

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company
Kuwait Public Shareholding Company
and its subsidiaries
State of Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2020

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Independent Auditors' Report
To the Shareholders of Kuwait Cement Company K.P.S.C.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Kuwait Cement Company K.P.S.C. ("the Parent Company") and its subsidiaries (referred collectively as "the Group") which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income, consolidated statement of 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 of Opinion

We conducted our audit in accordance with the 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other 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. For each key audit matter, our description of how our audit addressed the matter is provided in that context.

Impairment of property plant and equipment and right-of-use leased assets

Property plant and equipment and right-of-use leased assets are carried in the statement of financial position at KD 136,211,120 and KD 3,989,802 respectively as at 31 December 2020. Primarily as a consequence of the ongoing Covid-19 pandemic, the operation incurred a loss for the year then ended which is an indicator of impairment. Accordingly, management has tested these assets for impairment.

The aforementioned impairment test is significant to our audit because the assessment of the recoverable amount requires management to apply significant judgements and make significant estimates. The determination of these judgements and estimates is further complicated by the effect of the ongoing Covid-19 pandemic. Management used the value in use method to assess the recoverable amount of the assets. The determination of the value in use requires that judgments and estimates be made concerning future cash flows, growth rates, future business prospects and associated discount rates. Accordingly, we consider this as a key audit matter.

Refer to note 5 of the consolidated financial statements for more details relating to this matter.

Report on the Audit of the Consolidated Financial Statements (Continued)
Key Audit Matters (continued)

Impairment of property plant and equipment and right-of-use leased assets (continued)

Our audit procedures included the following:

- We evaluated the relevant controls over the impairment process to determine if they had been appropriately designed and implented.
- Together with our internal valuation specialists, we assessed the group's valuation methodology applied in determining the recoverable amount, as well as the impact of the Covid-19 pandemic on the business, to determine if it was in compliance with the requirements of IFRSs;
- We discussed potential changes in key drivers with management in order to evaluate whether the inputs and assumptions used in the cash flow forecast were reasonable, for example the discount rate;
- We re-performed the mathematical accuracy of the value in use calculation;
- We performed a sensitivity analysis of the value in use calculation; and
- We assessed the disclosures made in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Matter

The consolidated financial statements for the year ended 31 December 2019 were audited by another auditor with BDO Al Nisf and Partners, who expressed an unmodified opinion on those statements on 1 April 2020.

Other Information

Management is responsible for the other information. The other information consist of information included in the Annual Report of the Group 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 auditors' report, and we expect to obtain the remaining sections of the Annual Report of 2020 after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditors' 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.
- 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 period 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.

Independent Auditors' Report
To the Shareholders of Kuwait Cement Company K.P.S.C. (Continued)
State of Kuwait

Report on Other Legal and Regulatory Requirements

Furthermore, 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 No 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our Audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2020, that might have had a material effect on the business of the Group or on its consolidated financial position.

Talal Yousef Al-Muzaini
License No. 209 A
Deloitte & Touche - Al Wazzan & Co.

Faisal Saqer Al Saqer
License No. 172 A
BDO Al Nisf & Partners

Kuwait, 30 March 2021

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated Statement of Financial Position as at 31 December 2020

(All amounts are in Kuwaiti Dinars)

	Note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	5	136,211,120	152,261,624
Intangible assets		10	32,852
Investments properties	6	770,641	770,641
Investments in associates	7	16,380,034	15,775,973
Financial assets at fair value through other comprehensive income	8	77,474,477	89,221,830
Right of use assets	9	3,989,802	4,488,527
		234,826,084	262,551,447
Current assets			
Inventories	10	13,330,333	16,429,047
Accounts receivable and other debit balances	11	15,704,653	27,471,315
Cash and cash equivalents	12	15,186,967	9,528,618
		44,221,953	53,428,980
Total assets		279,048,037	315,980,427
Equity and liabilities			
Equity			
Share capital	13	73,330,387	73,330,387
Share premium		26,675,810	26,675,810
Treasury shares	14	(13,546,935)	(13,546,935)
Profits on sale of treasury shares		441,409	441,409
Statutory reserve	15	48,270,703	48,270,703
Voluntary reserve	16	42,048,346	42,048,346
General reserve		18,930,128	18,930,128
Investments revaluation reserve		(14,590,317)	(2,347,295)
Group's share in associates' reserves		(176,209)	(54,746)
Group's share in foreign currency exchange reserve		107,677	95,186
(Accumulated losses)/ retained earnings		(5,606,536)	15,320,862
Equity attributable to the Parent Company shareholders		175,884,463	209,163,855
Non-controlling interests		148,103	163,843
Total equity		176,032,566	209,327,698
Liabilities			
Non-current liabilities			
Loans, bank facilities and murabaha	17	53,010,713	57,737,687
Provision for employees' end of services indemnity		3,522,910	3,594,497
Lease liability	9	3,481,193	3,933,552
		60,014,816	65,265,736
Current liabilities			
Loans, bank facilities and murabaha	17	20,530,142	18,963,851
Accounts payable and other credit balances	18	22,015,137	21,983,181
Lease liability	9	455,376	439,961
		43,000,655	41,386,993
Total Liabilities		103,015,471	106,652,729
Total equity and liability		279,048,037	315,980,427

The accompanying notes form an integral part of these consolidated financial statements.

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdul Aziz Rashid Al-Rashid
Vice Chairman

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

Consolidated Statement of Income for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinars)

	Note	2020	2019
Sales		42,465,225	81,819,157
Cost of sales	19	(54,444,578)	(74,033,079)
Gross (loss)/ profit		(11,979,353)	7,786,078
Other operating income	20	261,864	429,353
Selling, general and administrative expenses		(3,660,777)	(4,028,725)
Operating (loss)/profit		(15,378,266)	4,186,706
Provision for expected credit losses	11	(4,128,659)	(249,475)
Finance charges		(2,446,177)	(3,043,437)
Interest income		25,905	3,550
Net investment profits	21	2,656,230	3,105,231
Group's share of results of associates	7	1,087,195	135,338
Net (loss)/ profit before deductions		(18,183,772)	4,137,913
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(39,370)
National Labour Support Tax		-	(63,776)
Zakat		-	(18,593)
Net (loss)/ profit for the year		(18,183,772)	4,016,174
Attributable to:			
Shareholders of the Parent Company		(18,179,210)	4,017,125
Non-controlling interests		(4,562)	(951)
Net (loss)/ profit for the year		(18,183,772)	4,016,174
Basic and diluted (losses)/ earnings per share (fils)	22	(25.50)	5.63

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinars)

	Note	2020	2019
Net (loss)/ profit for the year		(18,183,772)	4,016,174
Other comprehensive (loss)/ income items			
Items that may be reclassified subsequently to the consolidated statement of income:			
Group's share in associates' reserves	7	(121,463)	(279,933)
Group's share in foreign currency exchange reserve		12,491	(143)
		(108,972)	(280,076)
Items that will not reclassified subsequently to the consolidated statement of income:			
Changes in fair value of financial assets at fair value through other comprehensive income ("FVTOCI")		(11,461,247)	23,102,329
Total other comprehensive (loss)/ income items for the year		(11,570,219)	22,822,253
Total comprehensive (loss)/ income for the year		(29,753,991)	26,838,427
Attributable to:			
Shareholders of the Parent Company		(29,734,632)	26,821,253
Non-controlling interests		(19,359)	17,174
		(29,753,991)	26,838,427

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Parent Company's shareholders													
	Share capital	Share premium	Treasury shares	Profits on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Investments revaluation reserve	Group's share in associates' reserves	Group's share in foreign currency exchange reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	73,330,387	26,675,810	(13,528,077)	441,409	47,856,817	42,048,346	18,930,128	(24,949,961)	225,187	95,329	21,887,300	193,012,675	145,358	193,158,033
Net profit for the year	-	-	-	-	-	-	-	-	-	-	4,017,125	4,017,125	(951)	4,016,174
Total other comprehensive income/ (loss) items	-	-	-	-	-	-	-	23,084,204	(279,933)	(143)	-	22,804,128	18,125	22,822,253
Transferred to investments revaluation reserve	-	-	-	-	-	-	-	(481,538)	-	-	481,538	-	1,338	1,338
Group's share from the transfer to the retained earning in associates	-	-	-	-	-	-	-	-	-	-	43,390	43,390	-	43,390
Cash dividends	-	-	-	-	-	-	-	-	-	-	(10,694,605)	(10,694,605)	-	(10,694,605)
Transferred to statutory reserve	-	-	-	-	413,886	-	-	-	-	-	(413,886)	-	-	-
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(27)	(27)
Balance at 31 December 2019	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(2,347,295)	(54,746)	95,186	15,320,862	209,163,855	163,843	209,327,698
Balance at 1 January 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(2,347,295)	(54,746)	95,186	15,320,862	209,163,855	163,843	209,327,698
Net loss for the year	-	-	-	-	-	-	-	-	-	-	(18,179,210)	(18,179,210)	(4,562)	(18,183,772)
Total other comprehensive (loss)/ income items	-	-	-	-	-	-	-	(11,446,450)	(121,463)	12,491	-	(11,555,422)	(14,797)	(11,570,219)
Transferred to investments revaluation reserve	-	-	-	-	-	-	-	(796,572)	-	-	796,572	-	3,619	3,619
Group's share from the transfer to the retained earning in associates	-	-	-	-	-	-	-	-	-	-	20,108	20,108	-	20,108
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	-	-	(3,564,868)	(3,564,868)	-	(3,564,868)
Balance at 31 December 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(14,590,317)	(176,209)	107,677	(5,606,536)	175,884,463	148,103	176,032,566

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinars)

	Note	2020	2019
Cash flows from operating activities			
Net (loss)/ profit for the year		(18,183,772)	4,016,174
Adjustments:			
Depreciation and amortization		8,985,932	9,762,980
Impairment loss of property, plant and equipment		8,143,628	-
Gain on sale of property, plant and equipment		(8,734)	(42,139)
Provision for expected credit losses	11	4,128,659	249,475
Finance charges		2,446,177	3,043,437
Net investment profits	21	(2,751,895)	(3,205,802)
Interest income		(25,905)	(3,550)
Group's share of results of associates	7	(1,087,195)	(135,338)
Provision for employees' end of services indemnity		(71,587)	276,537
Net operating profit before working capital changes		1,575,308	13,961,774
Inventories		3,098,714	2,319,708
Accounts receivable and other debit balances		7,634,406	5,531,193
Accounts payable and other credit balances		24,761	(6,248,362)
Net cash generated from operating activities		12,333,189	15,564,313
Cash flows from investing activities			
Paid for purshace of property, plant and equipment	5	(509,976)	(4,656,580)
Proceeds from sale of property, plant and equipment		13,298	145,615
Paid for purchase of intangible assets		(1,694)	-
Paid for purchase of financial assets at fair value through other comprehensive income		(4,039,135)	(5,782,962)
Proceeds on sale of financial assets at fair value through other comprehensive income		4,328,766	5,982,493
Dividends received		3,133,674	3,587,579
Interest income received		25,905	3,550
Net cash generated from/ (used in) investment activities		2,950,838	(720,305)
Cash flow from financing activities			
Withdrawn from loans, bank facilities and murabaha		16,500,000	20,500,000
Paid for loans, bank facilities and murabaha		(19,678,232)	(21,113,167)
Finance charges paid		(2,307,009)	(3,034,308)
Lease liabilities paid		(591,778)	(464,715)
Dividends paid		(3,548,659)	(10,593,163)
Paid for purchase of treasury shares		-	(18,858)
Net change in non-controlling interests		-	(27)
Net cash used in financing activities		(9,625,678)	(14,724,238)
Net change in cash and cash equivalents		5,658,349	119,770
Cash and cash equivalents at beginning of the year		9,528,618	9,408,848
Cash and cash equivalents at the end of the year	12	15,186,967	9,528,618

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Cement Company K.P.S.C. "the Parent Company" is a Kuwaiti Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984.

The Parent Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement.
2. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
3. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
4. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
5. The Parent Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
6. Utilize the financial surpluses available with the Parent Company by investing the same locally and internationally in financial and real estate portfolios with diferrent types and purposes.
7. Investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside and outside the State of Kuwait.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries together referred to as "the Group".

Name of the Company	Legal Entity	Activity Principal	Country of Incorporation	Percentage of ownership (%) 2020	2019
Shuwaikh Cement Company	K.S.C.C.	Industrial	State of Kuwait	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	State of Kuwait	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C.	Industrial	State of Kuwait	99.844	99.844

The consolidated financial statements were prepared using the audited financial statements of subsidiaries as at 31 December 2020.

The subsidiaries' total assets amounted to KD 31,664,874 as at 31 December 2020 (KD 37,626,703 - 31 December 2019) and their net losses amounted to KD 3,214,891 for the year ended 31 December 2020 (Net loss of KD 911,524 for the year ended 31 December 2019).

The consolidated financial statements for the year ended on 31 December 2020 were authorized for issue by the board of directors of the Parent Company on 30 March 2021 and are subject to the approval of the general assembly of shareholders.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that remeasured at fair value as stated in the below mentioned accounting policies.

The Group's accounting policies has been applied based on a similar basis to all year presented, except as indicated in note 2.2.1 on the application of new and revised IFRSs.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020:

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated 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 output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient to all rent concessions that meet the conditions in IFRS 16:46B.

These amendments had no impact on the consolidated financial statements of the Group

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

2.2.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 *Reference to the Conceptual Framework*	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same or earlier.
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture* The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2.3 Significant Accounting Policies

Following is the significant accounting policies adopted by the Group:

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control exists when the Parent Company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts 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 non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is stated in the consolidated statement of income and is calculated as the difference between:

(a) The aggregate of the fair value of the consideration received and the fair value of any retained interest and

(b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in statement of other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary. 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 IAS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interest in acquired subsidiary is measured either at the non-controlling interest's proportionate in the acquiree's identifiable net assets or at fair value of such interest. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in consolidated statement of comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses if any. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance.

Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

	Useful life
Buildings	5-25 years
Machinery & equipment	7-50 years
Motor vehicles, computers & furniture	1-7 years

The asset's residual values, useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. A change in the estimated useful life of a property, plant and equipment is applied at the beginning of the year of change prospectively.

The carrying amount of property, plant and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment in its carrying value. If any such indication exists, an impairment loss is recognized in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Gains or losses on disposals are determined by the difference between the net sales proceeds and the net carrying amount of the asset and is recognised in the consolidated statement of income.

Work in progress is included in property, plant and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

2.3.3 Intangible assets

Intangible assets with definite life, which are separately acquired, are carried at cost less accumulated amortization and impairment losses if any. Amortization is charged on a straight-line basis over the estimated useful lives.

The useful live and amortization methods are reviewed at the end of each financial year. Changes in estimations are accounted for as at the beginning of the financial year in which the change occurred.

Intangible assets with infinite life, which are separately acquired, are carried at cost less impairment losses if any.

Intangible assets are removed on disposal or when it is proved that there will not be any future benefit resulting from use of these assets. The profit or loss resulting from disposal are measured by the difference between the net proceeds and carrying value of the disposed asset and are then recorded in the consolidated statement of income.

2.3.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is recorded at cost less impairment in value, if any. Land is not depreciated. Building is depreciated using the straight line method over its estimated useful lives of 10-20 years.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the disposal of investment property are determined as the difference between the carrying amount and the net disposal proceeds. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in the use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

2.3.5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture.

Any change in statement of other comprehensive income of those investees is presented as part of the Group's comprehensive statement of income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Company's interest in the associate or joint venture. The aggregate of the Group's share of results of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At the date of each consolidated financial statements, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Impairment of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

2.3.6 Impairment of tangible and intangible assets other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The net recoverable amount is determined at the higher of an asset's fair value less costs to sell or value in use.

Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment is written back, the impairment is reversed to the extent of net carrying amount of the asset if no impairment was recognised. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.7 Financial Instruments

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where 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 recognition of a new liability.

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as at fair value through profit or loss. Transaction costs on financial assets classified as at fair value through profit or loss are recognised in the consolidated statement of income.

Classification and measurement of financial assets and financial liabilities

Financial Assets

The Group determines classification and measurement category of financial assets based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics except equity instruments and derivatives.

The business model assessment:

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flow assessment

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell the financial instrument, the Group assesses whether the financial instrument's cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of 'interest' within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and interest margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets are classified into following categories under IFRS 9:

- Amortised cost (AC)
- Fair Value through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit and Loss (FVTPL)

Amortised cost (AC)

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Fair Value through Other Comprehensive Income (FVTOCI)

Equity instruments at FVTOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVTOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVTOCI are subsequently measured at their fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses are reclassified from OCI to retained earnings in the consolidated statement of changes in equity.

Fair Value through Profit and Loss (FVTPL)

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Company applied the simplified approach and measure the loss allowance for receivable at an amount equal to lifetime ECL. The expected credit losses on receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off receivable when there is information indicating that the debtor is in serve financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The Company applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in Cash and bank balances. The Company uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not classified under the following items, are subsequently measured at amortized cost using the effective interest method: 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in statement of income for financial liabilities that are not part of a designated hedging relationship.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously.

2.3.8 Inventories

Inventories are held at lower of cost and net realizable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

2.3.9 Employees' end of service indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. Regarding non-Kuwaiti employees in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. This liability is un-funded and is computed based on amount payable that would arise on involuntary termination of all employees on the consolidated financial statements date. The management expects this method to produce a reliable approximation of the present value of the Group's liability.

2.3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.11 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and were not reissued or cancelled till the consolidated financial statements date. Treasury shares are accounted for using the cost method, where the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realized losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings and then to reserves then to share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.12 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated financial statements date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except those companies that operate in countries with high inflation rate) are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated financial statements;
- Income and expenses for each consolidated statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the statement of equity.

2.3.13 Revenue recognition

Revenues from contracts with customers are recognized when the entity meets performance obligation through transferring the promised goods or services to the customer. Such goods or services are considered transferred when the customer has control over these goods or services at point in time or point over time.

Revenues are measured at the consideration expected to be received by the entity having the right to do so against transferring the promised good or service to the customer, except for the amounts collected on behalf of third parties. The consideration promised in a contract with the customer includes fixed or variable amounts or both of them.

Group's revenue streams arise from the following activities:

Sale of goods

Revenue from sale of goods is recognized when the control over the goods is transferred to the customer. Control is transferred at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer. This represents the point at which the right to collect outstanding receivables becomes unconditional, i.e. such amounts are due directly when the purchase is made.

Dividends income

Dividends income is recognized when the Group's right to receive payment is established.

Interest income

Interest income is recognized on time proportion basis using the effective interest method.

Leases

Rental income on operating leases is recognised over the term of the lease on a straight-line basis.

Other income

Other income and expenses are recognized at point in time or point over time, once such service is rendered or upon completing the service according to its nature.

2.3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expenses on a systematic basis over the periods that the related costs, for which it is intended to compensate. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3.16 Accounting for leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

Generally, after the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the consolidated statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss (note 2.3.6).

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

2.3.17 Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

3. Risk management and fair value estimation

3.1 Financial risk

The activities of the Group expose it to a set of financial risks, which are market risk, which include (foreign currency risk and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from the change in interest rates, and price risk) in addition to credit risk and liquidity risk.

The Group's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

a) Market risk

Market risk, comprising of foreign exchange risk, interest rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and market prices of assets.

Foreign currency risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk resulting primarily from dealing with financial instruments in US Dollar. The foreign currency risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency.

The Group has set policies to manage foreign currency risk represented in close monitoring of the change in currency rate, in addition to monitoring the effect of such changes on the financial position of the Group. Also, the use of hedging instruments to cover for the exchange rate risk of some foreign currencies over the year.

The Group is exposed to foreign currency risk resulting primarily from translation of assets and liabilities in foreign currency such as cash and cash equivalents, payables, loans, bank facilities and Murabaha.

The following is the value of net positions of US Dollar as at the consolidated financial statements date:

	2020	2019
Net positions of US Dollar	(4,917,554)	(7,268,951)

In case the US Dollar decreases / increases at 5% against the Kuwait Dinar, while all other variables are held constant, the Group's net profit will increase / decrease of KD 245,878 for the year ended 31 December 2020 (KD 363,448 for the year ended 31 December 2019).

Price risk

The Group is exposed to price risk through its investments classified in the consolidated financial statements as financial assets at fair value through other comprehensive income.

The Group manages this risk by diversifying its investments on the basis of pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of long term changes in fair value. Also the Group keeps its investments at specialised investment companies which manage these investments.

The Group monitors the management of the investment portfolios through monthly periodic reports provided by the portfolio managers of these portfolios and takes the necessary actions when required to minimise the expected market risk of these investments.

The table below summarizes the impact of the decrease in the Kuwait Stock Exchange "KSE" index consolidated statement of comprehensive income. This analysis is based on the assumption that the KSE changes by ±5% with all other variables held constant.

	Effect on consolidated statement of comprehensive income	
	2020	2019
Financial assets at fair value through other comprehensive income	2,983,694	3,607,929

Cash flow and fair value fluctuation risk resulting from the change in interest rate:

Interest rate risk arises from the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are independent of interest rate risks.

The Group's interest rate risk arises from long-term borrowings. The Group has floating and fixed interest bearing loans.

Financial instruments with fixed interest rates expose the Group to fair value interest rate risks. Financial instruments with variable interest rates expose the Group to cash flow interest rate risks.

The Group analyses its interest rate exposure on a dynamic basis. Available scenarios are considered by the Group, taken into consideration the ability for refinancing and renewal of existing and alternative borrowings.

At 31 December 2020, if the interest rate on US Dollar borrowings, bank facilities, and murabaha had been at 0.20% higher, with all other variables held constant, net profits for the year would have been lower of KD 7,073 (KD 8,824 for the year ended 31 December 2019).

b) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of the debit balances on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, debit balances are monitored on an ongoing basis. Accordingly, the Group's exposure to bad debts is insignificant.

The table below detail the credit rating of the financial assets and contract assets and the maximum exposure to the credit risk:

		31 December 2019					
	Note	Credit rating		Method used	Gross amount	ECL	NBV
		Internal	External				
Cash and cash equivalents	12	performing (i)	A1/Baa2	12-month	9,528,618	-	9,528,618
Trade and other receivables	11	(ii)	-	Lifetime	30,649,941	(3,178,626)	27,471,315

		31 December 2020					
	Note	Credit rating		Method used	Gross amount	ECL	NBV
		Internal	External				
Cash and cash equivalents	12	performing (i)	A1/Baa2	12-month	15,186,967	-	15,186,967
Trade and other receivables	11	(ii)	-	Lifetime	23,015,535	(7,310,882)	15,704,653

(i) Although cash and cash equivalents are subject to impairment testing in accordance with IFRS 9, the impact of expected credit losses is immaterial.

(ii) For trade receivables and contract assets, the Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL for trade receivable and contract assets. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Set out below is the information about the credit risk exposure on the trade receivables and other debit balances:

	31 December 2020		
Ageing	Gross carrying amount at default	Expected credit loss rate	Lifetime ECL
Less than 30 days	5,518,944	2.67%	147,335
From 30 to 60 days	1,350,037	3.12%	42,099
From 61 to 90 days	1,069,078	5.90%	63,101
From 91 to 180 days	2,138,587	19.62%	419,696
More than 180 days	12,043,510	55.12%	6,638,651
	22,120,156		7,310,882

	31 December 2019		
Ageing	**Gross carrying amount at default**	**Expected credit loss rate**	**Lifetime ECL**
Less than 30 days	11,312,796	1.24%	140,535
From 30 to 60 days	2,845,227	3.09%	88,038
From 61 to 90 days	3,131,013	5.62%	176,026
From 91 to 180 days	4,630,325	12.24%	566,863
More than 180 days	6,976,650	31.64%	2,207,164
	28,896,011		3,178,626

c) 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.

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities. In addition to continuous monitoring of the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The following are the maturity dates of undiscounted financial liabilities of the Group as of 31 December:

	2020		
	Within one year	**More than one up to three years**	**More than three years**
Loans, bank facilities and murabaha	22,139,530	53,871,530	3,006,726
Payables and other credit balances	22,015,137	-	-
Lease liability	738,268	1,428,210	3,092,415

	2019		
	Within one year	**More than one up to three years**	**More than three years**
Loans, bank facilities and murabaha	21,450,179	56,518,135	10,267,547
Payables and other credit balances	21,983,181	-	-
Lease liability	738,268	1,428,210	3,830,682

3.2 Capital risks

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (loans, bank facilities and Murabaha offset by cash and cash equivalents) and equity.

The Group aims to keep gearing ratio to total capital ranging from 20% to 30% determined as the proportion of net debt to total capital.

The following shows the net debt to total capital as at 31 December:

	2020	**2019**
Total loans, bank facilities and murabaha	73,540,855	76,701,538
(Less): Cash and cash equivalents	(15,186,967)	(9,528,618)
Net debt	58,353,888	67,172,920
Total equity attributable to the Parent Company shareholders	175,884,463	209,163,855
Total capital	234,238,351	276,336,775
Net debt to total capital ratio (%)	24.91	24.31

3.3 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in active markets for similar instruments. Quoted prices in inactive markets for similar assets or liabilities. Valuation techniques based on observable inputs other than quoted prices of financial instruments.
- Level 3: Valuation techniques that their inputs are not based on observable market data.

The table below gives information about how the fair values of the financial assets and liabilities are determined:

Financial assets	Fair value As at 31 December 2020	Fair value As at 31 December 2019	Fair value level	Valuation techniques and key inputs	Significant observable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income:						
Quoted securities	59,673,883	72,158,574	First	Last bid price	None	None
Funds and portfolios	12,197,570	11,396,885	Second	Net asset value	None	None
Unquoted securities	5,603,024	5,666,371	Three	Based on the revised net book value or on the basis of the last transaction	None	None

The fair value of other financial assets and liabilities are approximately equal to its carrying value at the date of consolidated financial statements.

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects both current and future periods. The following are the assumptions concerning the future, that may result in a significant risk of causing material adjustments to the assets and liabilities within the next financial years.

Accounting judgements

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

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in Note No. (3.15) require significant judgments.

Classification of investments in equity instruments - IFRS 9

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments. The Group has designated all investments in equity instruments as at FVTOCI as these investments are strategic investments and are not held for trading.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the Management has applied judgments and estimates to determine the incremental borrowing rate.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group's estimations and assumptions are based on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss in accordance with accounting policies. The recoverable amount of an asset is determined based on higher of fair value and value in use. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Useful lives of property, plant and equipment

The management determines the useful lives and depreciations of property, plant and equipment, as well as increases the depreciation expense when the estimated useful lives became lower than the previously estimated useful lives, or eliminates or write down value of the obsolete assets or non-strategic assets whether disposed or sold.

Fair value measurement and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. Information regarding the required valuation techniques and inputs used to determine the fair value of assets and liabilities is disclosed in Note 3.3.

Impairment of financial assets

The Group assesses whether the credit risk associated with financial assets and other items has increased substantially since the initial recognition in order to determine whether the expected credit loss for the 12 month period or expected credit loss over the lifetime of the financial instrument should be recognized (Note 3.1)

Contingent liabilities

Contingent liabilities arise as a result of past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events that are not included in full within control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5. Property, plant and equipment

	Land and buildings	Machinery and equipment	Motor vehicles, computers & furniture	Projects in Progress	Total
Cost					
At 1 January 2019	55,476,271	206,413,378	17,575,754	3,422,788	282,888,191
Additions	1,241,775	2,790,533	234,740	389,532	4,656,580
Transfers	362,151	758,576	3,184	(1,123,911)	-
Disposals	-	(20,976)	(338,627)	-	(359,603)
At 31 December 2019	57,080,197	209,941,511	17,475,051	2,688,409	287,185,168
Additions	74,257	286,755	6,935	142,029	509,976
Transfers	13,469	68,681	-	(82,150)	-
Disposals	(3,450)	(6,310)	(26,766)	-	(36,526)
Foreign currency translation difference	19,070	48,369	5,275	31,351	104,065
At 31 December 2020	57,183,543	210,339,006	17,460,495	2,779,639	287,762,683
Accumulated depreciation					
At 1 January 2019	27,950,256	91,537,736	6,464,041	-	125,952,033
Charge for the year	1,945,333	6,087,276	1,195,030	-	9,227,639
Disposals	-	(19,100)	(237,028)	-	(256,128)
At 31 December 2019	29,895,589	97,605,912	7,422,043	-	134,923,544
Charge for the year	2,099,346	5,209,612	1,143,713	-	8,452,671
Disposals	(2,394)	(6,106)	(23,462)	-	(31,962)
Impairment losses	-	8,143,628	-	-	8,143,628
Foreign currency translation difference	12,950	45,643	5,089	-	63,682
At 31 December 2020	32,005,491	110,998,689	8,547,383	-	151,551,563
Net carrying value					
At 31 December 2019	27,184,608	112,335,599	10,053,008	2,688,409	152,261,624
At 31 December 2020	25,178,052	99,340,317	8,913,112	2,779,639	136,211,120

All property, plant and equipment located on a land leased from the State Properties under leases for a term of five years ending 2024 and 2025.

Depreciation has been charged to the consolidated statement of income as follows:

	2020	2019
Cost of sales	8,382,551	9,126,202
Selling, general and administrative expenses	70,120	101,437
	8,452,671	9,227,639

The Group has studied the impairment of property, plant and equipment and right of use assets based on the value in use method. Value in use represents the present value of future cash flows. The Group's management concluded, based on the study, that the recoverable amount exceeds the carrying value of those assets as at 31 December 2020. The following assumptions were used when determining the value in use:

Basic assumption	The basis used to determine the value for the basic assumption
The period of covering financial budgets "years"	5 years
The overall growth rate	2% annually
Discount rate	5.5% - 5.97% annually

The management of the Group recorded impairment losses of the machinery and equipment of the old factory, amounting to KD 8,143,628 during the current year due to technical obsolescence according to the estimates of internal experts based on technical studies.

6. Investments properties

	2020	2019
Cost		
As at 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As at 1 January and 31 December	1,219,103	1,219,103
Carrying value	770,641	770,641

Fair value of the Group's investment properties was reached to as at 31 December 2020 based on the valuation done on that date by independent valuers who are not related to the Group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties classified based on comparable market prices which reflect prices of recent transactions for similar real estates. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

Details of real estate investments of the Group and information about the fair value hierarchy as at 31 December are as follows:

	Level 2	Fair value 2020	Fair value 2019
Investment properties	3,770,000	3,770,000	3,835,000

There have been no transfers between levels during the year.

7. Investments in associates

Name of the associate	Country of incorporation	Voting rights and ownership percentage%	Carrying value 2020	Carrying value 2019	Measurement method
Kuwait Rocks Co. (K.S.C.C.) - (Under Liquidation)	State of Kuwait	30.00	-	-	Equity
Marine Contracting and Services Co. K.S.C.C	State of Kuwait	33.39	16,380,034	15,775,973	Equity
			16,380,034	15,775,973	

Movement on investment in associates was as follows:

	2020	2019
Balance at 1 January	15,775,973	16,258,955
Group's share in associates' business results	1,087,195	135,338
Group's share in associates' reserves	(121,463)	(279,933)
Group's share from the transfer to the retained earnings	20,108	43,390
Cash dividends received	(381,779)	(381,777)
Balance at 31 December	16,380,034	15,775,973

Summarized financial information in respect of the significant associates is as follows: The summarized financial information below represents the amounts shown in the latest financial information available to those associates, which has been prepared in accordance with International Financial Reporting Standards:

Marine Contracting and Services Company:

	2020	2019
Available financial statements	Unaudited financial information for the period ended 30 September	Unaudited financial information for the period ended 30 September
Assets	407,122,274	398,135,477
Liabilities	310,800,501	303,927,148
Non-controlling interests	47,268,442	46,963,983
Revenues	126,790,230	127,356,107
Profit for the period attributable to parent company shareholders	3,255,825	405,298
Other comprehensive income items for the period	(303,530)	838,316
Total comprehensive income	2,952,295	1,243,614

8. Financial assets at fair value through other comprehensive income

	2020	2019
Quoted securities	59,673,883	72,158,574
Unquoted securities	5,603,024	5,666,371
Funds and portfolios	12,197,570	11,396,885
	77,474,477	89,221,830

The fair value of financial assets at fair value through other comprehensive income was determined based on valuation levels mentioned in Note (3.3).

The quoted financial assets include financial assets of KD 20,075,898 as at 31 December 2020 in the shares of National Industries Group Holding K.S.C. (Public), which is one of the major shareholders in the Group (KD 34,336,884 - 31 December 2019).

An analysis of the Group's financial assets at fair value through other comprehensive income along with currencies as at 31 December:

	2020	2019
KD	64,368,204	77,195,337
USD	10,661,373	11,018,520
Euro	1,449,714	143,366
GBP	995,186	864,607
	77,474,477	89,221,830

9. Leasing

Group as lessee

The Group leases plot of lands. Leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Right of use assets

Set out below, are the carrying amounts of the Group's right-of-use assets and the movement during the year:

	2020	2019
Cost		
As at 1 January and 31 December	4,987,252	4,987,252
Gross amortization		
As at 1 January	(498,725)	-
Amortization expenses	(498,725)	(498,725)
As at 31 December	(997,450)	(498,725)
Net book value as at 31 December	3,989,802	4,488,527

Below are the amounts recognised in consolidated statement of income

	2020	2019
Amortization expenses of right-of-use assets	498,725	498,725
Interest expense on lease liabilities	154,834	173,728
Expenses relating to short-term leases (cost of production)	454,952	594,174
Expenses relating to short-term leases (general and administrative expenses)	32,625	46,988
Total amounts recognised in consolidated statement of income	1,141,136	1,313,615

Lease liabilities contracts

Lease contract liabilities have been classified in the consolidated statement of financial position as follows:

	2020	2019
Lease liabilities – current	3,481,193	3,933,552
Lease liabilities – non-current	455,376	439,961
	3,936,569	4,373,513

Movement in lease contract obligations during the year is as follows:

	2020	2019
At beginning of the year	4,373,513	4,987,252
Lease liabilities – paid	(591,778)	(787,467)
Lease liabilities interests	154,834	173,728
At end of the year	3,936,569	4,373,513

Group as lessor

The Group leases out its investment property consisting of its owned commercial properties all leases are classified as operating leases from a lessor perspective

The rental income recognized by the Group for the year ended 31 December 2020 was KD 115,933 (KD 154,300 - 31 December 2019).

10. Inventories

	2020	2019
Raw materials	12,648,642	15,855,997
Finished goods	681,691	573,050
	13,330,333	16,429,047

11. Accounts receivable and other debit balances

	2020	2019
Amounts under collection at banks	261,731	427,198
Receivables against unconditional bank guarantees	3,153,186	3,707,138
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	327,606	424,957
Related parties (Note 25)	559,777	1,510,452
Other trade receivables	15,901,300	21,173,361
Total trade receivables	20,203,600	27,243,106
Other receivables	1,916,556	1,652,905
	22,120,156	28,896,011
Provision for expected credit losses	(7,310,882)	(3,178,626)
	14,809,274	25,717,385
Prepaid expenses	128,182	467,722
Notes receivables	767,197	1,286,208
	15,704,653	27,471,315

The average credit period granted to trade receivables is 60-90 days. No interest is charged on trade receivables.

The fair value of guarantees received by the Group from the debtors was KD 5,167,858 as at 31 December 2020 (KD 4,316,113 - 31 December 2019).

The ECL has been estimated in accordance with the simplified approach as per IFRS 9 (note 3.1).

The following is the movement on the provision for ECLs:

	2020	2019
Balance at beginning of the year	3,178,626	2,929,151
Charged during the year	4,128,659	249,475
Foreign currency translation difference	3,597	-
Balance at end of the year	7,310,882	3,178,626

12. Cash and cash equivalents

	2020	2019
Cash on hand and at banks	11,672,051	8,060,462
Cash at investment portfolios	3,514,916	1,468,156
	15,186,967	9,528,618

13. Share capital

The authorized, issued and fully paid share capital was KD 73,330,387 divided into 733,303,870 shares as at 31 December 2020 / 2019, each of a nominal value of 100 fils. All shares are cash shares.

14. Treasury shares

	2020	2019
Number of shares (share)	20,330,200	20,330,200
Percentage of issued shares (%)	2.77	2.77
Market value – KD	4,655,616	4,980,899

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

15. Statutory reserve

In accordance with the Companies' law and the Parent Company's articles of association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfer when the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up capital in years when profit is not sufficient for the payment of such dividend.

16. Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the voluntary reserve. The Parent Company's board of directors proposed to discontinue the transfer. Such proposal is subject to approval of the shareholders' general assembly. There are no restrictions on the distribution of this reserve. The transfer to the voluntary reserve has been discontinued based on a decision of the Shareholders' general assembly meeting held on 23 June 2020.

17. Loans, bank facilities and murabaha

	2020	2019
Non-current portion		
Loans and borrowings	11,560,001	15,400,000
Murabaha	41,450,712	42,337,687
	53,010,713	57,737,687
Current portion		
Loans and borrowings	3,840,000	5,890,000
Murabaha	16,690,142	13,073,851
	20,530,142	18,963,851
Total loans, bank facilities and murabaha	73,540,855	76,701,538

The average effective annual interest rate on loans, bank facilities and murabaha was 2.65% as at 31 December 2020 (3.5% - 31 December 2019).

The loans and Murabaha's covenants also state that the ratio of net debts to equity increases not be more than (1:0.8) and the ratio of liabilities to equity not be more than (1:1.3).

Loans, bank facilities and murabaha are denominated in the following currencies as at 31 December:

	2020	2019
KD	70,004,149	72,289,697
USD	3,536,706	4,411,841
	73,540,855	76,701,538

18. Accounts payable and other credit balances

	2020	2019
Suppliers	15,261,233	15,442,714
Accrued interest and expenses	3,099,139	2,816,026
Notes payable	1,183,027	1,415,858
Clients - advance payments	1,470,388	1,198,774
Payable cash dividends	986,375	970,166
Contribution to Kuwait Foundation for the Advancement of Sciences	579	39,370
National Labour Support Tax	-	63,776
Zakat	375	18,593
Retention	3,500	3,500
Other	10,521	14,404
	22,015,137	21,983,181

19. Cost of sales

	2020	2019
Cost of raw materials	36,835,616	61,931,592
Change in finished goods	(108,641)	67,129
Impairment loss of property, plant and equipment	8,143,628	-
Maintenance and spare parts	2,436,446	3,819,760
Salaries and benefits	3,681,040	4,570,914
Depreciations and amortizations	2,258,928	2,254,886
Rent	392,176	450,311
Other	805,385	938,487
	54,444,578	74,033,079

20. Other operating income

	2020	2019
Net income from investment properties	87,237	123,685
Net profits from exchange differences	88,583	35,375
Other income	86,044	270,293
	261,864	429,353

21. Net investment profits

	2020	2019
Cash dividends	2,751,895	3,205,802
Portfolio management fees	(95,665)	(100,571)
	2,656,230	3,105,231

22. Basic and diluted (losses)/ earnings per share

Basic and diluted (losses)/ earnings per share are calculated by dividing the net (loss)/ profit attributable to shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the year, taking into account treasury shares. The calculation of basic and diluted (losses)/ earnings per share is as follows:

	2020	2019
Net (loss)/ profit for the year attributable to shareholders of the Parent Company	(18,179,210)	4,017,125
Weighted average number of outstanding shares during the year (share)	712,974,671	712,974,671
Basic and diluted (losses)/ earnings per share (fils)	(25.50)	5.63

23. Staff costs

Staff costs include wages, salaries, leave, end of service's indemnity and other benefits for the Group's staff. The staff costs amounted to KD 7,942,444 for the year ended 31 December 2020 (KD 10,684,968 - 31 December 2019).

24. Dividends

On 23 June 2020, the General Assembly of shareholders approved the consolidated financial statements for the year ended 31 December 2019, and approved the followings:

- cash dividends of 5 fils per share of the paid share capital after deducting treasury shares to the shareholders who are entitled to it in the manner indicated in the schedule approved by the General Assembly of the shareholders.
- Canceling the Board of Directors'recommendation to distribute bonus shares for the fiscal year ended 31 December 2019.

On 30 March 2021, the Parent Company's Board of Directors proposed not to distribute dividends and not to pay board of directors remuneration for the year 2020.

25. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2020. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Following is a summary of significant related party transactions and outstanding balances:

	2020	2019
Balances		
Accounts receivable and other debit balances (Note 11)	559,777	1,510,452
Provision for end of service indemnity	632,584	618,053
Transactions		
Sales	1,372,873	3,301,713
Committees' fees	179,000	179,000
Senior management salaries and benefits	712,375	616,926

All transactions with related parties are subject to the approval of the shareholders' general assembly.

26. Contingent liabilities and capital commitments

	2020	2019
Contingent liabilities		
Letters of guarantee	693,001	793,000
Capital commitments		
Letters of credit	122,580	111,945
Uncalled subscription relating to investments in funds	321,972	321,972
Contracts for importing raw materials	8,962,474	9,425,086
Property, tools and equipments	856,811	807,354

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a judgment was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

27. Segment financial information

The management has classified its significant operating sectors as follows:

- Manufacturing sector which includes production and sale cement & ready – mix cement.
- Investments sector.

Financial information about business segments for the year ended 31 December is as follows:

	2020		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	42,551,269	3,830,662	46,381,931
Gross segments profit	(19,594,162)	3,830,662	(15,763,500)
Segments assets	180,907,969	98,140,068	279,048,037

	2019		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	82,089,450	3,364,254	85,453,704
Gross segments profit	3,813,546	3,364,254	7,177,800
Segments assets	208,743,827	107,236,600	315,980,427

	2020	**2019**
Adjustments:		
Gross segments (loss)/ profit	(15,763,500)	7,177,800
Finance charges	(2,446,177)	(3,043,437)
Interest income	25,905	3,550
Net segments (loss)/ profit before deductions	(18,183,772)	4,137,913

Geographical segments:

Financial information about geographical segments for the year ended 31 December is set out below:

	2020		
	Revenues	**Assets**	**Liabilities**
Inside Kuwait	45,243,562	260,370,150	100,174,192
Outside Kuwait	1,138,369	18,677,887	2,841,279
	46,381,931	279,048,037	103,015,471

	2019		
	Revenues	**Assets**	**Liabilities**
Inside Kuwait	83,761,814	296,835,138	104,426,791
Outside Kuwait	1,691,890	19,145,289	2,225,938
	85,453,704	315,980,427	106,652,729

28. Impact of COVID-19

The World Health Organization declared on 11 March 2020 the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

The Group has performed an assessment of COVID-19 implications on the financial results of the Company and incorporated the outcome in these financial statements and explained the changes in light of the available guidance of IFRS related to critical judgments and estimates.

The Group considered the best available information about past events, current conditions and forecasts of economic conditions in determination of the reported amounts of the Group's financial and non-financial assets reported in these financial statements. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Impairment of property, plant, equipment and right of use leases assets

The Group has assessed the decline in the value of property, plant and equipment and the right to use the assets. The Group has not identified any material impact on the carrying value of property, equipment and right to use leased assets as of 31 December 2020 due to COVID-19. The Group recorded impairment losses of the machinery and equipment of the old factory due to technical obsolescence according to the estimate of internal expert based on technical study (note 5). The Group continuously monitors market forecasts and uses related assumptions to properly incorporate these asset values in the consolidated financial statements.

Impairment of associates

At the reporting date, the management has not identified any significant impact on the carrying value of its investments in associate. As the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting these non-financial assets appropriately in the consolidated financial statements.

Valuation of unquoted investments

In order for the Group to determine the impact of the Coronavirus (COVID-19) pandemic on the fair value of investments, management has updated the fair value related to unquoted investments (note 3.3). This has not resulted in any material impact.

Expected credit losses and financial assets modification

The Group has reassessed its significant judgments and estimates in relation to expected credit losses (including probability of default, loss rate at default and consolidation of future information) and adjusted financial assets as disclosed in (note 11)

Government grants

The Government of Kuwait has provided financial support to business owners in response to the pandemic. During the year, the Group has received government grant related to Kuwaiti beneficiaries registered under Article No. 3 of the Kuwaiti Labor Law. The government grant is part of the assistance made towards the national workforce in the private sector for a period of up to six months effective from April 2020. The financial support has been accounted for in accordance with IAS 20 'Accounting for government grants and disclosure of government assistance' and recognised in the consolidated statement of income as deduction from the related expenses on a systematic basis over the periods in which the Group has recognised the related staff costs.

Going concern

The Group has performed as assessment of whether it is a going concern in the light of current economic conditions and based on all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 continue to evolve, but at the present time, the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this consolidated financial statements has been appropriately prepared on a going concern basis.