 June 2018 (Unaudited) KD
Interim condensed consolidated statement of profit or loss:			
Sales	12,060	31,132	281,462
Expenses	-	(533)	(1,200)
Reversal of/(provision for) doubtful debts – (note 11)	353,267	-	353,267
			(353,267)
Key management compensation:			
Salaries and other short term benefits	115,657	130,823	241,485
End of service benefits	33,328	34,490	41,656
Provision for directors' remuneration	77,500	77,500	155,000
	226,485	242,813	438,141
			490,103

19 Contingent liabilities

Contingent liabilities at 30 June 2019 in respect of outstanding letters of guarantee amounted to KD5,381,672 (31 December 2018: KD6,278,944 and 30 June 2018: KD6,565,466).

20 Capital commitments

At the period end, the Group had capital commitments to purchase new machinery and equipment amounting to KD67,663 (31 December 2018: KD238,176 and 30 June 2018: KD719,234).

21 Fair value measurement

21.1 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.

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

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

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

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

21.2 Fair value measurement of financial instruments

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

30 June 2019 (Unaudited):	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	57,980,513	-	-	57,980,513
Local unquoted securities held through managed portfolios	-	-	4,772,431	4,772,431
Foreign quoted securities held through managed portfolios	21,431,489	-	-	21,431,489
Foreign unquoted securities held through managed portfolios	-	-	3,300,291	3,300,291
Foreign unquoted securities	-	-	29,553,769	29,553,769
Local unquoted securities	-	-	7,500	7,500
Local managed fund	-	2,228,393	-	2,228,393
	79,412,002	2,228,393	37,633,991	119,274,386
31 December 2018 (Audited):				
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	53,018,564	-	-	53,018,564
Local unquoted securities held through managed portfolios	-	-	4,965,691	4,965,691
Foreign quoted securities held through managed portfolios	15,300,425	-	-	15,300,425
Foreign unquoted securities	-	-	29,462,903	29,462,903
Local unquoted securities	-	-	8,410	8,410
Local managed fund	-	2,076,541	-	2,076,541
	68,318,989	2,076,541	34,437,004	104,832,534

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 June 2018 (Unaudited):				
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	52,576,779	-	-	52,576,779
Local unquoted securities held through managed portfolios	-	-	5,339,645	5,339,645
Foreign quoted securities held through managed portfolios	16,671,641	-	-	16,671,641
Foreign unquoted securities	-	-	25,857,522	25,857,522
Local unquoted securities	-	-	8,410	8,410
Local managed fund	-	1,995,907	-	1,995,907
	69,248,420	1,995,907	31,205,577	102,449,904

Measurement at fair value

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

Level 3 fair value measurements

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

	(Unquoted securities) (Investments at fair value through OCI)		
	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Opening balance at the beginning of the period/year	34,437,004	30,802,708	30,802,708
Additions	3,300,291	69	69
Transfer from AFS investments previously measured at cost	-	589,368	142,971
Disposals	-	(1,063,101)	(36,893)
Net changes in fair value	(103,304)	4,107,960	296,722
Closing balance at the end of period/year	37,633,991	34,437,004	31,205,577

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

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

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.2 Fair value measurement for financial instruments (continued)

Level 3 fair value measurements (continued)

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

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

22 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2018.