Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Kout Industrial Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' 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 period. 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 matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

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

Key Audit Matters

We have identified the following key audit matters:

Impairment of Investment in an associate

The Group has 36.92% equity interest in Al Dorra Petroleum Services Company K.S.C. (Closed), an entity over which the Group has significant influence and carried at KD 3,000,000 (representing 7.9% of the total assets) as at 31 December 2020.

Investment in an associate is accounted for under the equity method of accounting, whereby the investment is initially recognised at cost, and the carrying amount is adjusted thereafter to recognise changes in the Group's share of net assets of the associate less any impairment losses. Management determines at the end of each reporting period the existence of any objective evidence through which the Group's investment in the associate may be impaired. If there is an indication that the Group's interest in the associate might be impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group used the work of an external management expert to determine the recoverable amount of the investment in an associate as at the reporting date. The Group considered, amongst other factors, the negative outlook due to the impact of the ongoing COVID-19 pandemic in the determination of the recoverable amount of the cash generating units (CGU).

The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period and is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. As a result of this analysis, management has recognised an impairment charge of KD 2,748,204 in the current year against the investment.

Given the significant judgments and estimates involved in assessing the recoverable amount of investment in an associate, we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- We involved our internal valuation specialists to assist us in challenging the methodology used in the impairment assessment and evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGUs operate.

- We evaluated whether the external management expert has the necessary competency, capabilities and objectivity for audit purposes.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

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

Key Audit Matters (continued)

Impairment of Investment in an associate (continued)

Our audit procedures included, among others, the following (continued):

- We assessed the appropriateness of the assumptions applied to key inputs such as trade volumes and values, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on knowledge of the client and the industry.

- We evaluated the adequacy of the Group's disclosures in Note 10 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivity analysis.

Impairment of goodwill

The Group has goodwill of KD 4,937,402 arising from past acquisition of a subsidiary, namely United Materials General Trading Company W.L.L.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less cost to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rate and the weighted-average cost of capital (discount rate).

Our audit procedures included, among others, the following:

- We involved our internal valuation specialists to assist us in challenging the methodology used in the impairment assessment and evaluating the appropriateness of the discount rates applied, which included comparing the discount rate used with sector averages for the relevant markets in which the CGUs operate.

- We assessed the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on knowledge of the client and the industry.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

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

Key Audit Matters (continued)

Impairment of goodwill (continued)

Our audit procedures included, among others, the following (continued):

- We evaluated the adequacy of the Group's disclosures concerning goodwill in Note 11 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

- We challenged management by comparing future cash flow assumptions to historic performance and local economic developments, taking into account the sensitivity tests of the goodwill balance for any changes in the respective assumptions.

Expected Credit Losses ("ECL") on trade receivables and contract assets

As at 31 December 2020, trade receivables and contract assets amounted to KD 10,210,654 representing 27.1% of the total assets.

The Group applies a simplified approach in calculating ECL for trade receivables and contract assets by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns

Due to the significance of trade receivables and contract assets and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information.

- We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report.

- Further, in order to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.

- We also considered the adequacy of the Group's disclosures relating to the ECL, management's assessment of the credit risk and their responses to such risks in Notes 13 and 26.1 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

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

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

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, actions taken to eliminate threats or safeguards applied.

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.

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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

2 May 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	***2020 KD***	*2019 KD*
Revenue from contracts with customers	5	**28,216,026**	28,930,408
Cost of sales and services rendered	6	**(20,286,751)**	(20,098,711)
GROSS PROFIT		**7,929,275**	8,831,697
Other income		**219,760**	434,524
General and administrative expenses		**(2,913,581)**	(2,892,208)
Other expenses		**(537,833)**	(518,571)
Allowance for expected credit losses of trade receivables	13	**(102,231)**	(38,110)
Impairment of intangible asset		**-**	(247,800)
Impairment of property, plant and equipment	8	**(3,438,662)**	-
Net foreign exchange differences		**48,373**	60,707
OPERATING PROFIT		**1,205,101**	5,630,239
Share of results of an associate	10	**(527,908)**	105,724
Changes in fair value of financial assets at fair value through profit or loss		**(275,889)**	220,133
Dividend income		**36,466**	53,600
Finance costs		**(154,001)**	(91,190)
Impairment of investment in an associate	10	**(2,748,204)**	(892,555)
(LOSS) PROFIT BEFORE TAX		**(2,464,435)**	5,025,951
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**-**	(49,202)
National Labour Support Tax ("NLST")		**-**	(125,412)
Zakat		**-**	(49,108)
Directors' remuneration	23	**-**	(16,000)
(LOSS) PROFIT FOR THE YEAR	6	**(2,464,435)**	4,786,229
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE (EPS)	7	**(24.42)**	47.43

The notes set out on pages 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	*2019*
	KD	*KD*
(LOSS) PROFIT FOR THE YEAR	**(2,464,435)**	4,786,229
Other comprehensive (loss) income:		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	**-**	(4,090)
Exchange differences on translation of foreign operations	**233**	(4,490)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	**233**	(8,580)
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive (loss) income of an associate	**(14,708)**	45,207
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods	**(14,708)**	45,207
Other comprehensive (loss) income for the year	**(14,475)**	36,627
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(2,478,910)**	4,822,856

The notes set out on pages 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**12,526,112**	17,514,175
Right-of-use assets	9	**509,282**	557,615
Investment in an associate	10	**3,000,000**	6,290,820
Goodwill	11	**4,937,402**	4,937,402
		20,972,796	29,300,012
Current assets			
Financial assets at fair value through profit or loss		**983,905**	1,259,794
Inventories	12	**3,081,292**	2,749,461
Trade receivables and contract assets	13	**10,210,654**	7,297,529
Prepayments and other receivables	14	**1,565,029**	1,384,157
Cash and bank balances	15	**861,759**	472,382
		16,702,639	13,163,323
TOTAL ASSETS		**37,675,435**	42,463,335
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**10,090,080**	10,090,080
Statutory reserve	17	**5,186,422**	5,186,422
Voluntary reserve	18	**5,148,415**	5,148,415
Effect of changes in other comprehensive income of an associate		**(2,609,842)**	(2,595,134)
Foreign currency translation reserve		**545,878**	545,645
Retained earnings		**5,102,264**	12,611,739
Total equity		**23,463,217**	30,987,167
Non-current liabilities			
Loans and borrowings	19	**-**	1,200,000
Employees' end of service benefits	20	**1,876,304**	2,283,543
Lease liabilities	9	**304,208**	411,343
		2,180,512	3,894,886
Current liabilities			
Accounts payable and accruals	21	**4,790,736**	5,891,465
Lease liabilities	9	**233,963**	155,911
Bank overdrafts	15	**1,159,620**	1,233,906
Loans and borrowings	19	**5,847,387**	300,000
		12,031,706	7,581,282
Total liabilities		**14,212,218**	11,476,168
TOTAL EQUITY AND LIABILITIES		**37,675,435**	42,463,335

Mohammad Ahmad Husain
Chairman

Faisal Youssef Malallah
Chief Executive Officer

The notes set out on pages 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Effect of changes in other comprehensive income of an associate KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
As at 1 January 2020	**10,090,080**	**5,186,422**	**5,148,415**	**(2,595,134)**	**545,645**	**12,611,739**	**30,987,167**
Loss for the year	-	-	-	-	-	(2,464,435)	(2,464,435)
Other comprehensive (loss) income for the year	-	-	-	(14,708)	233	-	(14,475)
Total comprehensive (loss) income for the year	-	-	-	(14,708)	233	(2,464,435)	(2,478,910)
Cash dividends (Note 24)	-	-	-	-	-	(5,045,040)	(5,045,040)
At 31 December 2020	**10,090,080**	**5,186,422**	**5,148,415**	**(2,609,842)**	**545,878**	**5,102,264**	**23,463,217**
As at 1 January 2019	10,090,080	5,186,422	5,148,415	(2,636,251)	550,135	12,815,173	31,153,974
Profit for the year	-	-	-	-	-	4,786,229	4,786,229
Other comprehensive income (loss) for the year	-	-	-	41,117	(4,490)	-	36,627
Total comprehensive income (loss) for the year	-	-	-	41,117	(4,490)	4,786,229	4,822,856
Share of associate's gain on derecognition of equity investments held at FVOCI	-	-	-	-	-	55,377	55,377
Cash dividends (Note 24)	-	-	-	-	-	(5,045,040)	(5,045,040)
At 31 December 2019	10,090,080	5,186,422	5,148,415	(2,595,134)	545,645	12,611,739	30,987,167

The notes set out on pages 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
OPERATING ACTIVITIES			
(Loss) profit before tax and directors' remuneration		**(2,464,435)**	5,025,951
Adjustments to reconcile (loss) profit before tax to net cash flows:			
Depreciation of property, plant and equipment	8	**3,151,648**	3,247,976
Depreciation on right-of-use assets	9	**273,620**	254,720
Amortisation of an intangible asset	6	**-**	70,800
Impairment of an intangible asset		**-**	247,800
Allowance for expected credit losses on trade receivables	13	**102,231**	38,110
Share of results of an associate	10	**527,908**	(105,724)
Impairment of investment in an associate	10	**2,748,204**	892,555
Impairment of property, plant and equipment	8	**3,438,662**	-
Changes in fair value of financial assets at fair value through profit or loss		**275,889**	(220,133)
Dividend income		**(36,466)**	(53,600)
Government grants (included under other income)		**(70,916)**	-
Provision for employees' end of service benefits	20	**248,839**	308,210
Interest on loans and borrowings		**133,930**	73,273
Interest on lease liabilities	9	**20,071**	17,917
		8,349,185	9,797,855
Working capital changes:			
Inventories		**(331,831)**	(103,545)
Trade receivables and contract assets		**(3,015,356)**	297,751
Prepayments and other receivables		**(180,872)**	616,828
Accounts payable and accruals		**(588,306)**	146,137
Cash flows from operations		**4,232,820**	10,755,026
Receipt of government grants		**70,916**	-
Taxes paid		**(416,756)**	(165,057)
Employees end of service benefits paid	20	**(656,078)**	(317,673)
Net cash flows generated from operating activities		**3,230,902**	10,272,296
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(1,595,145)**	(5,918,580)
Dividend income received		**36,466**	53,600
Net cash flows used in investing activities		**(1,558,679)**	(5,864,980)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**5,847,387**	500,000
Repayment of loans and borrowings		**(1,500,000)**	-
Finance costs paid		**(133,930)**	(73,273)
Payment of lease liabilities	9	**(274,441)**	(262,998)
Dividends paid		**(5,140,707)**	(4,949,373)
Net cash used in financing activities		**(1,201,691)**	(4,785,644)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**470,532**	(378,328)
Cash and cash equivalents as at 1 January		**(761,524)**	(380,886)
Net foreign exchange differences		**(6,869)**	(2,310)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	15	**(297,861)**	(761,524)
Non-cash items excluded from the consolidated statement of cash flows:			
Transitional adjustment to lease liabilities on adoption of IFRS 16		**-**	812,335
Transitional adjustment to property and equipment on adoption of IFRS 16		**-**	(812,335)
Additions to lease liabilities	9	**225,287**	-
Additions to right-of-use assets	9	**(225,287)**	-
		-	-

The notes set out on pages 1 to 29 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Al Kout Industrial Projects Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 29 April 2021, and the shareholders have the power to amend these consolidated financial statements at the Annual General Assembly Meeting ("AGM").

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved in the Annual General Assembly Meeting (AGM) of the shareholders of the Parent Company held on 23 June 2020.

The Parent Company is a Kuwaiti Shareholding Company incorporated and domiciled in Kuwait, whose shares are publicly traded on Boursa Kuwait. The Parent Company head office is located in Hamra Tower, 18th Floor, Abdulaziz Al-Sager street, Sharq and its registered postal address is PO Box 10277, Shuaiba 65453, Kuwait.

The principal activities of the Group are, as follows:

- Import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities and investing surplus funds through portfolio managers in shares of investment and real estate companies.
- Production of chlorine and salt, steel drums to fill soda solid and other petrochemical products (after approval of Public Authority for Industry).
- Transport Company's products inside and outside the State of Kuwait according to Company's objectives.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the Parent Company to practice its activities pursuant to the limits prescribed by law.
- Investing surplus funds in portfolios managed by specialised financial companies.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Group may also purchase such entities or affiliate them.

Information on the Group's structure is provided in Note 2.2.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis except for financial asset at fair value through profit or loss that is measured at fair value.

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

The consolidated financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and represented to conform to classification in the current year. Such reclassification has been made to improve the quality of information presented.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

2.2 BASIS OF CONSOLIDATION (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidate statements of profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements include the following subsidiaries:

			% equity interest	
Entity	*Principal activities*	*Country of incorporation*	***2020***	*2019*
Directly held				
Al Kout Logistics and Transport Company W.L.L.*	Transportation services	Kuwait	**99.5**	99.5
Al Kout Petrochemical Products Company W.L.L.*	Blending of chemical products	Kuwait	**80**	80
Al Kout Industrial Projects Holding Company L.L.C.	Investment activities	Bahrain	**100**	100
Safewater Chemicals L.L.C.*	Manufacture of Chlor Alkali products	United Arab Emirates	**99**	99
United Materials General Trading Company W.L.L. *	Sale of petrochemical products	Kuwait	**99**	99
Indirectly held through United Materials General Trading Company W.L.L				
CISCO Trading Company W.L.L.*	Sale of petrochemical products	Kuwait	**99.99**	99.99
Safwan Enviro-Chem Technologies Company W.L.L.*	Sale of petrochemical products	Kuwait	**99.99**	99.99

* The remaining shares in these subsidiaries are held by other parties on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1 New standards, interpretations, and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

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, nor is there expected to be any future impact to 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.

The revised Conceptual Framework includes some new concepts, provides 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.

Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.3.2 Summary of accounting policies for new transactions and events

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 recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. 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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

IFRS 17 *Insurance Contracts*
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

IAS 41 *Agriculture* – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. This standard is not applicable to the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.2 Investment in an associate

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.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate 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 since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Investment in an associate (continued)

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

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

3.3 Revenue from contracts with customers

The Group is primarily in the business of manufacturing and sale of chlor akai and petrochemical products in the local and global market and providing other non-chlor akai and petrochemical services (i.e. construction of chlorine dioxide plant for groundwater reservoirs, blending chemical services and logistics services). Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on the delivery of goods at the specific location when the risks of obsolescence and loss have been transferred to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. volume rebates). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group also provides retrospective volume rebates to certain customers once the quantity of goods purchased during the period exceeds the threshold specified in the contract. Volume rebates give rise to variable consideration.

► *Volume rebates*

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when the customer pays for that good will be one year or less. The Group does not receive any long-term advances from customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers (continued)

Rendering of services
The Group is primarily engaged in providing the following services:

Blending chemicals services
The Group provides blending of chemicals services to customers under fixed-price contracts. Revenue from blending of chemicals services is recognised over-time when the services are rendered.

The Group elected to apply the ‘right to invoice’ practical expedient for contracts that contain fixed amounts and rates for manpower and materials specified in a contract, when the Group determines that right to consideration from a customer corresponds directly with the value of the Group’s performance completed to date.

Logistic services
The Group generates revenues from providing transportation services to the customers. Revenue is recognised when the Group satisfies the performance obligation by transferring the control of service to the customer.

Construction of chlorine dioxide plant for groundwater reservoirs
The Group provides certain construction services that represents performing a contractually agreed-upon task(s) for a customer as part of a single arrangement which include a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. The Group determines the transaction price by considering the terms of the contract and the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer.

Revenue from construction services is recognised over-time, using an input method by reference to the stage of completion of the contract. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of expenses incurred that are recoverable. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on proportion of total contract costs incurred to date and the estimated costs to complete.

Variation orders and claims are recognised only when there is no uncertainty of acceptance by customers. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from sale of services because the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to expected credit losses assessment. Refer to accounting policies on impairment of financial assets in under *Financial instruments – initial recognition and subsequent measurement.*

3.4 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

3.5 Dividend distribution
The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting (“AGM”). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3.6 Dividend income
Dividend income is recognised when the right to receive payment is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Taxes

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

National Labour Support Tax
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

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

3.8 Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is not depreciated. Following completion, capital work in progress is transferred into the relevant class of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

▸ Buildings	5 – 20 years
▸ Plant and machinery	5 – 10 years
▸ Office Furniture and equipment	1 – 3 years
▸ Motor Vehicles	5 – 10 years

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

▸ *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

▸ *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

▸ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000 (KD 1,500)). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.12 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and initial measurement (continued)
In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments designated at fair value.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has no equity instruments designated at fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss.

The Group's financial assets include cash and bank balances and accounts receivable which are measured at amortised cost and an investment security measured at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for corporate customers that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. With respect to trade receivable from government customers, the Group has considered the effects of time value of money as ECL on these receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Group considers a financial asset in default when contractual payments are 90 days past due except in case of receivables from government customers, where repayments are expected within 1–2 years. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include lease liabilities, trade and other payables, loans and borrowings including bank overdrafts.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade payables, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Loans and borrowings
After initial recognition, profit-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Stock in trade - purchase cost on a weighted average basis
- Raw materials - purchase cost on a weighted average basis
- Spares and consumables - purchase cost on a weighted average basis
- Goods in transit - purchase cost incurred up to the reporting date

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.14 Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3.15 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

3.17 Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3.18 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3.19 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Significant judgments

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 from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Significant judgments (continued)

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

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 several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

4.2 Estimates and assumptions
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 also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates 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.

Determination of variable consideration
Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Impairment of an associate
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group’s share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Provision for expected credit losses of trade receivables and contract assets and other receivables
The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost (other than credit facilities). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivables and contract assets and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers based on type of sales and services:

	2020	*2019*
	KD	*KD*
Types of goods or services		
Sale of Chlor Alkai	**16,745,003**	17,976,070
Sale of industrial materials	**10,169,095**	9,704,366
Blending of chemicals services	**591,993**	636,055
Construction of chlorine dioxide plant for groundwater reservoirs	**624,941**	588,860
Logistic services	**84,994**	25,057
Total revenue from contracts with customers	**28,216,026**	28,930,408
Geographical markets		
Kuwait and GCC	**25,863,671**	25,387,072
Europe and North Africa	**2,225,282**	3,310,059
Asia	**127,073**	233,277
Total revenue from contracts with customers	**28,216,026**	28,930,408
Timing of revenue recognition		
Goods and services transferred at a point in time	**26,914,098**	27,680,436
Goods and services transferred over time	**1,301,928**	1,249,972
Total revenue from contracts with customers	**28,216,026**	28,930,408

5.2 Contract balances

	2020	*2019*
	KD	*KD*
Trade receivables (Note 13)	**9,617,069**	6,708,669
Contract assets (Note 13)	**593,585**	588,860

Contract assets relate to revenue earned from ongoing construction services. As such, the balances of this account vary and depend on the number of ongoing construction services at the end of the year.

6 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year is stated after charging:

	2020	*2019*
	KD	*KD*
Included in cost of sales and services rendered:		
Staff costs	**2,627,434**	2,425,589
Depreciation of property, plant and equipment (Note 8)	**3,069,274**	3,111,452
Amortisation of intangible asset	**-**	70,800
Depreciation of right-of-use assets (Note 9)	**36,990**	42,272
Cost of inventories recognised as an expense (Note 12)	**11,211,326**	10,610,510
Expense relating to short-term leases (Note 9)	**233,964**	266,295
Included in general and administrative expenses:		
Staff costs	**1,910,667**	2,079,823
Depreciation of property, plant and equipment (Note 8)	**79,123**	105,252
Depreciation of right-of-use assets (Note 9)	**236,630**	212,448

6 (LOSS) PROFIT FOR THE YEAR (continued)

(Loss) profit for the year is stated after charging (continued):

	2020	*2019*
	KD	*KD*
Included in other expenses:		
Staff costs	**197,200**	246,641
Depreciation of property, plant and equipment (Note 8)	**3,251**	31,272

Reconciliation of cost of sales and services rendered:	*2020*	*2019*
	KD	*KD*
Raw material as at 1 January	**559,589**	583,879
Purchases during the year	**11,188,682**	10,584,835
Raw materials as at 31 December (Note 12)	**(436,936)**	(559,589)
Cost of raw materials transferred to production during the year	**11,311,335**	10,609,125
Finished goods as at 1 January	**1,098,548**	1,099,933
Finished goods as at 31 December (Note 12)	**(1,198,557)**	(1,098,548)
Costs of inventories recognised as an expense during the year (Note 12)	**11,211,326**	10,610,510
Staff costs	**2,627,434**	2,425,589
Depreciation of property, plant and equipment	**3,069,274**	3,111,452
Depreciation of right-of-use assets	**36,990**	42,272
Amortisation of intangible asset	**-**	70,800
Expense relating to short-term leases	**233,964**	266,295
Other miscellaneous expenses	**3,107,763**	3,571,793
	20,286,751	20,098,711

7 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	2020	*2019*
(Loss) profit for the year (KD)	**(2,464,435)**	4,786,229
Weighted average number of shares outstanding during the year (shares)	**100,900,800**	100,900,800
Basic and diluted EPS (fils)	**(24.42)**	47.43

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorisation date of these consolidated financial statements.

8 PROPERTY, PLANT AND EQUIPMENT

	*Buildings** *KD*	*Plant and machinery* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:						
At 1 January 2019	10,225,953	32,549,866	1,271,499	4,741,427	2,972,953	51,761,698
Additions	-	47,659	45,575	124,071	5,701,275	5,918,580
Transfers	186,553	4,559,290	-	-	(4,745,843)	-
Exchange differences	(1,810)	(4,616)	(67)	(468)	-	(6,961)
At 31 December 2019	10,410,696	37,152,199	1,317,007	4,865,030	3,928,385	57,673,317
Additions	14,632	16,959	66,222	48,127	1,449,205	1,595,145
Disposals	-	(3,837)	-	(6,275)	-	(10,112)
Exchange differences	(101)	(59)	(22)	(1)	-	(183)
At 31 December 2020	**10,425,227**	**37,165,262**	**1,383,207**	**4,906,881**	**5,377,590**	**59,258,167**
Depreciation and impairment:						
At 1 January 2019	8,144,617	24,293,886	1,016,285	3,461,159	-	36,915,947
Depreciation charge for the year	384,456	2,384,415	157,426	321,679	-	3,247,976
Exchange differences	(1,262)	(3,071)	(53)	(395)	-	(4,781)
At 31 December 2019	8,527,811	26,675,230	1,173,658	3,782,443	-	40,159,142
Depreciation charge for the year	352,084	2,353,443	129,698	316,423	-	3,151,648
Depreciation relating to disposals	-	(3,837)	-	(6,275)	-	(10,112)
Impairment **	-	-	-	-	3,438,662	3,438,662
Exchange differences	(1,390)	(5,374)	(166)	(355)	-	(7,285)
At 31 December 2020	**8,878,505**	**29,019,462**	**1,303,190**	**4,092,236**	**3,438,662**	**46,732,055**
Net book value:						
At 31 December 2020	**1,546,722**	**8,145,800**	**80,017**	**814,645**	**1,938,928**	**12,526,112**
At 31 December 2019	1,882,885	10,476,969	143,349	1,082,587	3,928,385	17,514,175

* The Group has a certain building located in the State of Kuwait which is constructed on a leasehold land granted by the Public Authority for Industry (PAI). During the current year, the management of the Group has renewed the lease of this building for five years.

8 PROPERTY, PLANT AND EQUIPMENT (continued)

** In 2020, impairment losses represented the write-down of construction work (comprising fixtures and fittings), machinery and equipment related to a new production line (“Ferric Chloride CGU”). The impairment charge arose following management’s decision to cease the project due to non-profitability of the production line. The Group engaged an external management expert to assist with the impairment testing.

Given that the production line has not commenced operations and is not expected to be profitable over the forecast period, the external expert determined the recoverable amount by assessing the fair value less costs of disposal (“FVLCD”) of the underlying assets using the cost approach due to the lack of relevant publicly available comparable transactions. As a result of this analysis, management recognised an impairment charge of KD 3,438,662 in the current year against the Ferric Chloride CGU with a carrying amount of KD 4,688,662 as at 31 December 2020. The impairment charge is recorded and presented as a separate line item in the consolidated statement of profit or loss for the year then ended.

Depreciation included in the consolidated statement of profit or loss is allocated, as follows:

	2020 ***KD***	*2019* *KD*
Cost of sales and services rendered (Note 6)	**3,069,274**	3,111,452
General and administrative expenses (Note 6)	**79,123**	105,252
Other expenses (Note 6)	**3,251**	31,272
	3,151,648	3,247,976

9 LEASES

Group as a lessee

The Group has several lease contracts for office premises, labour accommodation and motor vehicles used in its operations. Leases of property generally have lease terms between 1 and 5 years, while motor vehicles and other equipment generally have lease terms between 1 and 3 years. The Group’s obligations under its leases are secured by the lessor’s title to the leased assets.

The Group also has certain leases of property and equipment with lease terms of 12 months. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020 ***KD***	*2019* *KD*
As at 1 January	**557,615**	812,335
Additions	**225,287**	-
Depreciation expense	**(273,620)**	(254,720)
As at 31 December	**509,282**	557,615

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2020 ***KD***	*2019* *KD*
As at 1 January	**567,254**	812,335
Additions	**225,287**	-
Accretion of interest	**20,071**	17,917
Payments	**(274,441)**	(262,998)
As at 31 December	**538,171**	567,254

9 LEASES (continued)

Group as a lessee (continued)

	2020	*2019*
	KD	*KD*
Non-current	**304,208**	411,343
Current	**233,963**	155,911

The maturity analysis of lease liabilities is disclosed in Note 26.2

The following are the amounts recognised in profit or loss:

	2020	*2019*
	KD	*KD*
Depreciation expense of right-of-use assets (included in general and administrative)	**236,630**	212,448
Depreciation expense of right-of-use assets (included in cost of sales and services rendered)	**36,990**	42,272
Interest expense on lease liabilities	**20,071**	17,917
Expense relating to short-term leases (included in cost of sales and services rendered)	**233,964**	266,295
Total amount recognised in the consolidated statement of profit or loss	**527,655**	538,932

The Group had total cash outflows for leases of KD 508,405 in 2020 (KD 529,293 in 2019). The Group also had non-cash additions to right-of-use assets and lease liabilities of KD 225,287 in 2020 (Nil in 2019).

10 INVESTMENT IN AN ASSOCIATE

The Group has 36.92% (2019: 37.99%) interest in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate involved in providing integrated services in the oil and gas sector. The Group's interest in its associate is accounted for using the equity method. The above associate is a private entity that is not listed on any stock exchange; therefore, no quoted market prices are available for its shares. During the current year, the management identified certain impairment indicators relating to its investment in an associate. The management has considered factors such as changes in the investees' financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investee' business, including COVID 19 considerations. With the recent developments of the COVID-19 outbreak, there are both external and internal sources of information, such as overall decline in the activities of the associate, as well as ongoing economic uncertainty, which have led to decreased demand for the associate' products or services indicating that the associate may be impaired. Accordingly, the Group concluded that the CGU should be tested for impairment. The Group engaged an external management expert to assist with the impairment testing.

Impairment assessment of the associate

Management considered, amongst other factors, the negative outlook on the oil and gas industry due to the impact of the coronavirus pandemic in the determination of the recoverable amount of the cash generating unit (CGU).

The recoverable amount was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use). The value in use calculation is determined based on reasonable and supportable assumptions concerning projections approved by management of the associate (as part of the budget). These cash flows cover a five-year period using an average annual growth rate of 3.50% over the forecast period based on past performance and management's expectations of market development. The discount rate applied to cash flow projections is 13% (and cash flows beyond the five-year budget period are extrapolated using a 2% long-term growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

As a result of this analysis, the recoverable amount of the entire CGU based on value in use as at 31 December 2020 was estimated to be KD 3,000,000. Accordingly, management has recognised an impairment charge of KD 2,748,204 in the current year against the investment with a carrying amount of KD 6,290,820 as at 31 December 2019. The impairment charge is recorded and presented as a separate line item in the consolidated statement of profit or loss for the year then ended.

10 INVESTMENT IN AN ASSOCIATE (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period

Annual revenue growth rate during the forecast period
Annual revenue growth rate assumptions are based on average growth rates achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates
Assumptions are based on published industry research.

Sensitivity to changes in assumptions
Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the associate to exceed its recoverable amount. These are summarised below:

- A decline in the annual revenue growth rate during the forecast period by 1% would result in a further impairment in the CGU by approximately KD 171,203.
- A rise in the discount rate to 14% (i.e. +1%) would result in a further impairment in the CGU by approximately KD 1,751,120.
- A reduction in the long-term growth rate to 1.50% (i.e. -50 basis point) would result in a further impairment in the CGU by approximately KD 1,201,917.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

A reconciliation of the summarised financial information to the carrying amount of the associate is set out below:

Reconciliation to carrying amount	***2020*** ***KD***	*2019* *KD*
At 1 January	**6,290,820**	6,981,157
Share of (loss) profit	**(527,908)**	105,724
Share of other comprehensive (loss) income	**(14,708)**	41,117
Transfer of fair value reserve of equity instruments designated at FVOCI	**-**	55,377
Impairment losses	**(2,748,204)**	(892,555)
At 31 December	**3,000,000**	6,290,820

10 INVESTMENT IN AN ASSOCIATE (continued)

Summarised financial information for the associate
The following table illustrates the summarised financial information of the Group's investment in the associate:

Summarised statement of financial position

	2020	*2019*
	KD	*KD*
Current assets	**28,063,102**	30,341,816
Non-current assets	**16,449,897**	17,515,017
Current liabilities	**(9,303,290)**	(14,664,170)
Non-current liabilities	**(15,361,039)**	(12,474,725)
Equity	**19,848,670**	20,717,938
Group's share in equity – 36.92% (2019: 37.99%)	**7,328,129**	7,870,745
Impairment losses	**(4,328,129)**	(1,579,925)
Group's carrying amount of the investment	**3,000,000**	6,290,820

Summarised statement of profit or loss and other comprehensive income

	2020	*2019*
	KD	*KD*
Income	**13,587,368**	23,571,727
Expenses	**(15,017,237)**	(23,293,432)
(Loss) profit for the year	**(1,429,869)**	278,295
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**-**	(10,768)
Other comprehensive (loss) income that will not be reclassified to profit or loss in the subsequent periods	**(39,837)**	118,998
Total comprehensive (loss) income for the year	**(39,837)**	108,230
Group's share of (loss) profit for the year	**(527,908)**	105,724
Group's share of other comprehensive (loss) income for the year	**(14,708)**	41,117

The associate had contingent liabilities and commitments of KD 16,012,496 as at 31 December 2020 (2019: KD 19,100,362).

11 GOODWILL

Impairment test for goodwill
The Group performed its annual impairment test for goodwill in December 2020 and 2019. The recoverable amount of the goodwill has been determined based on a value in use calculation of the cash generating unit (CGU), using cash flow projections approved by senior management covering a five-year period. The pre-tax discount rate of 11.10% applied to cash flow projections beyond the five-year period are extrapolated using a terminal growth rate of 1.47%. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin.

As a result of this analysis, there is headroom of KD 8,670,296 and management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period

11 GOODWILL (continued)

Impairment test for goodwill (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

Annual revenue growth rate during the forecast period
Annual revenue growth rate assumptions are based on average growth rates achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates
Assumptions are based on published industry research.

Sensitivity to changes in assumptions
With respect to management's assessment of value in use of the cash generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

12 INVENTORIES

	2020	*2019*
	KD	*KD*
Finished goods and goods for resale (at lower of cost and net realisable value)	**1,198,557**	1,098,548
Raw materials (at cost)	**436,936**	559,589
Spare parts and consumables (at cost)	**1,445,799**	1,091,324
Total inventories at the lower of cost and net realisable value	**3,081,292**	2,749,461

During 2020, KD of 11,211,326 (2019: KD 10,610,510) was recognised as an expense for inventories carried at net realisable value. This is recognised in 'cost of sales and services rendered' (Note 6).

13 TRADE RECEIVABLES AND CONTRACT ASSETS

	2020	*2019*
	KD	*KD*
Trade receivables	**9,873,793**	6,863,162
Less: Allowance for expected credit losses	**(256,724)**	(154,493)
	9,617,069	6,708,669
Contract assets	**593,585**	588,860
	10,210,654	7,297,529

13 TRADE RECEIVABLES AND CONTRACT ASSETS (continued)

- Trade receivables are non-interest bearing and are generally on terms of 90 to 180 days.
- Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. While contract assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020 KD	*2019 KD*
As at 1 January	**154,493**	116,383
Provision for expected credit losses	**125,800**	38,110
Unused amount reversed	**(23,569)**	-
As at 31 December	**256,724**	154,493

Note 26.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade receivables and contract assets.

14 PREPAYMENTS AND OTHER RECEIVABLES

	2020 KD	*2019 KD*
Advances to suppliers	**878,359**	844,349
Prepayments	**488,552**	328,562
Deposits and other receivables	**198,118**	211,246
	1,565,029	1,384,157

The net carrying value of other receivables is considered a reasonable approximation of fair value.

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Other receivables do not contain impaired assets.

15 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents are comprise the following at 31 December:

	2020 KD	*2019 KD*
Cash on hand	**15,521**	22,079
Cash at banks	**846,238**	450,303
Cash and bank balances	**861,759**	472,382
Bank overdrafts repayable on demand and used for cash management purposes	**(1,159,620)**	(1,233,906)
Cash and cash equivalents	**(297,861)**	(761,524)

The Group has bank overdraft facilities up to KD 2,250,000 (2019: KD 2,250,000) that is unsecured. Interest would be payable at the CBK discount rate plus 100 basis points (2019: CBK discount rate plus 100 basis points).

At 31 December 2020, the Group had available KD 1,090,380 (2019: KD 1,016,094) of undrawn committed borrowing facilities.

16 SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2020	*2019*	***2020***	*2019*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**100,900,800**	100,900,800	**10,090,080**	10,090,080

17 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

No transfer has been made to the statutory reserve during the current year as the reserve exceeds 50% of the issued share capital as at 31 December 2020.

18 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

No transfer has been made to the voluntary reserve during the current year as the reserve exceeds 50% of the issued share capital as at 31 December 2020.

19 LOANS AND BORROWINGS

	2020	*2019*
	KD	*KD*
Gross amount	**5,865,810**	1,513,017
Less: deferred finance costs	**(18,432)**	(13,017)
	5,847,387	1,500,000
Current	**5,847,387**	300,000
Non-current	**-**	1,200,000

	Effective interest rate	*Maturity*	***2020***	*2019*
			KD	*KD*
Unsecured				
KD 1,500,000 murabaha facility	CBK discount rate + 2.5%	25 March 2020	**-**	1,500,000
KD 7,000,000 murabaha facility	CBK discount rate +1%	15 February 2021	**5,847,387**	-
			5,847,387	1,500,000

20 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in provision for employees' end of service benefits:

	2020	*2019*
	KD	*KD*
As at 1 January	**2,283,543**	2,293,006
Charge for the year	**248,839**	308,210
Payments	**(656,078)**	(317,673)
As at 31 December	**1,876,304**	2,283,543

21 ACCOUNTS PAYABLE AND ACCRUALS

	2020	*2019*
	KD	*KD*
Trade payables	**1,893,019**	2,920,496
Dividends payable	**4,362**	100,029
Accrued staff costs	**1,137,424**	1,107,047
Advances received from customers	**845,224**	846,227
Taxes payable	**76,218**	486,022
Accrued directors' remuneration	**-**	26,000
Other payables	**834,489**	405,644
	4,790,736	5,891,465

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled within 90 days from the date of purchase.
- Other payables are non-interest bearing and have an average term of three months

For explanations on the Group's liquidity risk management processes, refer to Note 26.2

22 COMMITMENTS AND CONTINGENCIES

22.1 Capital commitments

The Group has commitments in respect of future capital expenditure amounting to KD 100,217 (31 December 2019: KD 414,324) relating to ongoing projects under construction.

22.2 Contingent liabilities

At 31 December 2020, the Group's bankers had outstanding letter of guarantees and credits amounting to KD 5,780,834 (31 December 2019: KD 5,413,297) for the performance of certain contracts from which it is anticipated that no material liabilities will arise.

23 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

As at the reporting date, no balances / transactions reported under the consolidated statement of the financial position and consolidated statement of profit or loss.

23 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows.

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Salaries and other short-term benefits	**289,773**	307,118	**31,433**	20,431
Employees end of service benefits	**28,651**	30,076	**30,881**	269,112
Executive committee fees	**60,000**	27,100	**-**	-
	378,424	364,294	**62,314**	289,543

The Board of Directors of the Parent Company has not proposed any directors' remuneration for the year ended 31 December 2020 (2019: KD 16,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

On 23 June 2020, the shareholders of the Parent Company approved directors' remuneration of KD 10,000 for the year ended 31 December 2019. Accordingly, the unused amounts of KD 6,000 have been reversed during the year ended 31 December 2020 and recognised as other income in the consolidated statement of profit or loss for the year then ended.

24 DISTRIBUTIONS MADE AND PROPOSED

	2020	*2019*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
Final cash dividend for 2019: 50 fils per share (2018: 50 fils per share)	**5,045,040**	5,045,040
Proposed cash dividends on ordinary shares:		
Proposed cash dividend for the 2020: 20 fils per share (2019: 50 fils per share)	**2,018,016**	5,045,040

The proposed cash dividend for the year ended 31 December 2019 were approved at the annual general meeting (AGM) on 23 June 2020 and subsequently distributed.

Proposed cash dividends on ordinary shares for 31 December 2020 are subject to the approval of the shareholders at the Annual General Assembly (AGM) and are not recognised as a liability as at 31 December.

Dividends payable as at 31 December 2020 amounted to KD 4,362 (2019: KD 100,029) and recorded within "accounts payable and accruals" in the consolidated statement of financial position.

25 SEGMENT INFORMATION

For management's purposes, the Group's products and services are organised into the following operating segments. The principle activities and services under these segments are as follows:

- **Chlor Alkali:** Production and sale of chlor alkali products.
- **Petrochemical products:** Production and sale of petrochemical products.
- **Trading:** Distribution of industrial materials.
- **Logistics and Transport:** Logistic and transportation services provided by the Group.
- **Industrial projects:** Construction of chlorine dioxide plant for groundwater reservoirs.
- **Investments:** Group's investments in an associate, fair value through profit or loss and goodwill.

25 SEGMENT INFORMATION (continued)

a) Segment revenue and results

The following tables present revenue and profit information of the Group's operating segments for the year ended 31 December 2020 and 2019, respectively:

	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*
	Revenue		*Results*	
Chlor Alkali	**16,480,890**	18,540,835	**3,723,058**	8,247,058
Petrochemical products	**1,111,914**	1,172,710	**80,943**	853
Trading	**10,561,968**	9,706,340	**2,638,328**	2,474,088
Logistics and transport	**2,287,099**	2,269,267	**6,806**	10,716
Industrial projects	**1,073,965**	588,860	**243,583**	95,394
Investments	**-**	-	**(3,552,001)**	(566,698)
Adjustments and eliminations	**(3,299,810)**	(3,347,604)	**(2,202,105)**	(2,244,212)
Consolidated	**28,216,026**	28,930,408	**938,612**	8,017,199
Other income			**304,599**	548,831
Finance costs			**(154,001)**	(73,273)
Unallocated expenses			**(3,553,645)**	(3,706,528)
(Loss) profit for the year			**(2,464,435)**	4,786,229

	2020 KD	*2019 KD*	***2020 KD***	***2019 KD***
	Purchases of property, plant and equipment		*Depreciation, impairment and amortisation*	
Chlor Alkali	**1,543,006**	5,772,565	**6,281,120**	3,010,885
Petrochemical products	**-**	15,819	**10,786**	-
Trading	**29,370**	6,125	**40,589**	48,446
Logistics and transport	**22,769**	124,071	**257,815**	259,445
	1,595,145	5,918,580	**6,590,310**	3,318,776

b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2020 and 31 December 2019, respectively:

	31 December 2020 KD	*31 December 2019 KD*
Segment assets		
Chlor Alkali	**29,243,397**	29,614,962
Petrochemical products	**31,526**	533,798
Trading	**3,381,793**	3,416,120
Logistics and transport	**842,728**	758,981
Industrial projects	**192,086**	588,860
Investments	**3,983,905**	7,550,614
Total consolidated segment assets	**37,675,435**	42,463,335

25 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

	31 December 2020 KD	*31 December 2019 KD*
Segment liabilities		
Chlor Alkali	**11,896,005**	8,422,385
Petrochemical Products	**482,214**	932,842
Trading	**1,439,062**	1,734,655
Logistics and transport	**390,575**	286,257
Others	**4,362**	100,029
Total consolidated segment liabilities	**14,212,218**	11,476,168

b) Geographical segments

The geographical analysis of the Group's revenue from external customers has been based on the location of customers from which revenue is derived:

	2020 KD	*2019 KD*
Kuwait and GCC	**29,163,481**	28,734,676
Europe and North Africa	**2,225,282**	3,310,059
Asia	**127,073**	233,277
Adjustments and eliminations	**(3,299,810)**	(3,347,604)
Total consolidated segment revenue	**28,216,026**	28,930,408

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

26.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2020 KD	*2019 KD*
Cash and bank balances	**861,759**	472,382
Trade receivables	**9,617,069**	6,708,669
Contract assets	**593,585**	588,860
Other receivables	**1,565,029**	1,384,157
	12,637,442	9,154,068

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 Credit risk (continued)

Cash and bank balances

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for government and corporate customers respectively.

At 31 December 2020, the Group had 6 customers (2019: 3 customers) that owed it more than KD 250,000 each and accounted for approximately 37.9% (2019: 26.6%) of all the receivables and contract assets outstanding.

The Group's trade receivables and contract assets can be analysed by the following industry sectors:

	2020	*2019*
	KD	*KD*
Industry sector		
Corporate	**4,631,324**	4,099,143
Government	**5,579,330**	3,198,386
	10,210,654	7,297,529

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables and contract assets are written-off where there is no reasonable expectation of recovery. Trade receivables are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2020, 15% (2019: 12%) of the Group's trade receivables are covered by letters of credit and other forms of credit insurance. These credit enhancements obtained by the Group resulted in a decrease in the ECL of KD 1,371,803 as at 31 December 2020 (2019: KD 825,349).

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

		Days past due			
	Current	***91-180 days***	***181-360 days***	***>360 days***	***Total***
At 31 December 2020	***KD***	***KD***	***KD***	***KD***	***KD***
Expected credit loss rate	**0.00%**	**0.65%**	**2.78%**	**14.12%**	**2.45%**
Estimated total gross carrying amount at default	**5,607,869**	**1,701,250**	**1,766,796**	**1,391,463**	**10,467,378**
Expected credit loss	**-**	**11,139**	**49,121**	**196,464**	**256,724**

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 Credit risk (continued)

Trade receivables and contract assets (continued)

		Days past due			
At 31 December 2019	*Current KD*	*91-180 days KD*	*181-360 days KD*	*>360 days KD*	*Total KD*
Expected credit loss rate	0.00%	7.52%	3.22%	18.37%	2.07%
Estimated total gross carrying amount at default	5,422,168	1,234,712	557,128	238,014	7,452,022
Expected credit loss	-	92,848	17,915	43,730	154,493

Other receivables
Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

26.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable equity investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also managed liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The steps taken by the Group to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the consolidated financial statements include the following.

- On 10 March 2020, the Group secured access to a revolving working capital murabaha facility of KD 7,000,000 provided by a local bank. Interest is payable at a rate of CBK discount rate plus 100 basis points on any drawn amounts. The Group has drawn KD 5,865,810 under this facility at 31 December 2020.

In addition, the Group maintains the following other lines of credit, which remain undrawn at 31 December 2020:

- Non-cash facilities of KD 10,750,000 for which the Group has utilised KD 5,780,834 as at 31 December 2020.
- KD 2,250,000 overdraft facility that is unsecured. Interest is payable at the rate of CBK discount rate plus 100 basis points on any drawn amounts.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2020	***On demand KD***	***Less than 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Lease liabilities	**-**	**63,568**	**173,029**	**313,631**	**550,228**
Accounts payable and accruals*	**-**	**2,808,088**	**1,137,424**	**-**	**3,945,512**
Loans and borrowings	**-**	**-**	**5,865,810**	**-**	**5,865,810**
Bank overdrafts	**1,208,276**	**-**	**-**	**-**	**1,208,276**
	1,208,276	**2,871,656**	**7,176,263**	**313,631**	**11,569,826**

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 Liquidity risk (continued)

Year ended 31 December 2019	*On demand*	*Less than 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Lease liabilities	-	47,762	125,065	421,440	594,267
Accounts payable and accruals*	-	3,938,191	1,107,047	-	5,045,238
Loans and borrowings	-	88,017	225,000	1,200,000	1,513,017
Bank overdrafts	1,307,179	-	-	-	1,307,179
	1,307,179	4,073,970	1,457,112	1,621,440	8,459,701

* *excluding advances and provisions*

26.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

26.3.1 Equity price risk

The Group's exposure to equity securities price risk arises from an investment held by the Group and classified as at fair value through profit or loss (FVTPL). The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's senior management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to equity investments at fair value listed on Oman Stock Exchange ("Muscat Securities Market") was KD 983,905. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the Muscat Securities Market index, the Group has determined that an increase/(decrease) of 5% on the Muscat Securities Market index could have an impact of approximately KD 47,719 increase/(decrease) on the income and equity attributable to the Group.

26.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group's profit rate risk primarily arise from its loans and borrowings. The Group is subject to limited exposure to interest rate risk due to the fact that its loans and borrowings are fixed-rate Islamic instruments and may be repriced immediately based on market movement in interest rates.

26.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investment in a foreign subsidiary.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.3 Market risk (continued)

26.3.3 Foreign currency risk (continued)

The following tables set out the Group's significant exposure to foreign currency exchange rates on monetary financial assets and liabilities at the reporting date:

	Liabilities		*Assets*	
	2020	*2019*	***2020***	*2019*
Currency	***KD***	*KD*	***KD***	*KD*
US Dollar (USD)	**251,698**	539,533	**2,063,936**	1,315,247
Euro (EUR)	**116,172**	116,805	**96,364**	205,405
Emirati Dirham (AED)	**177,663**	342,168	**1,685,786**	1,288,819
British Pound (GBP)	**5,497**	73,199	**559**	835

Foreign exchange rate sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	2020		*2019*	
Currency	***Change in currency rate***	***Effect on results KD***	*Change in currency rate*	*Effect on results KD*
USD	**+5%**	**90,612**	+5%	38,786
EUR	**+5%**	**(990)**	+5%	4,430
AED	**+5%**	**75,406**	+5%	47,333
GBP	**+5%**	**(247)**	+5%	(3,618)

An equal change in the opposite direction against the KD would have resulted in an equivalent but opposite impact.

27 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the consolidated statement of financial position.

The Group is not subject to externally imposed capital requirements.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

28 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Other financial assets and liabilities
Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in interest rates.

29 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a ‘pneumonia of unknown cause’ were identified in Wuhan, the capital of China’s Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a ‘Public Health Emergency of International Concern’. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

29 IMPACT OF COVID-19 OUTBREAK (continued)

The measures to slow the spread of Covid-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

As a result, the Group considered the impact of Covid-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

Given the evolving nature of Covid-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities in the future.

Trade receivables and contract assets
The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers. The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Impairment of non-financial assets
As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Government assistance
In an attempt to mitigate the impact of the Covid-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 70,916 from the Public Authority for Manpower. The financial support is accounted for in accordance with IAS 20 '*Accounting for Government Grants and Disclosures of Government Assistance*' and recognised in the consolidated statement of profit or loss under 'Other income' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs. There is no outstanding balance of deferred income or receivable related to this grant as at 31 December 2020.

29 IMPACT OF COVID-19 OUTBREAK (continued)

Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the year. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the 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, these consolidated financial statements have been prepared on a going concern basis.

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