

Interim condensed consolidated financial information and review report

Gulf Cable and Electrical Industries Company – KPSC

and Subsidiaries

Kuwait

30 June 2020 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Cable and Electrical Industries Company – KPSC (“Parent Company”) and its subsidiaries (“the Group”) as of 30 June 2020 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2020 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
13 August 2020

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended (Unaudited)		Six months ended (Unaudited)	
		30 June 2020 KD	30 June 2019 KD	30 June 2020 KD	30 June 2019 KD
Revenue					
Sales		18,052,517	14,561,066	35,108,907	29,419,323
Cost of sales		(15,576,356)	(13,529,814)	(30,982,188)	(26,782,617)
Gross profit		2,476,161	1,031,252	4,126,719	2,636,706
Investment income	5	3,071,986	809,344	3,146,233	4,205,650
Share of results of associate	7	(4,297)	(57,768)	(56,727)	(57,768)
Interest income		1,506	1,784	3,439	7,933
Other income		4,397	6,710	7,324	14,424
Foreign currency exchange gain		83,113	118,308	172,488	189,799
		5,632,866	1,909,630	7,399,476	6,996,744
Expenses and other charges					
General and administrative expenses		(912,011)	(856,984)	(1,712,737)	(1,719,553)
Commercial expenses		(361,409)	(556,128)	(675,031)	(822,425)
(Provision) /reversal of provision for obsolete and slow moving inventories – net	9	(57,326)	41,956	(58,656)	100,385
(Provision)/reversal of provision for doubtful debts – net	10	(130,498)	353,267	(130,498)	448,926
Finance costs		(81,272)	(137,571)	(146,017)	(261,976)
		(1,542,516)	(1,155,460)	(2,722,939)	(2,254,643)
Profit for the period before income tax for overseas subsidiary		4,090,350	754,170	4,676,537	4,742,101
Income tax for overseas subsidiary		-	(3,352)	-	(11,802)
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		4,090,350	750,818	4,676,537	4,730,299
Provision for contribution to KFAS		(40,965)	(7,495)	(46,878)	(47,271)
Provision for NLST		(56,450)	(14,387)	(74,315)	(42,167)
Provision for Zakat		(22,580)	(3,755)	(29,726)	(14,775)
Provision for directors' remuneration		(77,500)	(77,500)	(155,000)	(155,000)
Profit for the period		3,892,855	647,681	4,370,618	4,471,086
Profit for the period attributable to:					
Owners of the Parent Company		3,899,060	646,473	4,381,942	4,467,952
Non-controlling interests		(6,205)	1,208	(11,324)	3,134
Profit for the period		3,892,855	647,681	4,370,618	4,471,086
Basic and diluted earnings per share attributable to the owners of the Parent Company	6	19 Fils	3 Fils	21 Fils	21 Fils

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

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2020 KD	30 June 2019 KD	30 June 2020 KD	30 June 2019 KD
Profit for the period	3,892,855	647,681	4,370,618	4,471,086
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(17,365)	(29,990)	130,786	(5,394)
Total other comprehensive (loss)/income that may be reclassified subsequently to consolidated statement of profit or loss	(17,365)	(29,990)	130,786	(5,394)
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>				
Equity investments at fair value through other comprehensive income				
- Net change in fair value arising during the period	4,493,430	3,599,121	(8,036,757)	15,138,450
Total other comprehensive income/(loss) that will not be reclassified subsequently to consolidated statement of profit or loss	4,493,430	3,599,121	(8,036,757)	15,138,450
Total other comprehensive income/(loss)	4,476,065	3,569,131	(7,905,971)	15,133,056
Total comprehensive income/(loss) for the period	8,368,920	4,216,812	(3,535,353)	19,604,142
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	8,376,080	4,217,254	(3,531,222)	19,601,305
Non-controlling interests	(7,160)	(442)	(4,131)	2,837
	8,368,920	4,216,812	(3,535,353)	19,604,142

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

Interim condensed consolidated statement of financial position

	Notes	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		7,309,145	7,680,430	5,729,188
Investment in associate	7	1,007,624	1,064,351	990,506
Investments at fair value through other comprehensive income	8	98,321,838	108,616,152	119,274,386
		106,638,607	117,360,933	125,994,080
Current assets				
Inventories	9	42,133,621	34,422,188	43,271,301
Trade accounts receivable	10	21,750,866	17,078,319	13,303,160
Other receivables and prepayments	11	1,038,023	1,091,297	1,494,101
Cash and bank balances	12	25,062,150	24,467,421	5,497,419
		89,984,660	77,059,225	63,565,981
Total assets		196,623,267	194,420,158	189,560,061
Equity and liabilities				
Equity				
Share capital		20,993,131	20,993,131	20,993,131
Share premium		29,160,075	29,160,075	29,160,075
Statutory reserve		20,993,131	20,993,131	20,993,131
Voluntary reserve		20,993,131	20,993,131	20,993,131
General reserve		26,109,322	26,109,322	25,631,110
Treasury shares	13	(380,946)	-	-
Other components of equity	14	35,338,284	43,560,477	39,213,926
Retained earnings		9,194,157	12,866,109	9,238,918
Total equity attributable to the owners of the Parent Company		162,400,285	174,675,376	166,223,422
Non-controlling interests		447,391	451,522	472,173
Total equity		162,847,676	175,126,898	166,695,595
Non-current liabilities				
Provision for employees' end of service benefits		3,990,828	3,828,844	3,902,527
Current liabilities				
Trade accounts payable		2,859,891	2,242,276	2,377,488
Other payables and accruals		14,989,604	5,964,659	4,998,228
Short term loans	15	6,430,626	3,657,450	6,443,651
Ijara finance payable		130,000	130,000	-
Murabaha payables	16	5,276,456	3,469,106	4,470,244
Due to banks	12	98,186	925	672,328
		29,784,763	15,464,416	18,961,939
Total liabilities		33,775,591	19,293,260	22,864,466
Total equity and liabilities		196,623,267	194,420,158	189,560,061

Bader Naser Al-Kharafi
Chairman

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



Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company										
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares KD	Other components of equity (note 14) KD	Retained earnings KD	Sub-total KD	Non-	
controlling interests KD										Total KD	
Balance at 31 December 2019 (Audited)	20,993,131	29,160,075	20,993,131	20,993,131	26,109,322	-	43,560,477	12,866,109	174,675,376	451,522	175,126,898
Purchase of treasury shares (13)	-	-	-	-	-	(380,946)	-	-	(380,946)	-	(380,946)
Cash dividend (Note 17)	-	-	-	-	-	-	-	(8,362,923)	(8,362,923)	-	(8,362,923)
Transactions with owners	-	-	-	-	-	(380,946)	-	(8,362,923)	(8,743,869)	-	(8,743,869)
Profit/(loss) for the period	-	-	-	-	-	-	-	4,381,942	4,381,942	(11,324)	4,370,618
Other comprehensive (loss)/income	-	-	-	-	-	-	(7,913,164)	-	(7,913,164)	7,193	(7,905,971)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(7,913,164)	4,381,942	(3,531,222)	(4,131)	(3,535,353)
Profit on sale of investments at FVTOCI (Note 8)	-	-	-	-	-	-	(309,029)	309,029	-	-	-
Balance at 30 June 2020 (Unaudited)	20,993,131	29,160,075	20,993,131	20,993,131	26,109,322	(380,946)	35,338,284	9,194,157	162,400,285	447,391	162,847,676
Balance at 31 December 2018 (Audited)	20,993,131	29,160,075	20,993,131	20,993,131	25,631,110	-	24,592,071	9,926,581	152,289,230	469,336	152,758,566
Cash dividend (Note 17)	-	-	-	-	-	-	-	(5,667,113)	(5,667,113)	-	(5,667,113)
Transactions with owners	-	-	-	-	-	-	-	(5,667,113)	(5,667,113)	-	(5,667,113)
Profit for the period	-	-	-	-	-	-	-	4,467,952	4,467,952	3,134	4,471,086
Other comprehensive income/(loss)	-	-	-	-	-	-	15,133,353	-	15,133,353	(297)	15,133,056
Total comprehensive income for the period	-	-	-	-	-	-	15,133,353	4,467,952	19,601,305	2,837	19,604,142
Profit on sale of investments at FVTOCI (Note 8)	-	-	-	-	-	-	(511,498)	511,498	-	-	-
Balance at 30 June 2019 (Unaudited)	20,993,131	29,160,075	20,993,131	20,993,131	25,631,110	-	39,213,926	9,238,918	166,223,422	472,173	166,695,595

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

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2020 (Unaudited) KD	Six months ended 30 June 2019 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		4,370,618	4,471,086
Adjustments:			
Depreciation		448,307	492,676
Provision for employees' end of service benefits		184,538	368,452
Finance costs		146,017	261,976
Interest income		(3,439)	(37,039)
Dividend income		(3,057,576)	(4,154,546)
Other investment income		(944)	(14,661)
Gain on sale of investments at fair value through profit or loss		-	(690)
Share of results of associate		56,727	57,768
Gain on sale of property, plant and equipment		(199)	(1,388)
Provision/(reversal of provision) for obsolete and slow-moving inventories – net		58,656	(100,385)
Provision/(reversal of provision) for doubtful debts – net		130,498	(448,926)
Foreign exchange loss/(gain) on non-operating liabilities		88,913	(3,821)
		2,422,116	890,502
Changes in operating assets and liabilities:			
Inventories		(7,770,089)	(3,513,486)
Trade accounts receivable		(4,803,045)	4,823,628
Other receivables and prepayments		49,323	3,163,572
Trade accounts payable		617,615	661,576
Other payables and accruals		629,420	(2,709,119)
Employees' end of service benefits paid		(22,554)	(179,547)
Net cash (used in)/from operating activities		(8,877,214)	3,137,126
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(47,020)	(469,720)
Proceeds from sale of property, plant and equipment		200	1,388
Purchase of Investments at fair value through other comprehensive income		(375,890)	(3,572,157)
Proceeds from sale of Investments at fair value through other comprehensive income		2,633,447	4,268,755
Proceeds from sale of investments at fair value through profit or loss		-	691
Dividend income received		3,057,576	4,154,546
Other investment income received		4,895	14,661
Interest income received		3,439	31,766
Movement in restricted bank balance		-	(2,600,000)
Net cash from investing activities		5,276,647	1,829,930
FINANCING ACTIVITIES			
Payment of cash dividends		(11,941)	(5,570,917)
Purchase of treasury shares		(380,946)	-
Receipt of short-term loans		3,646,476	2,000,000
Repayment of short-term loans		(916,050)	(3,505,850)
Receipt of murabaha payables		1,761,187	1,000,000
Finance costs paid		(101,474)	(241,999)
Net cash from/(used in) financing activities		3,997,252	(6,318,766)
Increase/(decrease) in cash and cash equivalents		396,685	(1,351,710)
Foreign currency adjustment		100,783	(9,530)
Cash and cash equivalents at beginning of the period	12	24,466,496	3,586,331
Cash and cash equivalents at end of the period	12	24,963,964	2,225,091

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

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

The Group comprises the Parent Company and its subsidiaries.

Pursuant to the decision of the extraordinary general assembly held on 22 June 2020, the objectives of the Parent Company were amended, and the authentication of the commercial register for the amendments is still under process. The objectives became as follows:

Objectives for which the Parent Company was incorporated are as follows:

- 1- Produce all kinds of electrical and telephone cables of various sizes and varieties;
- 2- Produce all kinds of electric and telephone wires of various sizes and varieties;
- 3- Produce the wires necessary for the production of light bulbs;
- 4- Produce light bulbs of all varieties and sizes after obtaining the necessary license from the Public Authority for Industry;
- 5- Manufacture electrical transformers, switches and distribution panels after obtaining the necessary license from the Public Authority for Industry;
- 6- Various manufacturing relating to power equipment and tools for industrial or household purposes after obtaining the necessary license from the Public Authority for Industry;
- 7- Produce all kinds of aluminum chips and nylon covering rolls of various sizes and varieties after obtaining the necessary license from the Public Authority for Industry;
- 8- Produce copper bars which are used in the production of electrical and telephone cables after obtaining the necessary license from the Public Authority for Industry;
- 9- Trade in all kinds of these products;
- 10- Import machinery, plant, equipment and tools necessary to achieve the Company’s objectives;
- 11- Import the raw materials for this industry;
- 12- Invest the surplus funds in investment portfolios in order to serve the Company’s objectives.
13. Owning real estate and movables for the benefit of the Company

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

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

This interim condensed consolidated financial information for the six-month period ended 30 June 2020 was authorised for issue by the Parent Company’s board of directors on 13 August 2020.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for the changes described in note 3.

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

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

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

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

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

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

IFRS 3 – Amendments

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IAS 1 and IAS 8 – Amendments

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

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

3.2 IASB Standards issued but not yet effective

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

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

4 Judgment and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2019.

5 Investment income

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2020 KD	30 June 2019 KD	30 June 2020 KD	30 June 2019 KD
Dividend income	3,054,903	798,619	3,057,576	4,154,546
Other investment income	(3,784)	6,533	944	14,661
Gain on sale of investments at fair value through profit or loss	-	-	-	690
Interest income	-	22,816	-	29,106
Foreign currency exchange gain/(loss)	20,867	(18,624)	87,713	6,647
	3,071,986	809,344	3,146,233	4,205,650

Notes to the interim condensed consolidated financial information (continued)

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

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Profit for the period attributable to the owners of the Parent Company (KD)	3,899,060	646,473	4,381,942	4,467,952
Weighted average number of shares outstanding during the period (excluding treasury shares)	209,146,223	209,931,309	209,536,788	209,931,309
Basic and diluted earnings per share attributable to the owners of the Parent Company	19 Fils	3 Fils	21 Fils	21 Fils

7 Investment in associate

Details of the investment in associate is given below:

Name	Country of incorporation	Ownership percentage			Principal activities
		30 June 2020 (Unaudited) %	31 Dec. 2019 (Audited) %	30 June 2019 (Unaudited) %	
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	47.5	47.5	47.5	Financing and investment

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

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Carrying amount at the beginning of the period/year	1,064,351	1,048,274	1,048,274
Share of results for the period/year	(56,727)	16,077	(57,768)
Carrying amount at the end of period/year	1,007,624	1,064,351	990,506

The Group's share of result of associate has been accounted for using equity method based on management accounts as at and for the period ended 30 June 2020.

Notes to the interim condensed consolidated financial information (continued)

8 Investments at fair value through other comprehensive income

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

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Local quoted securities held through managed portfolios	40,644,766	43,490,942	57,980,513
Local unquoted securities held through managed portfolios	4,151,710	4,151,710	4,772,431
Foreign quoted securities held through managed portfolios	15,568,895	21,535,449	21,431,489
Foreign unquoted securities held through managed portfolios	2,952,755	3,300,291	3,300,291
Foreign unquoted securities	31,234,529	31,735,457	29,553,769
Local unquoted securities	5,250	5,250	7,500
Local managed funds	3,763,933	4,397,053	2,228,393
	98,321,838	108,616,152	119,274,386

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

During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD2,324,418 (30 June 2019: KD3,757,257) for a total consideration of KD2,633,447 (30 June 2019: KD4,268,755) resulting in a profit of KD309,029 (30 June 2019: KD511,498) recognized directly in retained earnings within equity.

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

9 Inventories

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Raw materials	16,333,201	12,362,868	18,296,450
Finished goods	13,283,307	12,909,851	14,258,183
Work-in-progress	7,827,064	5,924,804	7,026,601
Spare parts	2,433,922	2,414,834	2,061,472
	39,877,494	33,612,357	41,642,706
Less: provision for obsolete and slow-moving inventories	(1,270,798)	(1,208,267)	(1,591,442)
	38,606,696	32,404,090	40,051,264
Goods in transit and prepaid letters of credit	3,526,925	2,018,098	3,220,037
	42,133,621	34,422,188	43,271,301

Notes to the interim condensed consolidated financial information (continued)

10 Trade accounts receivable

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Trade accounts receivable	27,744,177	22,929,357	19,175,221
Less: provision for doubtful debts	(5,993,311)	(5,851,038)	(5,872,061)
	21,750,866	17,078,319	13,303,160

11 Other receivables and prepayments

	31 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Financial assets:			
Staff receivable	122,666	152,590	108,171
Brokers receivables	182,192	450,034	699,465
Other receivables	233,674	232,872	206,848
	538,532	835,496	1,014,484
Non-financial assets:			
Prepaid expenses	499,491	255,801	479,617
	1,038,023	1,091,297	1,494,101

12 Cash and cash equivalents

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

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Cash in hand	22,998	64,109	64,642
Cash held in managed portfolios	13,339,933	20,010,149	243,107
Restricted bank balance (see a below)	-	-	2,600,000
Bank balances	11,699,219	4,393,163	2,589,670
Total cash and bank balances	25,062,150	24,467,421	5,497,419
Less: due to banks	(98,186)	(925)	(672,328)
Less: restricted bank balance	-	-	(2,600,000)
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	24,963,964	24,466,496	2,225,091

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

Notes to the interim condensed consolidated financial information (continued)

13 Treasury shares

The Group holds treasury shares as follows;

	30 June 2020 (Unaudited)	31 Dec. 2019 (Audited)	30 June 2019 (Unaudited)
Number of shares	820,000	-	-
Percentage of issued shares	0.39%	-	-
Market value (KD)	456,740	-	-
Cost (KD)	380,946	-	-

14 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 31 December 2019 (Audited)	43,064,933	495,544	43,560,477
Exchange differences arising on translation of foreign operations	-	123,593	123,593
Investments at fair value through other comprehensive income: - Net change in fair value arising during the period	(8,036,757)	-	(8,036,757)
Total other comprehensive (loss)/income for the period	(8,036,757)	123,593	(7,913,164)
Profit on sale of investments at FVTOCI (note 8)	(309,029)	-	(309,029)
Balance at 30 June 2020 (Unaudited)	34,719,147	619,137	35,338,284
Balance at 31 December 2018 (Audited)	24,102,073	489,998	24,592,071
Exchange differences arising on translation of foreign operations	-	(5,097)	(5,097)
Investments at fair value through other comprehensive income: - Net change in fair value arising during the period	15,138,450	-	15,138,450
Total other comprehensive income/(loss) for the period	15,138,450	(5,097)	15,133,353
Profit on sale of investments at FVTOCI (note 8)	(511,498)	-	(511,498)
Balance at 30 June 2019 (Unaudited)	38,729,025	484,901	39,213,926

15 Short term loans

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Kuwait Dinar facilities	3,646,476	916,050	2,000,000
USD facilities	2,784,150	2,741,400	4,443,651
	6,430,626	3,657,450	6,443,651

Notes to the interim condensed consolidated financial information (continued)

15 Short term loans (continued)

The short term loans denominated in Kuwaiti Dinar are unsecured and carry interest rate of 1.00% (31 December 2019: 0.75% to 1.00% and 30 June 2019: 0.75% to 1.25%) per annum above Central Bank of Kuwait discount rate. The loans mature various dates ending on 29 September 2020 (31 December 2019: various dates ending 30 April 2020 and 30 June 2019: various dates ending 30 July 2019).

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

16 Murabaha payables

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Kuwait Dinar murabaha facility	-	-	1,000,000
USD murabaha facilities	5,276,456	3,469,106	3,470,244
	5,276,456	3,469,106	4,470,244

The murabaha facilities were granted to the Group by a local Islamic Bank and carry profit rate of 2.88% (31 December 2019: 3.73% and 30 June 2019: 4.25% to 4.46%) per annum. The murabaha payables mature on various dates ending on 4 September 2020 and are renewable (31 December 2019: various dates ending on 13 May 2020 and 30 June 2019: various dates ending on 26 November 2019, renewable).

17 General Assembly of the Shareholders and dividend distribution

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

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

18 Segmental information

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

Notes to the interim condensed consolidated financial information (continued)

18 Segmental information (continued)

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

	Cable manufacture KD	Investment KD	Total KD
For the three months ended 30 June 2020 (Unaudited):			
Revenue	18,052,517	3,067,689	21,120,206
Segment profit	1,088,411	3,001,939	4,090,350
Unallocated expenses			(197,495)
Profit for the period			3,892,855
Additions to property, plant and equipment	30,115	-	30,115
Depreciation	223,639	-	223,639
Finance costs	62,749	18,523	81,272
Dividend income	-	3,054,903	3,054,903
For the six months ended 30 June 2020 (Unaudited):			
Revenue	35,108,907	3,089,506	38,198,413
Segment profit	1,709,230	2,967,307	4,676,537
Unallocated expenses			(305,919)
Profit for the period			4,370,618
Additions to property, plant and equipment	47,020	-	47,020
Depreciation	448,307	-	448,307
Finance costs	103,824	42,193	146,017
Dividend income	-	3,057,576	3,057,576
Total assets	83,901,655	112,721,612	196,623,267
Total liabilities	(30,934,626)	(2,840,965)	(33,775,591)
Net assets	52,967,029	109,880,647	162,847,676
For the three months ended 30 June 2019 (Unaudited):			
Revenue	14,561,066	751,576	15,312,642
Segment (loss)/profit	(248,671)	1,002,841	754,170
Unallocated expenses			(106,489)
Profit for the period			647,681
Additions to property, plant and equipment	165,709	-	165,709
Depreciation	238,302	-	238,302
Finance costs	68,174	69,397	137,571
Dividend income	-	798,619	798,619

Notes to the interim condensed consolidated financial information (continued)

18 Segmental information (continued)

	Cable manufacture KD	Investment KD	Total KD
For the six months ended 30 June 2019 (Unaudited):			
Revenue	29,419,323	4,147,882	33,567,205
Segment profit	404,525	4,337,576	4,742,101
Unallocated expenses			(271,015)
Profit for the period			4,471,086
Additions to property, plant and equipment	469,720	-	469,720
Depreciation	492,676	-	492,676
Finance costs	162,283	99,693	261,976
Dividend income	-	4,154,546	4,154,546
Total assets	69,010,471	120,549,590	189,560,061
Total Liabilities	(20,085,848)	(2,778,618)	(22,864,466)
Net assets	48,924,623	117,770,972	166,695,595

19 Related party balances and transactions

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

	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Trade accounts payables	14,342	13,831	14,182
	Three months ended		Six months ended
	30 June 2020 (Unaudited) KD	30 June 2019 (Unaudited) KD	30 June 2020 (Unaudited) KD
			30 June 2019 (Unaudited) KD
Interim condensed consolidated statement of profit or loss:			
Sales	7,700	12,060	27,456
Expenses	-	-	(861)
Reversal of doubtful debts	-	353,267	-
Key management compensation:			
Salaries and other short-term benefits	171,257	115,657	333,427
End of service benefits	16,719	33,328	29,289
Provision for directors' remuneration	77,500	77,500	155,000
	265,476	226,485	517,716
			438,141

Notes to the interim condensed consolidated financial information (continued)

20 Contingent liabilities

Contingent liabilities at 30 June 2020 in respect of outstanding letters of guarantee amounted to KD5,381,906 (31 December 2019: KD4,244,215 and 30 June 2019: KD5,381,672).

21 Capital commitments

At the period end, the Group had capital commitments to purchase new machinery and equipment amounting to KD53,486 (31 December 2019: KD54,753 and 30 June 2019: KD67,663).

22 Fair value measurement

22.1 Fair value hierarchy

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

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

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

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

22.2 Fair value measurement of financial instruments

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

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

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2019 (Audited):				
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
30 June 2019 (Unaudited):				
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	57,980,513	-	-	57,980,513
Local unquoted securities held through managed portfolios	-	-	4,772,431	4,772,431
Foreign quoted securities held through managed portfolios	21,431,489	-	-	21,431,489
Foreign unquoted securities held through managed portfolios	-	-	3,300,291	3,300,291
Foreign unquoted securities	-	-	29,553,769	29,553,769
Local unquoted securities	-	-	7,500	7,500
Local managed fund	-	2,228,393	-	2,228,393
	79,412,002	2,228,393	37,633,991	119,274,386

Measurement at fair value

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

Level 3 fair value measurements

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

	(Unquoted securities) (Investments at fair value through OCI)		
	30 June 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 June 2019 (Unaudited) KD
Opening balance at the beginning of the period/year	39,192,708	34,437,004	34,437,004
Additions	-	3,300,291	3,300,291
Disposals	-	(142,879)	-
Net changes in fair value	(848,464)	1,598,292	(103,304)
Closing balance at the end of period/year	38,344,244	39,192,708	37,633,991

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement for financial instruments (continued)

Level 3 fair value measurements (continued)

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

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

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

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

23 Effects of COVID-19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations and reported amounts of the financial and non-financial assets, which represent management's best assessment based on current available information.