شركة الخليج للكابلات والصناعات الكهربائية - ش.م.ك.ع

Gulf Cable & Electrical Industries Co. K.S.C.P

2020

ANNUAL REPORT

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

His Highness Sheikh

Nawaf Al-Ahmed Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness Sheikh

Mishal Al-Ahmed Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

GULF CABLE AND ELECTRICAL INDUSTRIES COMPANY K.S.C.P

Commercial Registration No. : 23213
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24645500
Fax : 24675305 - 24675850
P.O. Box : 1196 Al-Safat 13012 Kuwait
Website : www.gulfcable.com
E-mail : info@gulfcable.com

Address

Al-Sulaibiya - Fifth Street - Area 11A

Main Banks

National Bank of Kuwait
Boubyan Bank
Gulf Bank
Burgan Bank

Independent Auditor

Abdullatif M. Al-Aiban (CPA)
Grant Thornton - Al Qatami, Al Aiban & Partners

CONTENTS

BOARD OF DIRECTORS

Gulf Cable and Electrical Industries Company K.S.C.P

Mr. Bader Naser Mohammad Al-Kharafi
Chairman

Mr. Asaad Ahmad Omran Al-Banwan
Vice Chairman

Mr. Bader Mohammad Abdul-Wahab Al-Juan
Board Member

Mr. Sabah Khalid Saleh Al-Ghunaim
Board Member

Mr. Jaheel Mohammad Abdul Rahman Al-Jaheel
Board Member

Mr. Jamal Naser Hamad Al-Falah
Board Member

Mr. Yousuf Ibrahim Yusuf Al-Raqm
Board Member

Mr. Mohammad Saad Mohammad Al-Saad
Board Member

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of myself and the Board of Directors of Gulf Cable & Electrical Industries Company K.S.C.P (the Company), I am truly honored to welcome you to the 44th annual meeting of the Ordinary General Assembly of Gulf Cable & Electrical Industries Company, to present to you a performance overview of the Company and its Subsidiaries (the Group) for the fiscal year ended December 31, 2020, its financial and administrative reports and to highlight other issues of concern to the future of our leading Company, which we aspire to make qualitative achievements during the coming period.

Dear Shareholders,

As you know that during the first months of 2020, the sudden outbreak of the novel coronavirus (Covid-19 pandemic), on a global scale has impacted normal operations of businesses, financial markets and other economic activities, including our Company, with the collapse of oil prices in an unprecedented way in our contemporary history, as the pandemic is still casting its shadow on all fronts of life until today.

The Board of Directors dealt with the Covid-19 pandemic efficiently and managed to meet the needs of the local market in the public and private sectors. This effort had a positive impact on the Company's profitability and was reflected on its financial results for 2020. The Board of Directors managed to retain the Company's human resources. Moreover, the Group's management conducted an assessment of Covid-19 pandemic impact on its core operational activities, we expect our day-to-day business operations to remain largely unaffected without any adverse impact, although it is not possible to accurately access the future impact of the Covid-19 pandemic at this stage.

Production:

Despite the repercussions of Covid-19 pandemic in 2020, the Company realized growth in the quantities of produced cables at the rate of 26.5%, as the Group's production quantity in 2020 amounted to 54.784 thousand tons, compared to 43.302 thousand tons in 2019. The following table shows the production quantity of copper and aluminum cables in 2020 and 2019:

Cable production in tons:

Description	2020 Tonnage	2019 Tonnage	Increase / (Decrease) %
Copper Cables	39,304	35,507	10.7%
Aluminum Cables	15,480	7,795	98.6%
Total Copper and Aluminum Cables	**54,784**	**43,302**	**26.5%**

The table above shows an increase in the production quantity of copper cables in 2020 by 10.7% compared to 2019, while the production quantities of aluminum cables nearly doubled, because of an increase in demand due to their low prices compared to copper cables

Sales:

In 2020, the Group's sales amounted to KD 76.148 Mn, compared to KD 67.717 Mn in 2019, an increase of 12.5%, despite the negative impact of Gulf Cable and Multi Industries Co. Jordan's sales due to the continuing current conditions in Jordan's neighboring countries, the repercussions of Covid-19 pandemic and the complete shutdown. The Company managed to make up for the drop in Jordan's sales by increasing its sales in Kuwait by 23%, as shown on the table below:

Description	2020 (KD, Mn)	2019 (KD, Mn)	Increase / (Decrease) %
Kuwait's Sales	62.795	51.001	23.1%
Jordan's sales	13.353	16.716	(20.1%)
Total	**76.148**	**67.717**	**12.5%**

Investments:

Income from investments amounted to KD 3.11 Mn in 2020 compared to KD 4.41 Mn in 2019. This decline is mainly attributed to the decrease of cash dividends distribution revenues to KD 1.24 Mn.

The Group's net profits amounted to KD 5.57 Mn in 2020 compared to KD 4.23 Mn in 2019, an increase of 31.61%, after the deduction of KD 0.88 Mn for the Group's contribution in Kuwait Foundation for the Advancement of Sciences, the National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration (KD 0.55 Mn in 2019).

Meanwhile finance costs amounted to KD 0.40 Mn (KD 0.49 Mn in 2019), provisions increased to KD 0.46 Mn (KD 0.11 Mn in 2019), and there was a reversal of provisions of KD 0.24 Mn (KD 0.72 Mn in 2019). The Group realised no asset impairment in 2020 compared to KD 0.38 Mn in 2019. Total general, administrative expenses and commercial expenses amounted to KD 5.28 Mn (KD 5.58 Mn in 2019).

Human Resources and Administration

Labor

1. Parent Company's Factories - Kuwait

In 2020, certain changes that were made to the technical and administrative sectors, resulted in a decrease in the total number of employees from 722 in 2019 to 715 in 2020 in both technical and administrative staff, which represents 0.97% decrease.

2. The Company's factories Complex - Jordan

In 2020, certain changes were made to the technical and administrative sectors, resulted in a decrease in the total number of employees from 305 in 2019 to 299 in 2020 in both technical and administrative staff, which represents 1.97% decrease.

Training and General Activities (Kuwait & Jordan)

- The Company's management focused on training its labour force through in-house training programs and encouraged remote work. This allowed our employees to develop their skills and avoid any interruption of the day to day operations of the Company.
- Due to the repercussions of Covid-19 pandemic, social service activities were postponed in compliance with health measures required by the authorities, especially training students of Kuwait University or the other institutes, which the Company runs annually.
- The Company's management still honours the employees who served the Company for more than 20 years and applied for retirement, in recognition of their sincere efforts in the development of the Company and its business.

Dear Shareholders,

The Board of Directors approved the final financial statements on March 29, 2021. The Parent Company's net shareholders equity amounted to KD 185.86 Mn in 2020 compared to KD 174.68 Mn in 2019, an increase of KD 11.18 Mn or 6.40%.

The Board of Directors recommended the distribution of cash dividends to shareholders of 50% of the share nominal value, i.e. fifty (50) Fils per share, for the financial year ended December 31, 2020, compared to 40% cash dividends in 2019.

The Board of Directors also recommended the distribution of KD 310,000 (Kuwaiti Dinar three hundred ten thousand only) as Board of Directors' remuneration for the financial year ended December 31, 2020, noting that both recommendations are subject to the approval of the Ordinary General Assembly and Official Authorities.

Appreciation & Gratitude

In conclusion, I would like to seize this opportunity to extend my sincere gratitude and appreciation to all members of the Board of Directors, shareholders, customers and all staff for their continuous effort and support.

Best Regards,

Bader Naser Al-Kharafi

Chairman

PERFORMANCE HIGHLIGHTS

Sales
+12.4%
76.2m in 2020
67.7m in 2019

Net Profit
+31.9%
5.6m in 2020
4.2m in 2019

Tonnage ('000')
+26.5%
54.8MT in 2020
43.3MT in 2019

Assets
+4.3%
202.8m in 2020
194.4m in 2019

Borrowings & Finance Payables
-49.5%
3.7m in 2020
7.3m in 2019

EPS
+35%
5.6m in 2020
4.2m in 2019

Equity
+6.4%
186.3m in 2020
175.1m in 2019

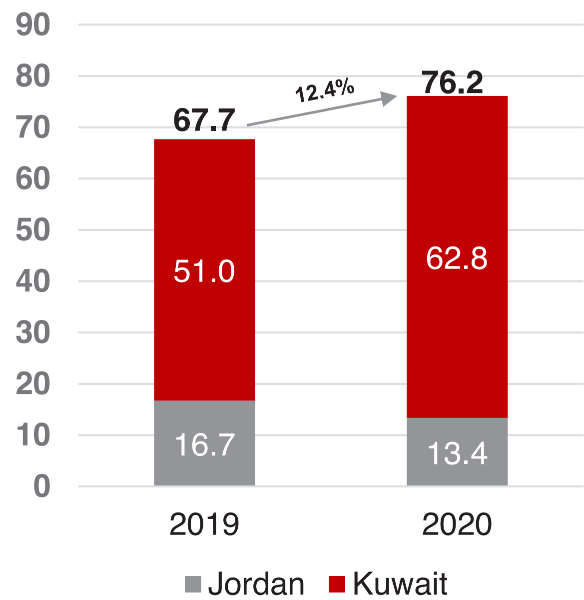
Dividends
+25%
50 fils[1] in 2020
40 fils in 2019

Note: all amounts in KD

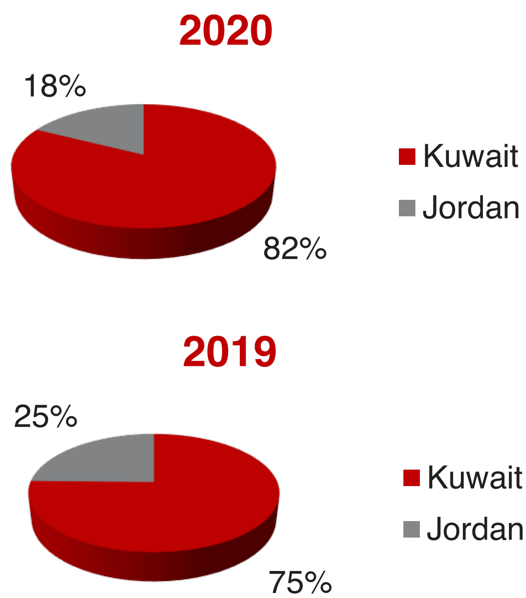
[1] Proposed by the Board of Directors and subject to General Assembly approval

FINANCIAL OVERVIEW - Group

Total Sales
Million - KD



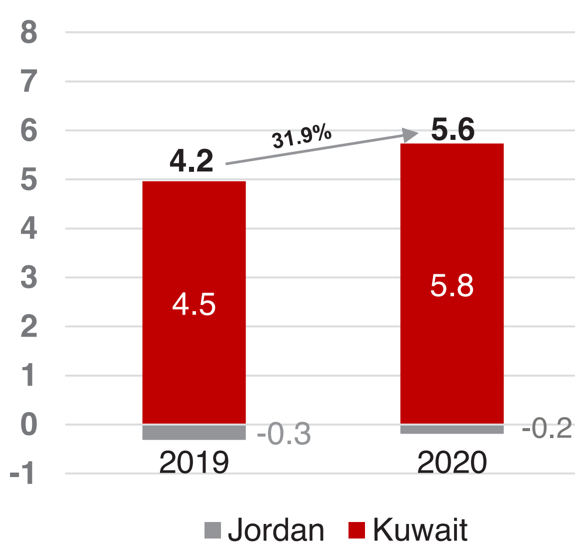
Total Sales Breakdown by Country



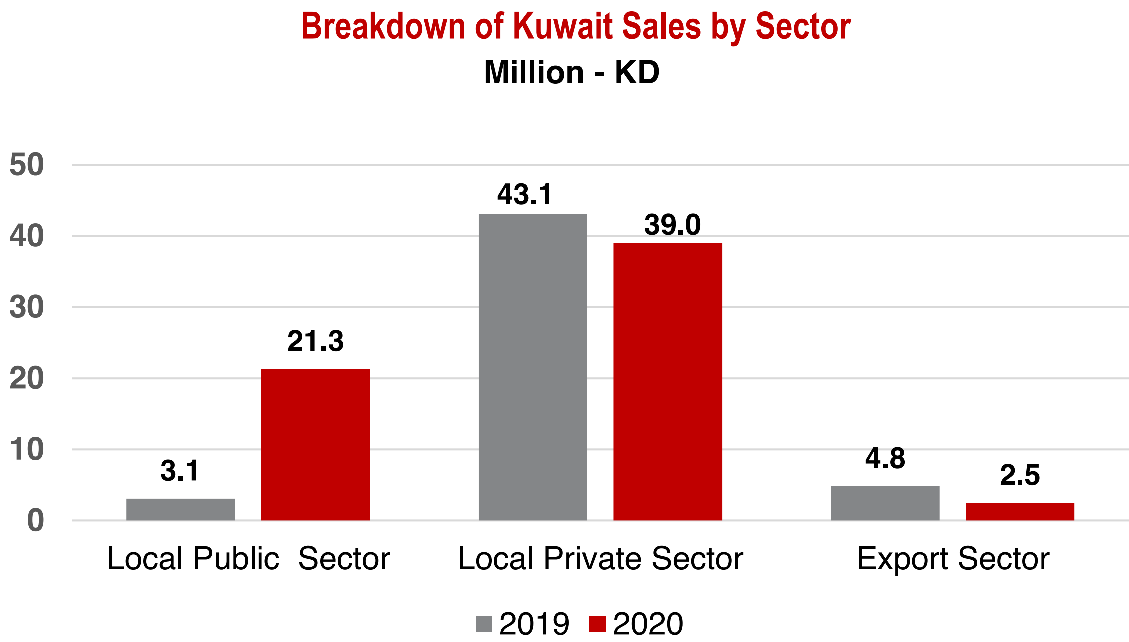
In 2020:

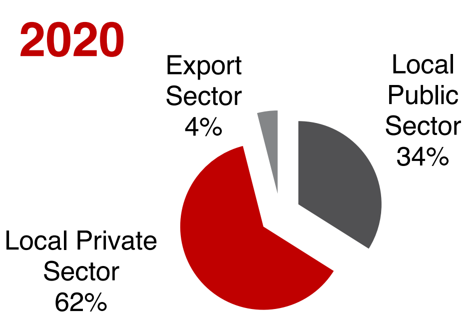
- Total sales for the Group grew by 12.4% compared to 2019.
- Gulf Cable Kuwait's sales increased by 23.1% compared to 2019.
- Gulf Cable Jordan's sales decreased by 20.1% compared to 2019.
- Kuwait performed better in 2020 as it increased its share in total sales from 75% in 2019 to 82% in 2020.
- Net profit for Group increased by 31.9% compared to 2019.
- Investment income represents 55.1% of net profit in 2020 while in 2019, it amounted to 104.3% (KD4.4m).

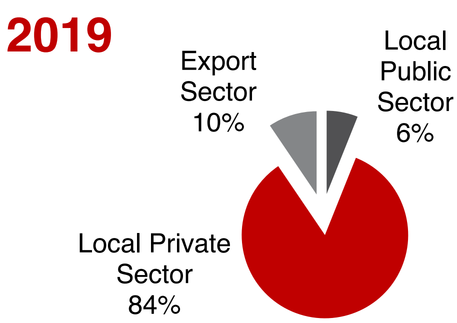
Net Profit Breakdown by Country
Million - KD



FINANCIAL OVERVIEW – Gulf Cable Kuwait







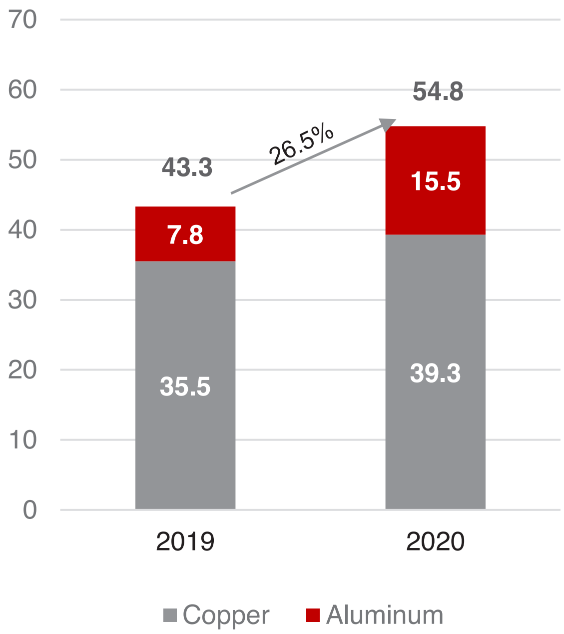
Description (Million, KD)	2020	2019	Change	% Change
Local Public Sector	21.3	3.1	18.2	587.1%
Local Private Sector	39.0	43.1	-4.1	-9.5%
Export Sector	2.5	4.8	-2.3	-47.9%
Total Sales	62.8	51.0	11.8	23.1%

In 2020:

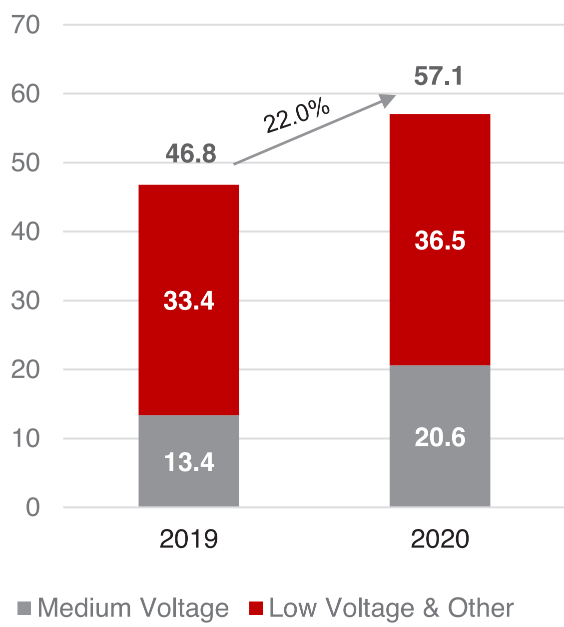
- Sales for the Local Public Sector grew by 587.1%, mainly due to government tenders awarded to Gulf Cable Kuwait.
- Sales for the Private Sector declined by 9.5% compared to 2019 due to the impact of COVID-19 pandemic and lockdowns, where most of local and GCC construction projects remained suspended or postponed.
- Export Sector sales decreased by 47.9% compared to 2019, which was impacted by the closure of GCC borders.

FINANCIAL OVERVIEW - Production and Sales Weight

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



Sales Breakdown by Product (weight)
Quantity in ('000') Metric Tons



Production Breakdown by Material	2020 MT	2019 MT	% Change
Copper Cables (Low & Medium Voltage) various sizes and specifications	39,304	35,507	10.7%
Aluminum Cables (Low & Medium Voltage) various sizes and specifications	15,480	7,795	98.6%
Total Copper & Aluminum Cables	54,784	43,302	26.5%

Sales Breakdown by Product (weight)	2020 MT	2019 MT	% Change
Medium Voltage Cables	20,607	13,388	53.9%
Low Voltage and Other Cables	36,452	33,419	9.1%
Total Cables	57,059	46,807	21.9%

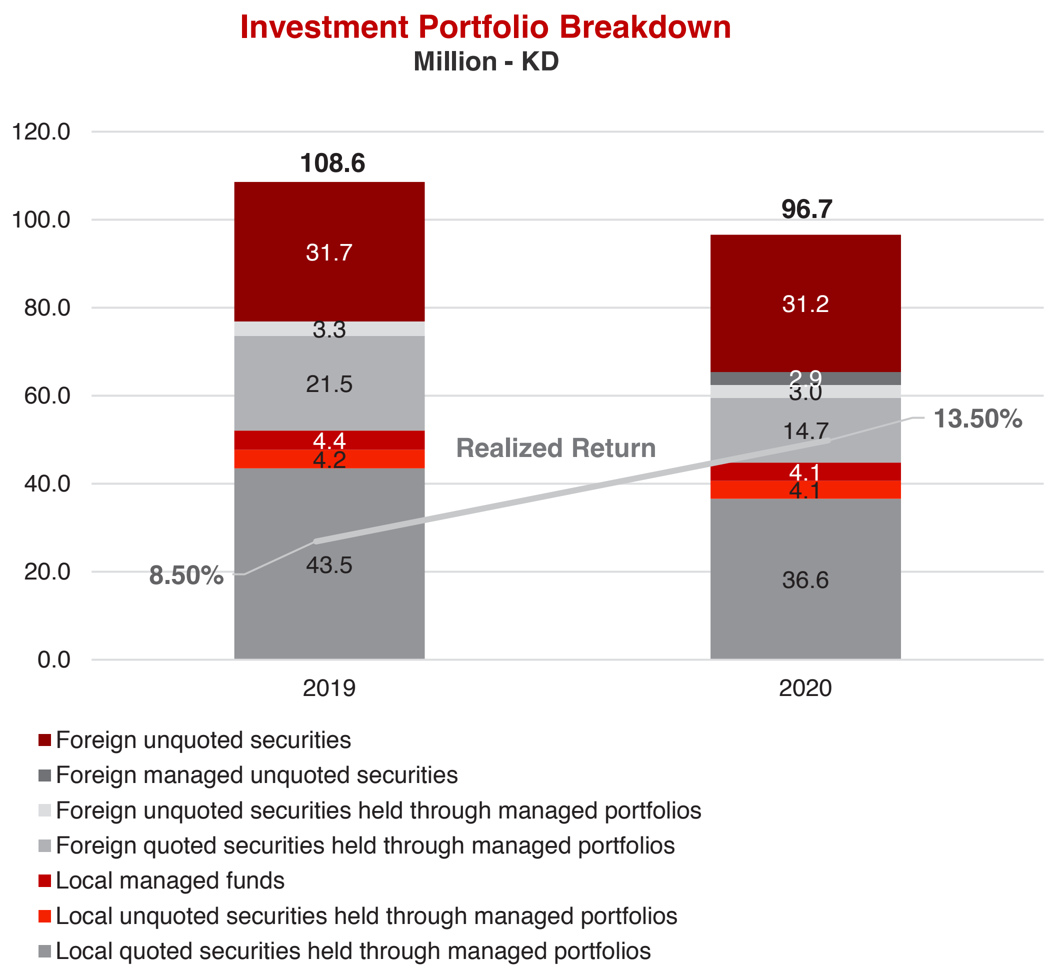
- Despite the repercussions of the COVID-19 pandemic during the year 2020, the Group achieved a growth in the quantities of cables produced at a rate of 26.5%.
- The production quantities of aluminum cables nearly doubled, due to the increase in demand as a result of their low prices compared to copper cables.
- The sales weight of medium voltage cables has increased by a significant 53.9% as a result of increased demand.

FINANCIAL OVERVIEW - Ratio Analysis

Ratios	2020	2019	Change
Profitability			
Gross Profit Margin - %	11.5%	8.1%	↑ 3.4%
EBITDA Margin - %	10.4%	9.2%	↑ 1.2%
Net Margin - %	7.3%	6.2%	↑ 1.1%
ROA on Average Assets - % (with investment income)	2.8%	2.3%	↑ 0.5%
ROE on Average Equity - % (with investment income)	3.1%	2.6%	↑ 0.5%
Leverage			
Total Debt Percentage of Total Assets	1.8%	3.7%	↓ -1.9%
Debt to Equity Ratio	2.0%	4.1%	↓ -2.1%
Interest Coverage Ratio	17.2	10.7	↑ 6.5
Liquidity			
Current Ratio	7.8	5.0	↑ 2.8
Quick Ratio	4.5	2.8	↑ 1.7
Working Capital to Total Assets	0.4	0.3	↑ 0.1

- Group's gross profit margin increased from 8.1% to 11.5% between 2019 to 2020. This was partly due to reduced cost of sales and partly due to the government projects and tenders that carried higher profit margins. These factors also resulted in a higher net margin in 2020 as compared to 2019, 7.3% and 6.2% respectively.
- Group's interest coverage ratio grew from 10.7x in 2019 to 17.2x in 2020 due to lower total debt and higher EBITDA during the period.
- The Group also saw its current ratio levels rise from 5.0x in 2019 to 7.8x in 2020 mainly as accounts receivables and inventory levels increased.

FINANCIAL OVERVIEW - Investments At FVOCI



- The Group realized an overall return of 13.5% from investment income and profit on sale of investment in 2020 compared to 8.5% in 2019.
- These investments are held in equity instruments for medium to long term strategic objectives. The Group intends to hold these investments for a long-term period.
- During the year, the Group sold investments at fair value through other comprehensive income with a total cost of KD 37.5m for a total consideration of KD 47.5m resulting in a profit of KD 10.0m 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 investment managers.
- Realized return on investments: investment income plus profit on sale of investment at FVOCI divided by investments at FVOCI.

ANNUAL CORPORATE GOVERNANCE REPORT

Gulf Cable & Electrical Industries Co. -K.S.C.P.

For the Financial Year Ended

31 December 2020

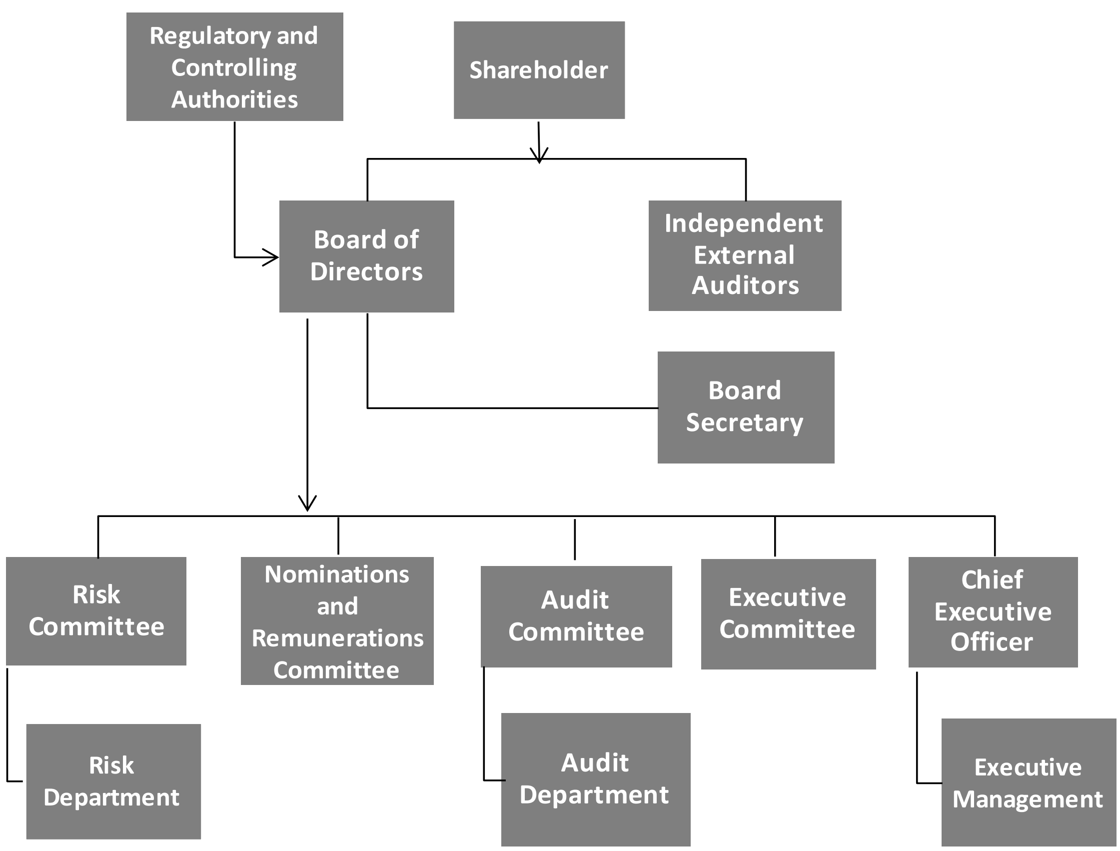
Introduction

Gulf Cable & Electrical Industries Co. (herein after referred to as "Gulf Cable" or "the Company") is committed to do its business in accordance with the laws and regulations related to governance, as well as the Companies' Law and laws issued by Capital Markets Authority ("CMA").

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

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

Governance Framework Within the Company



FIRST RULE

Building a Balanced Structure for the Board of Directors

- **Composition of the Board**

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

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

Name	Title	Classification of the Member (Executive / Non-Executive / Independent) Secretary	Academic qualification and work experience	Date of the first election / appointment of the Secretary
Bader Naser Al-Kharafi	Chairman	Non-Executive	Master of Business Administration	March 2004
Asaad Al-Banwan	Vice Chairman	Non-Executive (Independent)	University Degree	April 1996
Bader Mohammad Abdul-Wahab Al-Juan	Board Member	Non-Executive	University Degree	October 1993
Sabah Khalid Saleh Al-Ghunaim	Board Member	Non-Executive	University Degree	December 1995
Jamal Naser Hamad Al Falah	Board Member	Non-Executive	University Degree	January 2007
Juhail Mohammad Abdul-Rahman Al-Juhail	Board Member	Non-Executive	University Degree	April 2004
Yousef Ibrahim Yousef Al-Raqm	Board Member	Non-Executive	University Degree	January 2007
Mohammad Saad Mohammad Al-Saad	Board Member	Non-Executive	University Degree	April 2007
Naser Omran Kanaan	Board Secretary	Board Secretary	University Degree	29/04/2013

- **Board meetings during 2020**

The table below shows the number of meetings of Company's Board of Directors during the year 2020 indicating the date of each meeting and the attendance or absence of each member of the Board, where the mark (✔) is indicated whenever the member attends the meeting.

Member Name / Secretary	Meeting No. (1) held on 16 April 2020	Meeting No. (2) held on 08 July 2020	Meeting No. (3) held on 13 August 2020	Meeting No. (4) held on 25 August 2020	Meeting No. (5) held on 10 November 2020	Meeting No. (6) held on 29 December 2020	Number of Meetings
Mr. Bader Naser Al-Kharafi (Chairman)	✔	✔	✔	✔	✔	✔	6
Mr. Asaad Al-Banwan (Vice Chairman) - Independent Member	✔	✔	✔	✔	✔	✔	6
Mr. Juhail Mohammad Abdul-Rahman Al-Juhail (Member)	✔	✔	✔	✔	✔	✔	6
Mr. Bader Mohammad Abdul-Wahab Al-Juan (Member)	✔	✔	✔	✔	✔	✔	6
Mr. Sabah Khalid Saleh Al-Ghunaim (Member)	✔	✔	✔	✔	✔	✔	6
Mr. Jamal Naser Hamad Al Falah (Member)	✔	✔	✔	✔	✔	✔	6
Mr. Yousef Ibrahim Yousef Al-Raqm (Member)	✔	✔	✔	✔	✔	✔	6
Mr. Mohammad Saad Mohammad Al-Saad (Member)	✔	✔	✔	✔	✔	✔	6

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

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

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

SECOND RULE

Proper Definition of Duties and Responsibilities

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

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

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

1- Approving the Company's goals, policies, plans and strategies.
2- The estimated budget was prepared for 2020. The Board followed up achievement of the desired goals for increasing sales percentage in comparison with year 2019 despite the intense competition from Gulf and regional factories. Taking into account the accelerating economic changes facing global economy due to Corona Virus pandemic, there has been an increase in Sales for 2020 at a percentage of (12.45%) compared to 2019, and the earnings per share ratio for the financial year ended 31/12/2020 was (27 fils), i.e. a increase of 35% compared to the previous year.
3- The Board of Directors succeeded in a strategy to reduce loan volumes by 49.75% compared to 2019.
4- Implementing corporate governance system and monitoring the effectiveness of its implementation in accordance with CMA Law and its executive regulations.
5- Following up and supervising the performance of the executive management team and ensuring effectiveness of internal controls.

- **On 27/04/2019, the Board formed independent specialized committees in order to assist in performing tasks assigned to them for the electoral period of the Board for years 2019, 2020 and 2021, as follows:**

Committee Name	Committee Members	Committee duties and achievements	Number of Committee Meetings
Nomination & Remuneration Committee	– Mr. Bader Naser Al-Kharafi (Committee Chairman) – Mr. Asaad Al-Banwan (Vice Chairman - Independent Member) – Mr. Bader Mohammad Abdul-Wahab Al-Juan (Member) – Mr. Naser Omran Kanaan (Committee Secretary)	– The Nomination and Remuneration Committee assists the Board of Directors in nominating members for the Board of Directors and its committees based on the membership criteria in each committee and ensure that there is sufficient number of non-executive Board members in each committee for more independence of their decisions. – It adopts policies for the remuneration of the Company's Board members and its employees, in addition to regularly monitoring the implementation of such policies. – The committee reviews Company's strategy and policy with regard to remuneration, nominations, and remuneration distribution mechanism, and submits them to the Board of Directors for approval. – Discussing the human resources policy and the remuneration policy manual and submitting them to Board members for approval. **The committee most prominent achievements during the year:** – Working with the concerned departments and committees to assign the required competencies in the Company. – Discussing necessary provisions to approve remuneration of Board members and employees of the Company.	1
Audit Committee	– Mr. Asaad Al-Banwan (Committee Chairman - Independent Member) – Mr. Bader Mohammad Abdul-Wahab Al-Juan (Member) – Mr. Juhail Mohammad Abdul-Rahman Al-Juhail (Member) – Mr. Naser Omran Kanaan (Committee Secretary)	– Discussing plan of internal control management, audit committee charter, and internal audit policy and procedures manual, and submitting them to Board members for approval and implementation. **The committee most prominent achievements during the year:** – Monitoring financial reports, managing internal control, internal and external audit, following up on compliance, and other matters that commensurate with its specializations. – Reviewing financial statements and reports of internal control for the interim periods during 2020.	4
Risk Committee	– Mr. Asaad Al-Banwan (Committee Chairman - Independent Member) – Mr. Bader Mohammad Abdul-Wahab Al-Juan (Member) – Mr. Juhail Mohammad Abdul-Rahman Al-Juhail (Member) – Mr. Naser Omran Kanaan (Committee Secretary)	– The Risk Committee is responsible for following up monitoring of Company's risk management systems, which include all risks faced by the Company, and assisting the Board of Directors in identifying and evaluating level of risk appetite of the Company. – Discussing the Risk Committee work charter and the risk management policy and submitting them to the Board members for approval. **The committee most prominent achievements during the year:** – The Risk Committee is responsible for following up monitoring of the Company's risk management systems, which include all risks faced by the Company, and assisting the Board of Directors in identifying and evaluating the level of risk appetite of the Company. – Discussing the measures taken to limit the effects of the Corona pandemic on the Company's activity. – Discussing and approving the two risk management reports for the financial year ended 31/12/2019 and 30/06/2020. – Discussing the risk management strategy prepared by the Risk and Compliance Department for the financial year 2021, as it was presented to and approved by the Board of Directors.	4

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

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

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

THIRD RULE

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

- **Formation of Nomination & Remuneration Committee**

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

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

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

The Board of Directors approved its recommendation to the members of the Ordinary General Assembly to approve the remuneration of the members of the Board of Directors, with a total amount of KD 310 thousand, in addition to its approval of remuneration to the Board Secretary.

2- Remuneration of the Executive Management

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

3- Remuneration Approval Report

<table>
<tr><th colspan="8">Remunerations and benefits granted to members of the Board of Directors</th></tr>
<tr><th rowspan="3">Total Members of the Board of Directors</th><th colspan="3">Remunerations and benefits through the parent company</th><th colspan="4">Remunerations and benefits through subsidiary companies</th></tr>
<tr><th>Fixed Remunerations and benefits</th><th colspan="2">Variable Remunerations and benefits</th><th colspan="2">Fixed Remunerations and benefits</th><th colspan="2">Variable Remunerations and benefits</th></tr>
<tr><th>health insurance</th><th>Annual Remunerations</th><th>Committees Remunerations</th><th>health insurance</th><th>Total monthly salaries</th><th>Annual Remunerations</th><th>Committees Remunerations</th></tr>
<tr><td>8</td><td>Nil</td><td>310,000</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table>

<table>
<tr><th colspan="7">The total remuneration and benefits granted to the CEO and executive managers of the company</th></tr>
<tr><th rowspan="3">Total number of executive managers</th><th colspan="3">Remunerations and benefits through the parent company</th><th colspan="3">Remunerations and benefits through the subsidiary companies</th></tr>
<tr><th colspan="2">Fixed Remunerations and benefits</th><th>Variable Remunerations and benefits</th><th colspan="2">Fixed Remunerations and benefits</th><th>Variable Remunerations and benefits</th></tr>
<tr><th>Total monthly salaries</th><th>health insurance</th><th>Annual Remunerations</th><th>Total monthly salaries</th><th>health insurance</th><th>Annual Remunerations</th></tr>
<tr><td>7</td><td>339,000</td><td>3,960</td><td>70,625</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table>

FOURTH RULE

Integrity of Financial Reporting

- **Fairness and integrity of the prepared financial reports**

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

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

We, the Chairman and members of the Board of Directors of Gulf Cables & Electrical Industries Co., pledge to the fairness and integrity of the Company's prepared financial statements during the financial year ended 31/12/2020, as well as all reports related to the Company's activity. We pledge that those reports were truly and fairly presented, and that those reports were prepared in accordance with the International Accounting Standards approved by CMA, based on the undertaking received by us from the executive management, as well as the report of the external auditors in this regard.

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

Formation of Audit Committee

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

Emphasizing the independence and neutrality of the external auditors

1- It has been ensured that the external auditors are independent of the Company and its Board of Directors, and that they do not perform additional work for the Company that is not part of the review and audit engagements, which may affect the neutrality or independence.

2- The Board of Directors relies on the services provided by the external auditors based on a recommendation of the Audit Committee submitted to the Board.

3- The audit committee also recommends the Board of Directors to appoint and reappoint the external auditors, whereby the external auditors are appointed or changed in the Ordinary General Assembly based on the recommendations of the Board. Further, it also recommends the Board of Directors to determine fees of the external auditors, assuring their independency, reviewing their appointment letters, studying their notes on the Company's financial statements, and ensuring that they are registered in the special register at CMA.

4- Messrs. Grant Thornton – Al-Qatami, Al-Aiban & Partners were appointed as external auditors for the year 2020 based on approval of the General Assembly.

FIFTH RULE

Developing Valid Risk Management and Internal Control Systems

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

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

- **Formation of risk management committee**

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

- **Internal monitoring and control systems**

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

The Company has used services of an independent agency to prepare a report on valuation and revision of the Internal Control Systems (ICR) in accordance with the requirements of CMA for the financial year ended 31 December 2020. The examination was conducted in accordance with the standards specified in the internal control framework. It was found that the internal control systems in the Gulf Cable Company have been applied and maintained in accordance with the specified standards.

- **Internal Audit Department**

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

SIXTH RULE

Promote Professional Conduct and Ethical Values

- **Work Charter**

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

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

- **Conflict of Interest**

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

SEVENTH RULE

Accurate and Timely Disclosure and Transparency

- **Disclosure and transparency**

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

During 2020, the Company disclosed material information so that the announcement contained sufficient information and data to allow anyone to find such information with an explanation of its impact on the financial statements. The Company also disclosed its major shareholders whose ownership reaches 5% or more of the Company's share capital according to the instructions of CMA. The Company has updated the list of its insiders.

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

- **Register of disclosures of members of the Board of Directors and executive management**

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

- **Investor Affairs Regulatory Unit**

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

- **Information Technology**

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

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

EIGHTH RULE

Respecting Shareholders Rights

- **Protection of Shareholders Rights**

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

- **Shareholders register**

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

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

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

- **List of major shareholders**

Shareholder's Name	Share percentage
Bader Nasser AlKharafi and Group (Al Khair Global for Buying & Selling Shares)	23.73%
Juhail Mohammed Juhail & Group (Ejabi Holding Co.)	12.17%
Ibrahim Abdulrahman Al-Asfour	5.90%
Public Institution for Social Security (PIFSS)	5.46%
March holding Limited Co.	5%

NINTH RULE

Understanding the Role of Stakeholders

- **Stakeholders rights**

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

- **Encouraging stakeholders to follow Company's activities**

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

TENTH RULE

Enhancing and Improving the Performance

- **Evaluating and training members of the Board of Directors and executive management**

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

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

- **Value Creation**

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

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

ELEVENTH RULE

Emphasizing the Importance of Social Responsibility

- **Company's goals**

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

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

1- Due to the emergency conditions in the country concerning the Corona pandemic, the health requirements imposed by the State, and the economic conditions, all social activities carried out by the Company for the society have been postponed.

2- The Company directed the necessary resources to maintain the employee stability.

AUDIT COMMITTEE REPORT

For the Year Ended 31 December 2020

Committee Members

The Committee Membership consists of Mr. Asaad Al-Banwan (Committee Chairman - Independent Member), Mr. Mohammad Abdul-Wahab Al-Juan (Member), Mr. Juhail Mohammad Abdul-Rahman Al-Juhail, and Mr. Naser Omran Kanaan (Committee Secretary).

Committee Meetings and Achievements

The Audit Committee held its meetings four times during 2020, its most important achievements are:

1. Monitoring financial reports, managing internal control, internal and external audit, following up on compliance, and other matters that are commensurate with its specializations.
2. Reviewing the financial statements and results of the internal audit department reports for the year 2020 and submitting recommendations to the Board of Directors.

Committee Opinion on the Company's Internal Audit

During 2020, the committee supervised the Company's internal audit department to verify its effectiveness in implementing the tasks specified by the Board of Directors. The committee also ensured that the internal control systems are maintained and ensure their adequacy and effectiveness for the Company. The committee is keen on the Company's compliance with the relevant laws, policies, regulations and instructions.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Gulf Cable and Electrical Industries Company– KPSC and Subsidiaries

Kuwait

31 December 2020

Grant Thornton | An instinct for growth™
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Auditors & Consultants
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www.grantthornton.com.kw

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.

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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.

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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 had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait - 29 March 2021

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Revenue			
Sales		**76,148,034**	67,717,318
Cost of sales		**(67,390,625)**	(62,234,900)
Gross profit		**8,757,409**	5,482,418
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
		12,335,752	10,257,323
Expenses and other charges			
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)
		(5,897,369)	(5,493,337)
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		**6,438,383**	4,763,986
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)
Profit for the year	7	**5,560,774**	4,214,805
Profit/(loss) for the year attributable to:			
Owners of the Parent Company		**5,571,085**	4,232,942
Non-controlling interests		**(10,311)**	(18,137)
Profit for the year		**5,560,774**	4,214,805
Basic and diluted earnings per share attributable to the owners of the Parent Company	9	**27 Fils**	20 Fils

The notes set out on pages 40 to 81 from 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
Profit for the year	**5,560,774**	4,214,805
Other comprehensive income:		
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	**10,682**	5,869
Total other comprehensive income that may be reclassified subsequently to consolidated statement of profit or loss	**10,682**	5,869
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Investments at fair value through other comprehensive income:		
- Net change in fair value during the year (note 12)	**14,341,348**	23,814,771
Total other comprehensive income that will not be reclassified subsequently to consolidated statement of profit or loss	**14,341,348**	23,814,771
Total other comprehensive income	**14,352,030**	23,820,640
Total comprehensive income for the year	**19,912,804**	28,035,445
Total comprehensive income/(loss) attributable to:		
Owners of the Parent Company	**19,922,528**	28,053,259
Non-controlling interests	**(9,724)**	(17,814)
	19,912,804	28,035,445

The notes set out on pages 40 to 81 from an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2020 KD	31 Dec. 2019 KD
Assets			
Non-current assets			
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
		104,935,927	117,360,933
Current assets			
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
		97,840,852	77,059,225
Total assets		**202,776,779**	194,420,158
Equity and liabilities			
Equity			
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
Total equity attributable to the owners of the Parent Company		**185,858,389**	174,675,376
Non-controlling interests	6	**441,798**	451,522
Total equity		**186,300,187**	175,126,898
Non-current liabilities			
Provision for employees' end of service benefits		**3,929,186**	3,828,844
Current liabilities			
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
		12,547,406	15,464,416
Total liabilities		**16,476,592**	19,293,260
Total equity and liabilities		**202,776,779**	194,420,158

The notes set out on pages 40 to 81 from 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 40 to 81 from an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	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 20) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2018	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
Total comprehensive income/(loss) for the year	-	-	-	-	-	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	-	-	-
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

The notes set out on pages 40 to 81 from 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
OPERATING ACTIVITIES			
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)
		4,508,905	1,319,878
Changes in operating assets and liabilities:			
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)
Net cash (used in)/from operating activities		**(14,698,400)**	10,215,234
INVESTING ACTIVITIES			
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
Net cash from investing activities		**28,800,560**	21,055,989
FINANCING ACTIVITIES			
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)
Net cash used in financing activities		**(12,332,927)**	(10,386,186)
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
Cash and cash equivalents at end of the year	16	**26,238,819**	24,466,496

The notes set out on pages 40 to 81 from 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:

Standard or Interpretation	Effective for annual periods beginning
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.

Standard or Interpretation	*Effective for annual periods beginning*
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 and 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
	3,066,499	4,396,943

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

31 December 2020	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
Cost							
At 1 January 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
At 31 December 2020	1,544,843	9,832,153	29,441,634	4,180,354	420,478	9,701	45,429,163
Accumulated depreciation							
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
At 31 December 2020	-	7,516,044	27,399,019	3,330,729	22,701	-	38,268,493
Net book value							
At 31 December 2020	1,544,843	2,316,109	2,042,615	849,625	397,777	9,701	7,160,670

Notes to the consolidated financial statements (continued)

10. Property, plant and equipment (continued)

31 December 2019	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
Cost							
At 1 January 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)
At 31 December 2019	1,544,649	9,523,269	28,330,959	3,832,234	418,426	1,211,630	44,861,167
Accumulated depreciation and impairment							
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)
At 31 December 2019	-	7,236,501	26,884,072	3,047,068	13,096	-	37,180,737
Net book value							
At 31 December 2019	1,544,649	2,286,768	1,446,887	785,166	405,330	1,211,630	7,680,430

a) 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.

b) 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.

c) 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).

d) 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:

Associate's name	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
Total assets	**3,088,706**	3,126,661
Total liabilities	**764,029**	885,344
Net assets	**2,324,677**	2,241,317
Net assets attributable to owners of the associate	**2,324,062**	2,240,738
Net assets attributable to non-controlling interests	**615**	579

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
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
	96,671,328	108,616,152

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
	96,671,328	108,616,152

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
	40,434,350	33,612,357
Less: provision for obsolete and slow moving inventories	**(1,067,407)**	(1,208,267)
	39,366,943	32,404,090
Goods in transit and prepaid letters of credit	**1,952,742**	2,018,098
	41,319,685	34,422,188

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	**1,067,407**	1,208,267

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	**(6,217,043)**	(5,851,038)
	29,606,122	17,078,319

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
31 December 2020:						
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)**
Total trade accounts receivables	**4,644,872**	**6,659,118**	**13,260,276**	**4,950,460**	**91,396**	**29,606,122**
31 December 2019:						
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)
Total trade accounts receivables	5,843,586	8,022,448	2,902,282	195,910	114,093	17,078,319

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)
Balance at 31 December	**6,217,043**	5,851,038

15. Other receivables are prepayments

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

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)
Cash and cash equivalents as per consolidated statement of cash flows	**26,238,819**	24,466,496

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
31 December 2020:			
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**
31 December 2019:			
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
	79,254,111	72,130,338

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
Balances included in consolidated statement of financial position		
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
Amounts included in consolidated statement of profit or loss		
Sales	**142,227**	382,015
Expenses	**(5,618)**	(2,400)
Reversal of provision for doubtful debts	**-**	353,267
Key management compensation:		
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
	1,036,241	939,712

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
	121,535,279	119,192,572

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
31 December 2020:				
Liabilities				
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**
	2,008,896	**5,442,010**	**5,104,066**	**12,554,972**
31 December 2019:				
Liabilities				
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
	122,713	9,160,327	6,250,110	15,533,150

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
Financial assets:		
At amortised cost:		
- 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
Investments at fair value through other comprehensive income:		
-At fair value	**96,671,328**	108,616,152
	152,874,412	150,997,388
Financial liabilities:		
Financial liabilities at amortised cost:		
-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
	12,547,406	15,464,415

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:

31 December 2020	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	**36,610,973**	**-**	**-**	**36,610,973**
Local unquoted securities held through managed portfolios	**-**	**-**	**4,135,390**	**4,135,390**
Foreign quoted securities held through managed portfolios	**14,696,038**	**-**	**-**	**14,696,038**
Foreign unquoted securities held through managed portfolios	**-**	**-**	**2,952,755**	**2,952,755**
Foreign managed unquoted securities	**-**	**-**	**2,900,238**	**2,900,238**
Foreign unquoted securities	**-**	**-**	**31,234,529**	**31,234,529**
Local managed funds	**-**	**4,141,405**	**-**	**4,141,405**
	51,307,011	**4,141,405**	**41,222,912**	**96,671,328**

Notes to the 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
31 December 2019				
Investments at fair value through other comprehensive income:				
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
Closing balance	**41,222,912**	39,192,708

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) 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
b) 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 indictors 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.