H.H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

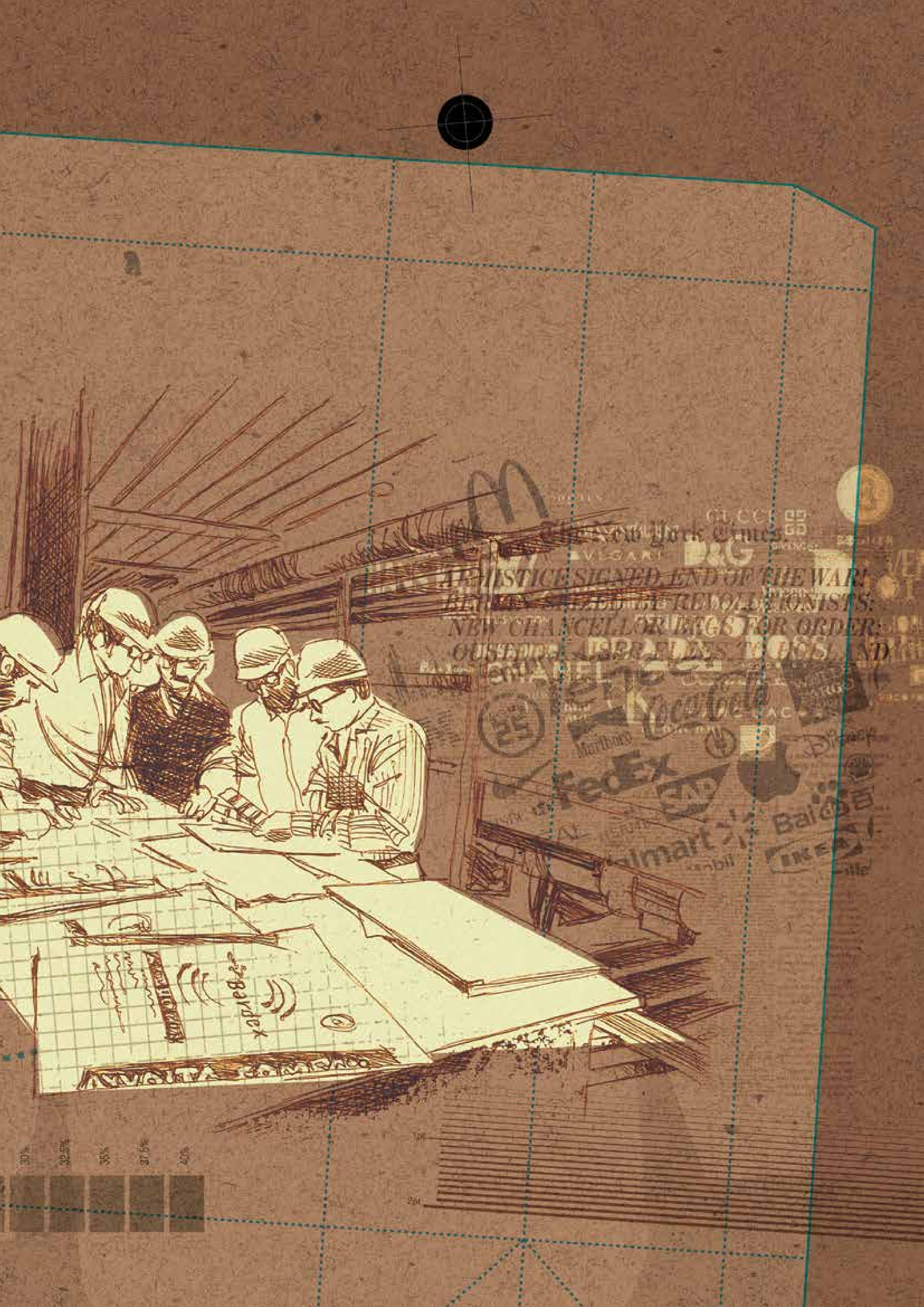
H.H. Sheikh
Meshal Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

SHUAIBA INDUSTRIAL CO. (K.P.S.C)

IT ALL STARTS

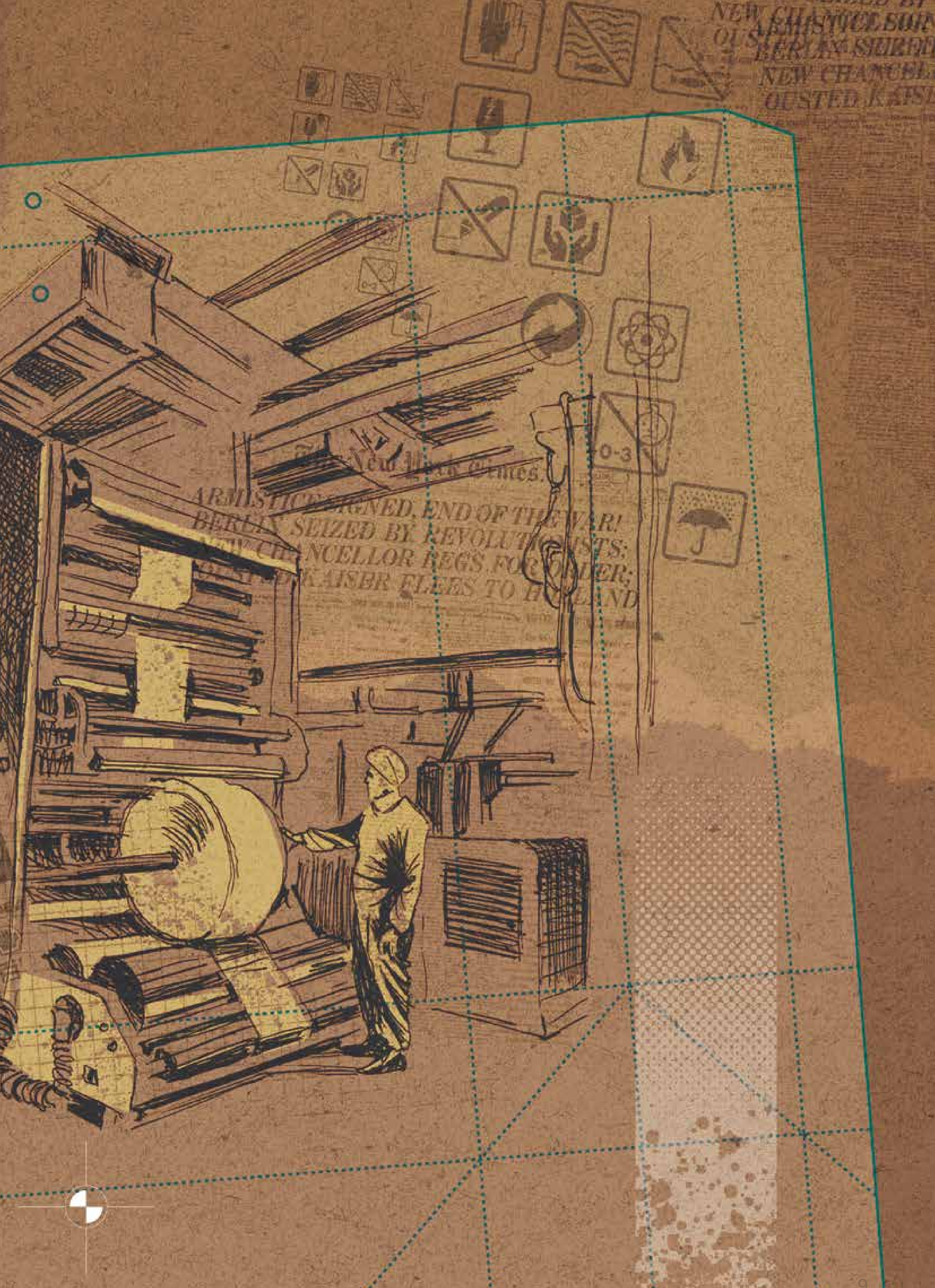
WITH A BAG

CONTENT


The New York Times.
ARMISTICE SIGNED, END OF THE WAR!
NEW CHANCELLOR BEGS FOR ORDER;
D&G
FedEx
Coca-Cola
Marlboro
30%
32.5%
35%
37.5%
40%

Shuaiba Industrial
Company (KPSC)

BASIC PROFILE




HILAL CEMENT
i.work
WHITE CEMENT
KUWAIT CEMENT COMPANY
KUWAITI
CEMENT
50 KG NET
RAYSUT CEMENT COMPANY
SALALAH
SULTANATE OF OMAN
ORDINARY PORTLAND
Galleon Earth
BLEACHING EARTH
V2
ASHAPURA PERFOCLAY LIMITED
OPC
ONCC
50Kg
BS EN 197-1
Qatari
NICE

Shuaiba Industrial Company (K.P.S.C)

PROFILE

Shuaiba Industrial Company K.P.S.C (SIC) is a public shareholding company incorporated in 1978 as Shuaiba Paper Products Company and is listed on the Boursa Kuwait with present capital of KD10,069,180 equivalent to USD33,231,620. SIC is a pioneering company in the field of producing multi-ply Kraft paper bags for packing cements and building material; with state-of the-art production lines from Windmoller & Holcher, Germany.

In order to maintain the pioneering image of the company, SIC has been diversifying into new products and expanding to new coverage areas continuously. The company is continuously supplying its top class quality paper bags to highly satisfied customers to all parts of the globe due to its excellent track record in terms of quality, reliability & top class service with its own designing team and in house ink facility.

SIC Kuwait has current set up of three production divisions – Industrial Packaging; Consumer Packaging and Flexible Packaging, whereas our 100% owned company in Dubai- Shuaiba Industrial Company at Jebel Ali Free Zone- UAE is in operation for almost a decade with two production divisions the Industrial Packaging and Consumer Packaging. Apart from its operation in Kuwait and U.A.E., SIC has a venture with one of the Cement Company in Kingdom of Saudi Arabia.

The highest level of dedication and constant endeavors of the SIC Team for continuous improvement has been rewarded through its being accredited with ISO 9001 : 2015, BRCGS Packaging 'Grade AA' certification, FSC, SWA and Kuwait Quality Mark Certificate from Public Authority for Industry.

Being one of the most respected business names in this field, SIC has always maintained the highest quality of its products and services for continuous enhancement of its reputation as the best supplier in the region by being committed to deliver the best products, ensuring total customer satisfaction through excellent after-sales service and follow up, in the existing and ever increasing new markets.

OUR CERTIFICATIONS

BRCGS Packaging Materials CERTIFICATED

FSC

FSC® C144321

ISO 9001 BUREAU VERITAS Certification


Shrimpy
IKEA
PATENT
FLOUR
KFC
DEAN & DELUCA
ماكدونالدز
White Flour
SLICE
YASALAM!

Shuaiba Industrial Company KPSC

SUBSIDIARIES & ASSOCIATES

Shuaiba Industrial Company (JAFZA, UAE)

SIC-JAFZA, a new manufacturing plant for Industrial Packaging and Consumer Packaging) located at Jebel Ali Free Zone Authority, UAE and 100% owned by Shuaiba Industrial Company Kuwait. The plant has a new state-of-the-art production line from Windmoeller and Holsher (W&H) Germany with an installed capacity of 90 million bags per annum.

The Commercial operation started in year 2012. With a combined effort by the Board and Management, practical steps have been initiated to expand the company's business in Kuwait and UAE by adding new machineries to supply the huge demand of Consumer Packaging in the region.

For more information on Shuaiba Industrial Company, JAFZA-Plant, visit: (http://www.sic-uae.com).

yanbupaper

Yanbu Saudi Kuwaiti Paper Products Co. LTD (YSKPPC)

Yanbu Saudi Kuwaiti Paper Products Company Limited (YSKPPC) is a Joint Venture between Yanbu Cement Company, a Saudi Joint Stock Company, Kingdom of Saudi Arabia and Shuaiba Industrial Company KPSC a listed company in Kuwait stock exchange

YSKPPC was set up with an estimated capital of Saudi Riyal 50 Million and SIC holds 40% of the company. With their two production lines, they can produce upto 200 Million of multi-ply Kraft paper bags per annum.

ADVANCED TECH INTERNATIONAL AGENCIES

ADVANCE TECHNOLOGIES INTERNATIONAL AGENCIES (ATIA) TRADING DIVISION

ATIA is a trading arm of Shuaiba Industrial Company KPSC and its goal is to supply different products related to paper, printing and packaging industry within Kuwait and GCC region. The main products are office paper, photocopy paper, printing paper, coated and uncoated art paper of various grammage

SIC PRODUCTION DIVISIONS AND ITS PRODUCTS:

Industrial Packaging Division

SIC's flagship business, the Industrial Packaging Division (IPD) has been its core business. IPD has been the Company's leading division and the major contributor to the overall growth of the Company.

IPD's major concentration is on the manufacturing of sacks for packing cement. However, it also produces sacks for packing of other powders like Gypsum, Lime, Chemicals, Building Materials, Coffee, Cocoa, Cattle-Feed, Mortar etc.

The installed capacity of this division, with its two production lines from Germany, is 90 million bags per annum. Valve and open mouth type multi-wall paper sacks are made with capacities to hold from 10 Kg to 50 Kg of a product and are made out of 2, 3 or 4 plies of paper with an option of having 1 ply of polyethylene. The printing option on the bags is for up to 4 spot colors. With its flexibility and capabilities, customized bags for Industrial needs as per customers demand are produced as per the highest standards.

Hard work and commitment have paved the way for the success of this division that has been supplying millions & millions of top quality bags to valued customers across the world. The presence of well-equipped machinery and a proactive team are the forte of IPD as it has been achieving outstanding performance results over the years.

Consumer Packaging Division

Consumer Packaging Division (CPD) produces bags from wide range of paper quality up to 2 plies, and printing up to 6 colors. The Markets served are fast food outlets, restaurants, flour mills, coffee roasters, bakeries, café, fashion houses and other retailers. We are dedicated to provide superior value to our customers, high quality products, competitive price, and on-time delivery. For food industries, we ensure that our packaging meets the Hazard Analysis Critical Control Points (HACCP) requirements and fulfills the FDA standard. Our food safety program includes employee training, auditing, sanitation practices, pest control, supplier compliance, product traceability.

We are British Retail Consortium Global Standard (BRCGS); Forest Stewardship Council (FSC) & ISO 9001:2015 certified company for Kuwait and Dubai facilities. In addition to this, as part of continuous improvement, we are certified for Social Workplace Accountability (SWA) Audit, as a part of international requirements.

Materials in use within the consumer packaging division are limited to food grade paper, inks and adhesives, sourced mainly from Europe and USA.

Synergies with the existing business, especially in the area of technology, trained work-force and experienced management, S.I.C's S-Pac (Consumer Packaging Division) is supported by the latest high technology machines from Europe.

CONSUMER PACKAGING DIVISION

SIC's Consumer Packaging Division dominates 80% market share in Kuwait, supplying all types of consumer packaging products to major brands in the MENA region, Pakistan; Jordon and Lebanon.

Product Range:

- Block Bottom bags
- Satchel bags
- Flat bags
- Twisted cord handle bags
- Flat Handle bags
- Burger / Sandwich Wraps
- Wrapping Rolls

OUR CERTIFICATIONS

BRCGS Packaging Materials CERTIFICATED

FSC® C144321

ISO 9001 BUREAU VERITAS Certification

SWA

Flexible Packaging Division (FPD)

Technological innovation, sustainability concerns and attractive economics are among the reasons for the phenomenal growth of flexible packaging. Shuaiba Industrial Company (SIC) is among the most innovative provider of flexible packaging in Kuwait. We cater for a variety of packaging needs for food and beverage, pharmaceutical and medical, home and personal-care, diary and confectionery packaging and other products. We deliver premium packaging with a friendly, competent and reliable service at a competitive price to our customers.

The demand for flexible packaging at SIC has greatly developed, particularly in single-layer packs, printed laminated films, pouches, sealable pouches, stand-up pouches by guaranteeing extended product life along with high visual appealing. Added to it, we have the Aluminum lids for containers. SIC is now measured as one-stop-shop for all tailor made packaging solutions. Our excellent quality of unprinted, printed and laminated films have already made SIC's name in the market. SIC works closely with the customers to create attractive and customized Flexible Packaging Material.

FPD's product range is increasing over a period of time by adding diversified products. Due to this reason, we have added more new customers to our folder. Our market share is increasing in local market as well are catering to the neighboring country.

FLEXIBLE PACKAGING DIVISION (FPD)

Flexible Packaging Products:

- Printed laminates in roll form (using BOPP, PET, PE, CPP, Metalized, Pearlized films) applicable for food Ingredients, chips & snacks, confectionary items, sweets and bakery products, grains and nuts, hygiene, detergent products and for various other Industries.
- Wrap around labels
- Aluminum Lids
- Various types of Pouches - Zipper pouch, Center seal pouch, Stand-up pouch etc.
- Other customized flexible products that may require by the customer

SIC's Flexible Packaging Division is BRC certified and complying with the BRC Food Safety Standards and are following the ISO quality management principles.

Hard work and dedication are the primary achievement for the progressive growth and success of this division.

intertek
Total Quality. Assured.

CERTIFICATE OF REGISTRATION

Intertek Certification Ltd (UKAS 014) certifies that, having conducted an audit for the scope of activities: Gravure Printing, Dry/Solvent Free Laminating & Slitting Of Flexible Films And Conversion Into Rolls, Pouch Or Lids (BOPP, Mtz-BOPP, PE, PET, Mtz-PET, CPP, Mtz-CPP, VMCPP, Nylon and Aluminium) Used For Food And Personal Care Products Packaging.

Exclusions from Scope:	None
Fields of Audit:	05, 07
Hygiene Category:	High hygiene, at

Shuaiba Industrial Company K.P.S.C.

BRC Site Code: 7706715

Site Address: Plot No. 1, Street No.1, Block 1 Shuaiba Industrial Area, PO Box Shuaiba 10088 Code No. 65451, Kuwait.

Has achieved Grade: A

Meets the requirements set out in the

BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS

ISSUE 5: JULY 2015

Audit Programme: Announced

BRCGS
Certification Body
CERTIFICATED

Auditor Number:
168178

Certificate Number:
271B1901001

Dates of Audit:
16-17 Jan 2020

Certificate Issue Date:
19 Feb 2020

Re-audit Due Date:
From 02 Jan 2021
To 30 Jan 2021

Certificate Expiry Date:
13 Mar 2021

BRC CERTIFICATION
Intertek
TM
UKAS
PRODUCT CERTIFICATION
014

Calin Moldovean
President Business Assurance

Intertek Certification Ltd – 10a Victory Park, Victory Road, Derby DE24 8ZF, United Kingdom

Intertek Certification Limited is a UKAS accredited body under schedule of Accreditation No. 014

SHUAIBA INDUSTRIAL CO. (K.P.S.C)

CHAIRMAN'S MESSAGE

In the Name of Allah, the Most Gracious, the Ever Merciful

Dear Shareholders,

Peace and blessings of Allah be upon you.

On my own behalf and on behalf of the members of the Board of Directors and Executive Management, I am so pleased to welcome you to the Company's General Assembly, extending thanks to you for your attendance and appreciating your interest. I would like to bring before you the annual report for the financial year ended December 31, 2020.

Honorable shareholders,

The financial results achieved by the Company during 2020 have demonstrated the strength of its financial position, the high quality of its investments, and the efficiency of its operations, along with emphasizing the Company's commitment to going forward in delivering the objectives through steady and deliberate steps aimed at maximizing shareholder's equity and growing profits. The year 2020 was an extension to the appropriate approach taken the Company, thanks to Allah as well as the efforts of the Board of Directors, Executive Management and all the Company's employees.

Below is a summary of what has been achieved during the financial year ended December 31, 2020:

During 2020, the Company witnessed an outstanding performance through achieving an optimal total operating profit, as its combined sales amounted to KWD 12,290,351 compared to sales of KWD 14,821,664 for the previous year. The total operating profit for the current period amounted to KWD 2,379,139 compared to KWD 1,730,322, i.e. an average growth rate of 37.5% compared to last year given the intense competition within Kuwait and abroad and the gradual rise in the prices of paper at the global level.

The combined net profits of the Company reached KWD 1,024,917 for the financial year ended December 31, 2020 compared to KWD 319,331 for the same period in the previous year, representing a growth rate of 221% over 2019.

Commenting on the financial results of 2020, despite the decline in the local operating environment and the weak economic activity in general, experienced last year at the regional and global levels due to political and social instability in the region and the exacerbation of the global financial crisis and, Shuaiba Industrial Company has made every possible effort to maintain its achievements. The Covid-19 repercussions and impacts and the precautionary measures imposed by governments around the world, including the rules of social distancing and the partial and total lockdown, have all led to a significant decline in the regional and global economy.

Earnings per share for the financial year ended December 31, 2020 were 10.33 fils per share compared to 3.22 fils per share, i.e. a growth rate of 221% over the same period of 2019.

It is worth noting that, for the year 2020, the book value per share was 183.6 fils per share compared to 178 fils per share for the previous year.

Total assets amounted to KWD 22,404,351 compared to KWD 22,988,919 for the same period in the previous year.

Shareholders' equity amounted to KWD 18,228,218 compared to KWD 17,703,002 for the same period in the previous year, representing a 3% growth rate.

For the current year, the Company produced and manufactured 24,425 tons. On the other hand, exports still represent 63% of the Company's gross sales during 2020, which is something that the Management strives to enhance by maintaining its share in various global markets despite the fierce competition. During 2020, the Company's Management has been, on the one hand, marketing its products from small bags production lines (primarily the food sector) in Kuwait and the GCC countries and, on the other hand, taking the initiative to enter global markets for competition, as tapping into these markets requires us to improve production quality and maintain the global competitive level so as to be able to gain satisfactory shares in those markets.

Honorable shareholders,

The Company's board of directors decided to submit a recommendation to the General Assembly to approve the distribution of dividends to the shareholders listed in the Company's register at the end of the day of entitlement scheduled to occur 15 business days after the date of the General Assembly, to be distributed to the shareholders following 5 business days from the date of entitlement, after deducting treasury shares. This recommendation, being subject to the approval of competent authorities and General Assembly, will be as follows:

- Distributing 10% in cash dividends (i.e. 10 fils per share) being equivalent to (KWD 992,377.670),
- Disbursing an amount of KWD 30,000 as remuneration to the members of the Board of Directors for the financial year ending December 31, 2020.

In conclusion, I and the members of the Board of Directors extend our sincere greetings and appreciation to all the Company's employees, clients, and suppliers who contributed to the enhancement of the Company's performance. I thank Allah, the Almighty, as well as the members of the Board of Directors, Executive Management, Honorable Shareholders, and all those who contributed to the achievements of the Company for the financial year 2020, asking Allah, the Most High, that we always measure up to the expectations of the honorable shareholders. We look forward to achieving more positive results, growth and prosperity during the financial year 2021.

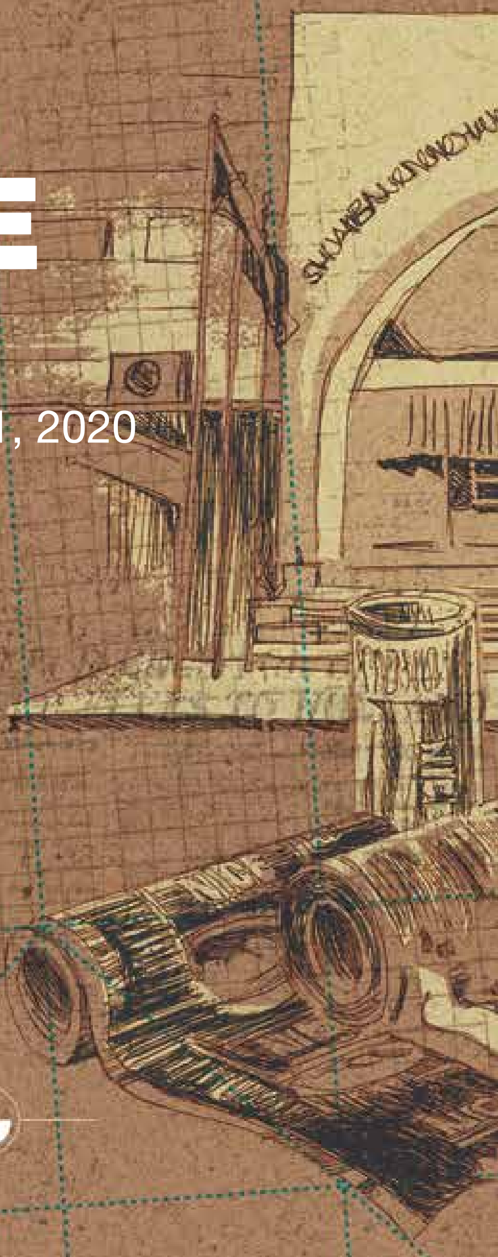
Saleh Omran Abdullah Kanaan

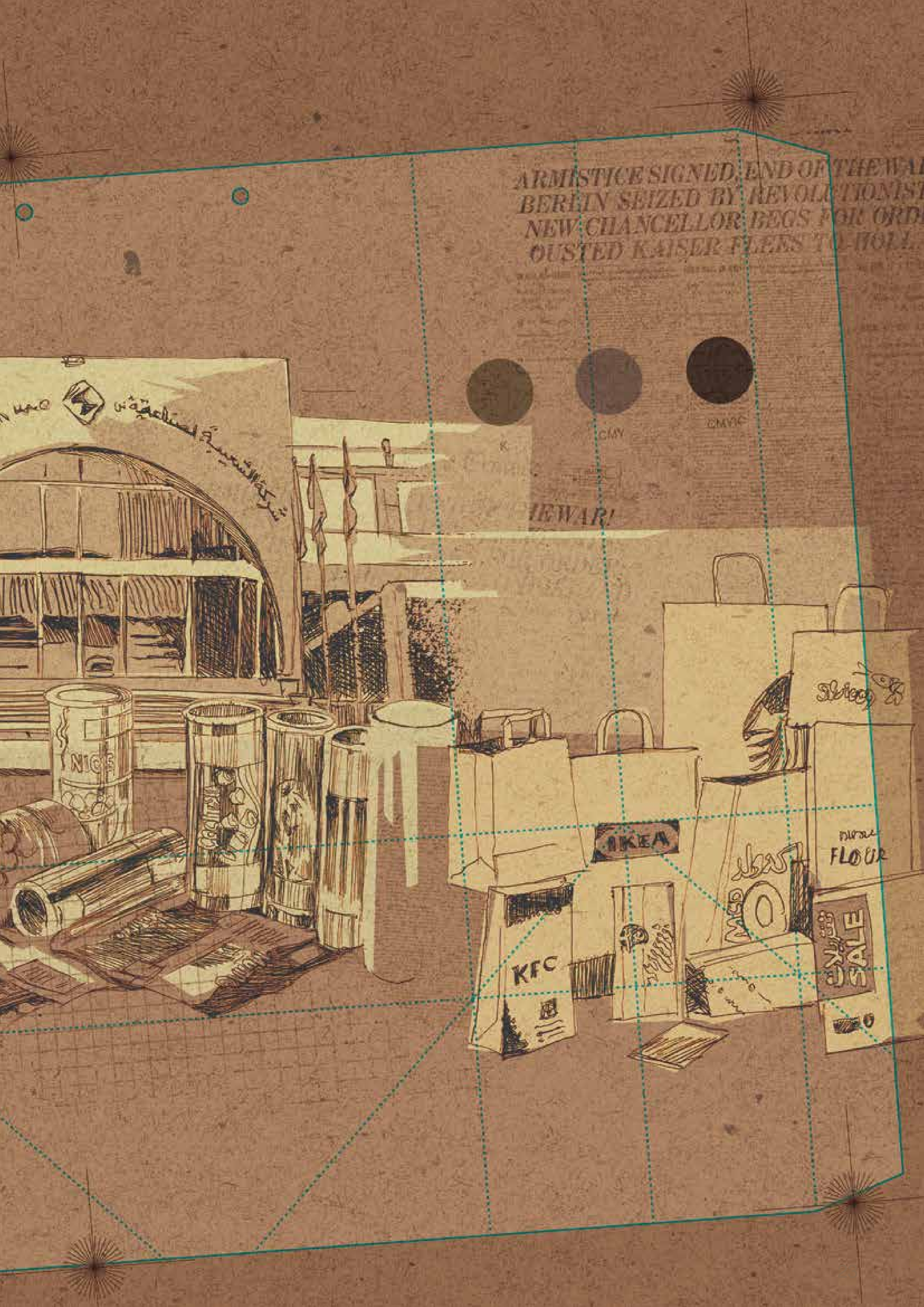
Chairman of Board of Directors

SHUAIBA INDUSTRIAL CO. (K.P.S.C) and its subsidiary
State of Kuwait

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020





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CMYK
HEWAR!
NICE
IKEA
FLOUR
KFC
SALE

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

Company Profile

Shuaiba Industrial Company K.P.S.C (SIC) is a Kuwaiti public joint stock company established in 1978 persuant to the provisions of Commercial Companies Law in the State of Kuwait and listed on the Kuwait Stock Exchange on March 31, 1996. It is a pioneering company in the paper manufacturing industry in the Middle East.

Persuant to a resolution issued by the Extraordinary General Assembly held on March 29, 2010, SIC operates in accordance with the priciples of Islamic Sharia. The main activities of SIC as per its Memorundum of Association are as follows:

1. Manufacturing paper bags of whatever kind,
2. Manufacturing paper products of all types,
3. Manufacturing packaging products of all kinds,
4. Manufacturing materials as required for Company purposes,
5. Selling necessary materials and equipment for Company purposes,
6. Importing and exporting materials and equipment necessary for Company purposes,
7. Trading in all necessary materials and equipment for Company purposes (subject to the approval of the Public Authority for Industry). The Company may have an interest or engage in any way with entities that carry out activities similar to its business or that may support it with regard to achieving its objectives within Kuwait and abroad and it may acquire those entities or merge them with it.
8. Exploiting financial surplus available to the Company by investing in financial portfolios or funds managed by specialized companies and entities.
9. Contributing to, and participating in, the establishment of industrial companies carrying out activities supplementary to or related to SIC business in addition to managing and trading in the shares of these companies.

The Company's registered office is located in Sabhan Industrial Area - Block 3- Street 31- behind Kufuma, P.O. 10088, Shuaiba 65451, Kuwait.

The Company's authorized, issued and fully paid up capital is KWD 10,069,179.5 constituting 100,691,795 shares with a par value of 100 fils each and all shares are in cash. The main shareholders of the Company as of December 31, 2020 are as follows:

No.	Shareholder Name	Percentage
1	Al Khair Global Co. for Buying & Selling Shares	22.82%
2	Al-Safat Investment Company and its Group	8.23%

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

Corporate Governance Framework for Shuaiba Industrial Company K.P.S.C

Governance principles are concerned with sticking to business values and ethics, as well as how the Company is managed, its culture and policies, and the way in which it interacts with various stakeholders. They also have something to do with the commitment to accurate and timely disclosure of information related to the Company's financial position, performance, and ownership.

The Company's View on Governance Principles

The general framework of corporate governance principles within the Company rests on the independence of the Board of Directors and the separation of the role of Supervisory Board from Executive Management and Board Committees, which include an independent member. The Company views the implementation of corporate governance principles as an integral part of its operations, as it is committed to the principles on which corporate governance best practices are based, in addition to its ongoing commitment to implement them during the period under review.

The Board of Directors is committed to the continuous implementation of initiatives advocating for the development of governance principles that promote the interests of all related parties and enhance the levels of confidence in their shareholders and stakeholders.

Application of Governance Rules

First Rule

Building a Balanced Structure for the Board of Directors

- **Overview on the Board of Directors Composition:**

The Board of Directors is composed as follows:

Name	Position	Director Classification (Executive\ Non-Executive\ Independant\ Secretary)	Educational Qualifications and Hands-on Experience	Date of Election\ appointment by Secretary
Mr. Saleh Omran Abdullah Kanaan	Chairman of the Board	Non-Executive	Holding the Diploma of Applied Technologies in Chemistry, Kuwait Institute of Applied Technology. Has more than 34 years of experience in the industry. Assumed several adminstrative positions at multiple companies such as Gulf Cable & Electrical Industries Company and Al-Seraj Group Holding Company.	June 18, 2020
Mr. Bader Mohammad Ghuloom Al-Qattan	Deputy Chairman and CEO	Executive	Holding Bachelor of Engineering, Department of Mechanical Engineering, Kuwait University, and Master of business administration. Enjoys good experience in the industry. Held several administrative positions at numerous companies such as Gulf Cable & Electrical Industries Company, First Investment Company, Danah Al Safat, and Al Sahel Development and Investment Company.	June 18, 2020
Mr. Adel Yousef Saleh Al-Saqabi	Director	Non-Executive	Holding Bachelor of Science in Business Administration, Financial Management Department, Kuwait University. Assumed several administrative positions at numerous companies such as Shuaiba Industrial Company, Al Safwa Group Holding Company, Al Safat Holding Company, Al-Ahlia Investment Company - Al-Assriya Printing Press Publishing & Distribution Company, National Petroleum Services Company, Yanbu Saudi Kuwaiti Paper Products Company, Gulf Petroleum Investment Company, and Danah Al Safat Foodstuff Company.	June 18, 2020

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

Name	Position	Director Classification (Executive\ Non-Executive\ Independant\ Secretary)	Educational Qualifications and Hands-on Experience	Date of Election\ appointment by Secretary
Mr. Wael Yousef Saleh Al-Saqabi	Director	Independant	Holding Bachelor of Commerce, Accounting Departmrent, Kuwait University. Works as Deputy General Manager of The Central Industries & Air Conditioning Works Co (SIACO). Assumed several administrative positions at several companies; e.g. National Cleaning Company, Al-Safat Industries Company, Aluminum International Company.	June 18, 2020
Mr. Abdullah Hamad Abdulrahman Al-Terkait	Director	Non-Executive	Holding Bachelor's degree in Political Science and Administration, Kwuait University. Works as an Executive Director for Investment Management Division, Gulf Cable & Electrical Industries Company. Occupied several administrative positions at numerous Companies such as Al-Safat Investment Company, Danah Al Safat Foodstuff Company, Alterkait Group for Construction Company.	June 18, 2020

Board Secretary:

The Board of Directors has appointed Mr. Abdul-Wahab Mohammed Abdul-Rahman as a Board Secretary

Holding Bachelor of Commerce, Accounting Department, in 1995. Enjoys more than 20 years of experience in general accounts and holds a professional certificate equivalent to Master's Degree (CFM) and Mini Master of Business Administration (MINI MBA) and CCM certificate. Attended numerous training courses including CMA and IFRS. Holds the position of Chief Accounting Officer for the Company and the Board Secretary since 2007 to date

- **Overview on the Board Meetings**

Board Meetings during 2020

Director Name	Meeting No 1\2020 on March 4, 2020	Meeting No 2\2020 on June 18, 2020	Meeting No 3\2020 on August 12, 2020	Meeting No 4\2020 on November 12, 2020	Meeting No 5\2020 on December 27, 2020	Meeting No 6\2020 on December 30, 2020	No. of Meetings
Saleh Omran Kanaan (Chairman of the Board)	√	√	√	√	√	√	6
Bader Mohammed Al-Qattan (Deputy Chairman and CEO)	√	√	√	√	√	√	6
Adel Yousef Al-Saqabi (Director)	√	√	√	√	√	√	6
Wael Yousef Al-Saqabi (Director)	√	√	√	√	√	√	6
Abdullah Hamad Al-Terkait (Director)	√	√	√	√	√	√	6

A Brief Summary on How to Implement the Requirements of Recording, Coordinating, and Keeping Minutes of the Board Meetings:

The Board Secretary is charged with recording the minutes of the Board meetings, which include the discussions and deliberations performed during the meetings, the board resolutions, along with any reservations (if any), and these minutes shall be signed by the Board Secretary and all directors present. Available also is a special record in which the minutes of the meetings are written down with serial numbers as per the year in which the meetings were held, indicating the meeting location, date, along with start and end time, so that it is becomes easy to refer to those minutes.

The Board Secretary shall keep in his custody the minutes of the meetings, records, reports and other documents submitted from\to the board of Directors. He shall also ensure that Board members follow the procedures approved by the Board, that the dates of Board meetings are communicated at least three business days before the meeting, unless it is an extraordinary board meeting, and that Board members can have full and timely access to minutes of the meetings, information, documents related to the Company. Company information and documents. In addition, the board Secretary shall, under the supervision of the Chairman of the Board, guarantee the proper delivery and distribution of information and coordination among Board members and other stakeholders of the Company.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

Second Rule

Properly Allocating Tasks and Responsibilities

- **An Overview on How the Company Determines the Tasks, Responsibilities, and Duties Policy of the Board of Directors and Executive Management, as well as the Authorities and Powers Delegated to the Executive Management:**

The Board of Directors shall have all authorities and powers necessary for managing the Company. The powers, tasks, and responsibilities of the Board of Directors shall be defined in the Company's articles of association and the business charter approved by the Board, taking into account the powers of the Company's General Assembly. The Key tasks and responsibilities of the Board include:

- Approving the Company's strategy, objectives, business plans and estimated budgets,
- Approving the annual estimated budgets and the interim and annual financial statements,
- Approving internal charters, regulations and policies,
- Developing, approving, and overseeing a corporate governance system for the Company, including preparing the annual corporate governance report,
- Establishing specialized committees affiliated to it,
- Defining the powers delegated to the Executive Management,
- Monitoring and overseeing the performance of the Executive Management, and
- Periodically checking the effectiveness and adequacy of internal controls.

In addition to the Board of Directors' obligations, the Chairman of the Board of Directors is responsible for representing the Company before third parties and ensuring the proper functioning of the Board of Directors in a suitable and effective manner, including making sure that the Board members obtain complete and accurate information and encouraging a constructive relationship and effective interaction between the Board of Directors and Executive management, in addition to other responsibilities.

The tasks and responsibilities of the Executive management shall also be defined in the policies approved by the Board of Directors. The key tasks and responsibilities of Executive Management include:

- Implementing the strategy and annual plans approved by the Board of Directors,
- Implementing all internal policies approved by the Board of Directors,
- Assuming full responsibility for the Company's overall performance and business results,
- Developing internal controls and ensuring their adequacy and effectiveness, and
- Preparing periodic reports on the Company's activities and presenting them to the Board of Directors.

The Board of Directors is also responsible for specifying the powers to be delegated to the Executive Management, subject to balancing the authorities and powers between the Board of Directors and Executive Management so that absolute authorities and powers shall not rest with only one party in order to facilitate accountability.

- **The Key Activities of the Board of Directors During the Year:**
  - Following up on the progress of the Company's business,
  - Following up the Company's executive action plan in the coming years,
  - Periodically checking the effectiveness and adequacy of the Company's internal controls,
  - Approving the estimated budget for the year and its stages of completion,
  - Approving the interim and annual financial statements,
  - Appointing the Company's external auditors for the financial year ended December 31, 2020,
  - Periodically tracking the feedback provided by the regulatory authorities with the aim of limiting and avoiding them,
  - Reviewing the activities of the Board committees and approving their decisions,
  - Making sure that the Company applies corporate governance guidelines, and
  - Ensuring that the Company abides by the laws and legislations related to its business.

- **Overview on the Application of the Requirements related to the Constitution by the Board of Specialized Independent Board Committees:**

  Within the context of fostering good corporate governance in the Company, the Board of Directors constituted three independent Board committees with the aim of enableing the Board to effectively perform its tasks and supervising the implementation of various aspects of governance. These committees operate in accordance with charters approved by the Board of Directors clarifying their term, powers, duties, responsibilities, and how they are controlled by the Board, as per the following:

NOMINATION AND REMUNERATION COMMITTEE

Committee Constitution Date and its Term	June 18, 2020 - Membership term is the same as the member's membership term at the Board of Directors.
Number of Meetings Held by the Committee During the Year	3
Formation of the Committee	Mr. Wael Yousef Al-Saqabi, Committee Chairman Mr. Adel Yousef Al-Saqabi, Committee Member Mr. Abdullah Hamad Al Terkait, Committee Member
The Committee's Main Tasks and Responsibilities	- Recommend the approval of nomination and re-nomination for the membership of the Board of Directors and Executive Management, - Develop a clear remuneration policy for members of the Board and Executive Management, - Define the different tranches of remunerations granted whether directly or indirectly, - Develop job descriptions for executive directors, non-executive directors, and independent directors,

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

NOMINATION AND REMUNERATION COMMITTEE

	- Make sure that the independence status of an independent director is not eliminated, - Annually review the requirements of the appropriate skills for the membership of the Board, and - Conduct the annual performance assessment of the Board of Directors, Board members, and Board Committees, and submit the performance assessment report to the Board in this regard.
The Committee's Key Activities During the Year	- Submited the 2020 remunerations report to the Board of Directors, and - Ensured that the independence status of the independent director Mr. Wael Yousef Al-Saqabi was not eliminated.

AUDIT COMMITTEE

Committee Constitution Date and its Term	June 18, 2020 - Membership term is the same as the member's membership term at the Board of Directors.
Number of Meetings Held by the Committee During the Year	5
Formation of the Committee	Mr. Adel Yousef Al-Saqabi, Committee Chairman Mr. Wael Yousef Al-Saqabi, Committee Member Mr. Abdullah Hamad Al Terkait, Committee Member
The Committee's Main Tasks and Responsibilities	- Review the quarterly and annual financial statements before refering them to the Board of Directors, and provide the necessary recommendations concerning them to the Board of Directors, - Recommend to the Board of Directors the appointment, re-appointment, or change of the external auditor and estimate their fees, after validating their independence and reviewing their letters of appointment, - Assess the adequacy of internal controls applied within the Company and provide the necessary recommendations in that regard to the Board of Directors, - Perform technical supervision of the Company's Internal Audit Department, - Review and approve the internal audit plans proposed by the internal auditor, in addition to reviewing the results of the internal audit reports and making sure that the necessary actions are taken in this regard, - Review the results of the reports developed by regulatory authorities and ensure that the necessary actions are taken regarding them, and - Ensure the Company's compliance with relevant laws, policies, systems, and guidelines.

AUDIT COMMITTEE

The Committee's Key Activities During the Year	- Appointed the Company's external auditors for the year ended December 31, 2020, - Discussed the 2021 estimated budget and submitted it to the Board of Directors, - Recommended the engagment of an external firm for performing internal audit services, - Reviewed the quarterly and annual financial statements, - Discussed the internal audit reports and developed recommendations and timeline for follow-up, and - Appointed another external audit firm to review and assess the management of the Internal Audit Department as required by the Capital Markets Authority in Article 55 of the fifth rule, and reviewed and approved the report prepared by the appointed firm.

RISK MANAGMENT COMMITTEE

Committee Constitution Date and its Term	June 18, 2020 - Membership term is the same as the member's membership term at the Board of Directors.
Number of Meetings Held by the Committee During the Year	4
Formation of the Committee	Mr. Abdullah Hamad Al Terkait, Committee Chairman Mr. Wael Yousef Al-Saqabi, Committee Member Mr. Adel Yousef Al-Saqabi, Committee Member
The Committee's Main Tasks and Responsibilities	- Prepare and review risk management strategies and policies before approving them by the Board of Directors, - Ensure the availability of adequate resources and systems available for risk management, - Assist the Board of Directors with regard to identifying and assessing the acceptable risk level in the Company, - Make sure that risk management personnel have full understanding of the risks involving the company, - Ensure that risk management personnel are independent from the activities that result in the Company's exposure to risks, - Develop periodic reports on the nature of risks to which the Company is exposed, and - Review the issues raised by the relevant audit committee that may have an impact on the Company's risk management.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

RISK MANAGMENT COMMITTEE

The Committee's Key Activities During the Year	- Discussed the 2021 estimated budget and introduced it to the Board of Directors, - Approved the 2020 report of the risk management committee and submitted it to the Board of Directors.

- **A Summary on How to Implement the Requirements That Allow the Board of Directors to Obtain Accurate and Timely Information and Data:**

  The Executive Management shall make available to all Board members the full, accurate, and timely information, data, and documents so as to enable them to carry out and perform their duties and tasks in an efficient and effective manner. It shall also ensure that all periodic and non-periodic reports are prepared with a high level of quality, comprehensiveness, consistency, conciseness, and accuracy.

Third Rule

Selecting Competent Individual for the Membership of the Board of Directors and Executive Management

- **An Overview on the Application of the Requirements of Forming the Nomination and Remuneration Committee:**

  The Board of Directors formed the Nomination and Remuneration Committee according to the requirements of the Capital Markets Authority and as clarified in the aforementioned clauses. The Company has in place a Board-approved policy for paying remunerations that includes defining the remunerations of the Chairman and Directors of the Board and identifying the different tranches of employee remunerations in accordance with the applicable legal and regulatory requirements.

- **The Board of Directors and Executive Management Remuneration Report:**

  Persuant to the requirements of the Capital Markets Authority, the tasks and responsibilities of the Nomination and Remuneration Committee include developing a detailed annual report on all remunerations granted to members of the Board of Directors and Executive Management. On that basis, this report was developed as follows:

  According to the remuneration policy approved by the Board of Directors, the annual remunerations are linked to the Company's performance during the year, subject to the following:

  - The applicable legal and regulatory requirements are taken into consideration when determining the remunerations of the Chairman and Directors of the Board and employees, and
  - Employee remunerations are divided into: fixed remuneration (which include salary, allowances, and other incentives), variable remuneration (which is linked to the employee's annual performance assessment), and end of service remuneration.

Details of Remunerations and Benefits of the Chairman and Directors of the Board and Members of Executive Management:

Chairman and Directors of the Board:

A recommendation was made in order to pay remuneration to members of the Board of Directors for the financial year ended December 31, 2020 and it is pending approval by the General Assembly.

Board Members Remuneration Report for 2020

Board Members	Total Remuneration, Salaries, Incentives and Other Financial Benefits (KWD)
Salaries and benefits (including wages and all benefits)	0,0000
Fixed and variable remuneration (annual remuneration)	30,000
Fixed and variable remuneration (committee remuneration)	15,000
Total	45,000

Executive management:

We would also like to inform you of the fixed and variable remuneration and the end of service remuneration for Executive Management as follows:

Executive Management	Total Remunerations, Salaries, Incentives and Other Financial Benefits (KWD)
Salaries and benefits (including wages and all benefits)	179,743
Fixed and variable remuneration	39,000
End of service remuneration	14,832
Total	233,575

- There are no material deviations from the remuneration policy approved by the Board of Directors.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

Fourth Rule

Ensuring the Integrity of Financial Reports

- **Written Representations by the Board of Directors and Executive Management on the Soundness and Integrity of the Prepared Financial Reports:**

Acknowledgment and Representation
(on the Soundness and Integrity of Financial Statements)

We, the Chairman and members of the Board of Directors of Shuaiba Industrial Company (SIC), acknowledge and represent that the financial statements provided to the external auditors are accurate and true, that the Company's financial reports have been presented in a true and fair manner in accordance with the International Accounting Standards (IAS) as applied in the State of Kuwait and approved by the Capital Markets Authority, and that they reflect the financial position of the Company as at December 31, 2020 based on the information and reports provided to us by the Executive Management and auditors and the due diligence carried out to verify the integrity and accuracy of these reports.

Name	Title	Signature
Mr. Saleh Omran Abdullah Kanaan	Chairman of the Board of Directors	
Mr. Bader Mohammed Ghuloom Al-Qattan	Deputy Chairman and CEO	
Mr. Adel Yousef Saleh Al-Saqabi	Director	
Mr. Wael Yousef Saleh Al-Saqabi	Director	
Mr. Abdullah Hamad Abdulrahman Al-Terkait	Director	

Acknowledgment and Representation
(on the Soundness and Integrity of Financial Statements)

I, the Chief Executive Officer of Shuaiba Industrial Company (SIC), acknowledge and represent that the financial statements provided to the external auditors are accurate and true, that the Company's financial reports have been presented in a true and fair manner in accordance with the International Accounting Standards (IAS) as applied in the State of Kuwait and approved by the Capital Markets Authority, and that they reflect the financial position of the Company as at December 31, 2020 based on the information and reports provided to us by the Finance Department and auditors and the due diligence carried out to verify the integrity and accuracy of these reports.

Name	Title	Signature
Mr. Bader Mohammed Ghuloom Al-Qattan	Chief Executive Officer	
Mr. Punit Rajgor	Chief Financial Officer	

- **An Overview on the Application of the Requirements of Forming the Audit Committee:**

  The Board of Directors formed the Audit Committee in accordance with the requirements of the Capital Markets Authority and as clarified in the aforementioned clauses.

- **In the Event of a Conflict between the Recommendations of the Audit Committee and the Decisions of the Board of Directors, There Shall Be Included a Statement Detailing and Clarifying the Recommendations and the Reason or Reasons of the Board Decision not to Abide by Them:**

  Not Applicable

- **Confirming the Independence and Impartiality of the External Auditors:**

  External auditors are nominated for the Company based on the recommendation of the Audit Committee to the Board of Directors, after making sure that those external auditors are independent from the Company and its Board of Directors and that they do not perform additional activities for the Company that don't not fall within the audit work in a way that may affect the impartiality or independence. The external auditors shall be recorded in the Capital Markets Authority register. At its annual meeting, the Ordinary General Assembly shall appoint the external auditors for the Company based on the advice of the Board of Directors. The external auditors shall attend the general assembly meetings and read the report prepared by them to the shareholders.

Fifth Rule

Developing Efficient Systems for Risk Management and Internal Control

- **A Brief Explanation on the Application of the Requirements of Establishing an Independent Risk Management Department\Office\Unit:**

  The Company has a risk management unit that is independent through its direct affiliation with the Board of Directors in the Company's organizational structure. With regard to risk management, the Company engages an external party specialized to carry out these tasks, who shall be responsible for identifying, measuring, and following up all kinds of risks to which the Company may be exposed in accordance with the policies approved by the Board of Directors, preparing the necessary periodic reports in this regard, and presenting them to the relevant committees and the Board of Directors.

- **An Overview on the Application of the Requirements of Forming the Risk Management Committee:**

  The Board of Directors formed the Risk Management Committee in accordance with the requirements of the Capital Markets Authority and as clarified in the aforementioned clauses.

- **A Brief Summary Explaining the Internal Controls:**

  The Company has in place a wide range of internal controls that cover all activities of the Company through developing and approving a set of structures, policies, and procedures that aim to define the powers, responsibilities and segregation of duties. The Board of Directors assumes the responsibility of following up on the internal controls through the reports submitted by the committees and regulatory functions within the Company.

  In addition, an independent audit firm is engaged to evaluate and review internal controls and draft a report in this regard, a copy of which shall be provided to both the Audit Committee and the Board of Directors.

- **A brief Explanation on the Application of the Requirements of Establishing an Independent Internal Audit Department\Office\unit:**

  The Company has an internal audit unit that is independent through being directly affiliated with the Audit Committee and, by extension, with the Board of Directors according to the Company's organizational structure. With regard to the internal audit process, the Company engages an external party specialized to carry out these tasks, who shall be responsible for reviewing and evaluating internal controls applied at the Company in accordance with the policies approved by the Board of Directors, preparing the required periodic reports in this regard, and presenting them to the relevant committees and the Board of Directors.

  An independent audit firm – other than the audit firm charged with evaluating and reviewing internal controls - is engaged to review and evaluate the internal audit performance on a periodic basis every three years. A copy of the report drafted by that audit firm shall be provided to both the Audit Committee and the Board of Directors.

Sixth Rule

Promoting Professional Conduct and Ethics

- **A Brief Summary on the Business Charter that involves Standards and Determinants of Professional Conduct and Ethical Values:**

  The Company has a business charter approved by the Board of Directors that includes the standards and determinants promoting the ethical concepts, values, principles for the Company, members of the Board of Directors, Executive Management, and all employees.

- **A brief Summary on the Policies and Mechanisms related to limiting Conflicts of Interest:**

  The Company applies a Board-approvd policy aimed to limiting conflicts of interes, which includes examples of conflicts of interest and how to deal with them with regard to members of the Board of Directors and Executive Management.

Seventh Rule

Maintaining Accurate and Timely Disclosure and Transparency

- **A Brief Summary on the Application of Accurate and Transparent Presentation and Disclosure Mechanisms Defining Disclosure Aspects, Areas, and Characteristics:**

  The Company has a disclosure and transparency policy for shareholders, potential investors and other stakeholders approved by the Board of Directors, which is applied in conjunction with the provisions of the Capital Market Authority (CMA) Law and its Executive Regulations, the CMA's guidelines, and the industry best practices and reviewed periodically.

- **An Overview on the Application of the Requirements Related to the Record of Disclosures by Members of the Board of Directors and Executive Management:**

  The Company maintains a record of disclosures by members of the Board of Directors and Executive Management, which includes the information and data required to be disclosed in accordance with the requirements of laws, instructions, and Company's policy in this regard. This record is updated periodically and shall be made available for inspection by the relevant parties during the Company's normal working hours.

- **A Brief Explanation on the Application of the Requirements of Establishing the Investors Affairs Unit:**

  The Company's Investor Affairs Unit has been established with an appropriate degree of independence and it is responsible for providing the necessary information, data and reports to shareholders, potential investors, and other stakeholders in a timely manner through applicable disclosure methods and mechanisms, including the Company's website.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

- **An Overview on How to Develop the IT Infrastructure and Rely Heavily on It with Regard to Disclosures:**

  The Company relies on information technology (IT) to communicate with shareholders, potential investors, and other stakeholders by creating a special section on the Company's website for corporate governance through which information and data of interest to them are published.

Eighth Rule

Respecting the Rights of Shareholders

- **A Brief Summary on theApplication of the Requirements of Defining and Protecting the General Rights of Shareholders, in order to Ensure Fairness and Equality among All Shareholders:**

  The Company's articles of association and internal policies and procedures include provisions guaranteeing that all shareholders exercise their rights in a way that achieves fairness and equality and does not contradict the applicable laws, regulations, decisions, and guidelines. The Company is also committed to treat all shareholders equally without any discrimination. The key general rights of shareholders include:

  - Trading of shares, including ownership registration, recording, transfer, and conversion,
  - Receiving the due share of the dividends,
  - Receiving the due share of the Company's assets in case of liquidation,
  - Obtaining information and data concerning the Company's operations in a timely manner,
  - Participating in the General Assembly meetings and voting on its decisions,
  - Monitoring the Company's performance in general, and
  - Holding members of the Board of Directors and Executive Management accountable in case they fail to perform the duties assigned to them.

- **A Brief Summary on the Development of a Special Register to Be Kept with the Clearing Agency, as Part of theRequirements of Continuous Monitoring of Shareholder's Data:**

  As per the agreement entered into between the Company and the Kuwait Clearing Company, there shall be kept with the clearing agency the register of shareholders, in which the shareholders' information and data are recorded. A copy of this register shall be maintained with the Company and the information and data contained therein are dealt with following the utmost degree of protection and confidentiality. This register shall be made available for inspection by the relevant parties during the Company's normal working hours.

- **An Overview on How to Encourage Shareholders to Participate and Vote in the Company's General Assembly Meetings**

  The Company encourages shareholders to attend, participate in, and vote on the decisions of the Company's general assembly meeting, by announcing and disclosing the invitation to the general assembly meeting, which includes the meeting agenda, time, and place within the due dates and through the specified means and mechanisms.

In addition, the Company allows the shareholders, well in advance of the general assembly, to obtain information and data related to meeting agenda items. The Company also allows the shareholders to delegate others to attend the general assembly meeting and vote on its decisions, persuant to a special power of attorney or delegation that the Company drafts for this purpose. The Company does not charge any fees for the attendance by the shareholders in the general assembly meetings.

Ninth Rule

Understanding the Role of Stakeholders

- **An Overview on the Systems and Policies Guaranteeing the Protection and Recognition of the Stakeholders' Rights:**

  The Company is committed to protecting and recognizing the stakeholders' rights. Proceeding from this commitment, the Company's Board of Directors has approved a policy for the protection of stakeholders' rights which includes the rules and procedures necessary to guarantee protection and recognition of the rights of stakeholders and allow them to obtain compensation in case of violating any of their rights, in accordance with the relevant laws applicable in the State of Kuwait, such as the Companies Law and Labor Law, in addition to the contracts signed between the Company and stakeholders and any additional undertakings the Company makes to them.

- **An Overview on How to Encourage Stakeholders to Participate in the Follow-up of the Company's Various Activities:**

  The Company is keen to make use of the contributions of stakeholders and urge them to participate in the follow-up of its activities in a manner that help achieve its interests. Therefore, it provides the necessary information, data, and reports to the stakeholders in a timely manner and by way of the applicable disclosure methods and mechanisms, including the Company's website, through the Investor Affairs Unit as mentioned above. It also enables the stakeholders to report to the Board of Directors any improper practices to which they are exposed by the Company, while providing confidentiality and appropriate protection to the parties reporting those practices in good faith.

Tenth Rule

Enhancing and Improving Performance

- **A Brief Summary on the Application of the Requirements for Establishing Mechanisms That Enable Members of the Board of Directors and Executive Management to Obtain Training Programs and Courses on an Ongoing Basis:**

  New members of the Board of Directors and Executive Management shall obtain an induction program on the Company's activities, which includes providing them with the Company's articles of association, strategy, organizational structure, annual report, financial statements, Board and committees business charters, approved policies, as well as any information, data, reports, or other documents.

  In addition, a plan shall be prepared on the appropriate training programs for members of the Board of Directors and Executive Management regarding new updates in areas related to the Company's business.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended December 31, 2020

- **An Overview on How to Assess the Performance of the Board of Directors as a Whole, and the Performance of Each Member of the Board of Directors and Executive Management:**

  An annual self-assessment is performed for the Board of Directors as a whole and the contribution of each member of the Board of Directors, each of the Board committees, and Executive Management, as per a set of objective key performance indicators (KPI) approved by the Board of Directors. This assessment is presented to the Board of Directors for discussion and adoption of the necessary recommendations in this regard, which ultimately aim to enhance the capabilities of the Board, its directors, and Executive Management in all aspects related to the Company's business.

- **An Overview on the Efforts Exerted by the Board of Directors to Create Corporate Values for Company's Employees, by Achieving Strategic Objectives and Improving Performance Rates:**

  The Board of Directors is committed to creating corporate values for the Company's employees through achieving strategic objectives, improving performance rates, and abiding by relevant laws, regulations, decisions, and guidelines in a way that contributes to motivating employees to continuously work in order to maintain the financial integrity of the Company.

Eleventh Rule

Focusing on the Importance of the Corporate Social Responsibility

- **A Brief Summary on Developing a Policy to Ensure a Balance between Each of the Company Objectives and Society Objectives:**

  The Company's Board of Directors approved a corporate social responsibility policy that aims to link the Company objectives to the objectives that society seeks to achieve, taking into consideration the social and economic aspects of society in terms of job opportunities, projects support, awareness-raising programs, charitable initiatives, health areas, environmental protection etc.

- **An Overview on the Programs and Mechanisms Developed to Help Highlight the Company's Efforts in the Field of Social Work:**

  The Company developed a set of programs that ensure the continuous implementation of the corporate social responsibility policy, as it is keen to contribute to social and economic activities (charitable, cultural, educational, health, and environmental) on an ongoing basis through developing an annual plan including all contributions and events of the year compared to other companies in the same sector, approving an annual allocation by the Board of Directors and General Assembly to implement this plan, supervising its implementation, and disclosing these matters in the Company's annual report.

Audit Committee Report

For the Financial Year ended December 31, 2020

Committee Members

Member name	Experience and Qualifications
Adel Al-Saqabi Committee Chairman	Holding a Bachelor of Science in Business Administration, Financial Management Department, Kuwait University. Assumed numerous administrative positions in multiple companies such as Shuaiba Industrial Company, Al Safwa Group Holding Company, Al Safat Holding Company, Al Ahlia Investment Company, Medical Services Company, Al-Assriya Printing Press Publishing & Distribution Company, National Petroleum Services Company, Yanbu Saudi Kuwaiti Paper Products Company, Gulf Petroleum Investment Company, and Danah Al Safat Foodstuff Company.
Abdullah Al-Terkait	Holding Bachelor's degree in Political Science and Administration. Passed the Leading Executive Strategies Program within the financial services programs from Harvard University along with several courses in the field of investment, asset management, and marketing studies. Works as an Executive Director for Investment Management Division, Gulf Cable & Electrical Industries Co. KSCP. Has good experience in various fields, having occupied several positions over his professional life including, but not limited to Chairman of the Board of Directors of Al-Safat Investment Company, Board Member and Secretary of the Union of Investment Companies, and Board Member at Danah Al Safat Foodstuff Company.
Wael Al-Saqabi	Holding Bachelor's degree in Accounting from Kuwait University. Works as Deputy General Manager of The Central Industries & Air Conditioning Works Co (SIACO). Enjoys good experience in the industrial field, having assumed several administrative positions at several companies; e.g. Board Member at Aluminum International Company (ALINCO), Saudi Arabia, Board Member at Yanbu Saudi Kuwaiti Paper Products Company Limited, and Deputy General .Manager of the International Powder Coating Company

Committee Meetings and Activities:

During the financial year ended December 31, 2020, the Committee held five meetings, where the most important activities of the Committee for the year included:

- Discussing the financial statements for the financial year ended December 31, 2019 and submitting a recommendation to the Board for approving them.
- Discussing and studying the proposals received from external auditing firms and, after completing the study, submitting a recommendation to the General Assembly.

- Discussing and reviewing the financial statements for the financial periods ended March 31, 2020, June 30, 2020, and September 30, 2020 and submitting the recommendations related to the financial statements of each period to the Board.
- Discussing internal audit reports and developing recommendations and a timeline for follow-up.

Opinion of the Committee on the Internal Control Environment within the Company

Pursuant to the executive regulations of Law No. 7 of 2010 and their amendments issued by the Capital Markets Authority, the Audit Committee has taken the necessary steps required to implement the new guidelines on corporate governance, including updating the existing audit procedures and preparing records for writing down the Committee's minutes, decisions, and agendas. An independent external audit firm was also engaged to express an opinion and prepare a report on internal control review for the financial year ended December 31, 2020. In addition, the Board of Directors and Executive Management shall make clear written representations stating that the annual financial statements and financial reports related to the Company's activities are true and fair, that they include all the Company's financial aspects and operational results, and that they are prepared in accordance with the International Financial Reporting Standards (IFSR).

Through the Committee's commitment during the year to follow up on the risk assessment-based internal audit plan and assume supervision and monitoring of internal audit activities, and in view of the nature and size of the Company's operations during the financial year ended December 31, 2020 as well as the importance and risk assessment of the internal audit comments, the Committee believes that:

A. The Company's internal controls are sufficient to guarantee the protection of the Company's assets and ensure that the financial statements are true and fairly presented and that they comply with all regulatory requirements and corporate governance rules.

B. The comments provided during the internal audit process do not materially affect the fair presentation of the Company's financial statements for the financial year ended December 31, 2020, and

C. The measures taken by the executive management to address the comments included in the internal audit reports are considered satisfactory and reflect the Executive Management's keenness to implement internal controls.

SHUAIBA INDUSTRIAL CO. (K.P.S.C)

BOARD of DIRECTORS

Mr. Saleh Omran Abdullah Kanaan
Chairman

Mr. Bader Mohammad Al-Qattan
Vice Chairman

Mr. Adel Yousef Al-Saqabi
Board Member

Mr. Wael Yousef Al-Saqabi
Board Member

Mr. Abdullah Hamad Al-Terkait
Board Member

EXECUTIVE MANAGEMENT

Mr. Bader Mohammad Al-Qattan
Vice Chairman & CEO

Mr. S. Farid Ahmed
President

THE SHARIA REPORT

08/04/2021

Final report of the Sharia Supervisory Committee
For the financial period of 01/01/2020 to 31/12/2020

To The SHUAIBA INDUSTRIL CO (k.p.s.c)
Allah's peace, mercy and blessings be upon you

In accordance with the powers delegated to us by the members of the General Assembly of To The SHUAIBA INDUSTRIL and under the Company's Articles of Association and the relevant regulatory directives, the Sharia Supervisory Committee submits its final report for the period from 01/01/2020 to 31/12/2020 It includes four items as follows:

First: The work of the Sharia Supervisory Committee

The Sharia Supervisory Committee carried out its work, which included examining the investment structures, contract forms, products, policies and procedures either directly or in coordination with the internal Sharia audit department in order to obtain all the information and explanations that it considered necessary to provide sufficient evidence and give reasonable assurance that the company did not violate the provisions of Islamic law in the light of the resolutions of the Sharia Supervisory Committee and the Sharia standards adopted by the Company and the decisions of the relevant regulatory bodies.

Second: Decisions of the Sharia Supervisory Committee

The Sharia Supervisory Committee has not issued any resolution during the period from 01/01/2020 to 31/12/2020.

Capital: 2.000.000 KD
Al Mirqqab – Al Sour Street – Jassem Al Asfour Tower – 7 th Floor
Tel: +965 22960555 Fax: +965 22960556
info@mandr.com.kw
www.mandr.com.kw

Three: The final opinion:

In our opinion, after examining all the clarifications and assurances we have obtained, we confirm that:

1. The contracts, operations and transactions concluded by the Company during the period from 01/01/2020 to 31/12/2020 made entirely in accordance with the provisions of the Islamic Sharia. The Sharia Supervisory Committee has knotted that the Company signed a credit facilities contracts with conventional banks that are not compliant with Islamic Sharia rules that have not reviewed by the Sharia Supervisory Committee. The company's management must handle these facilities in Sharia manner.

2. The responsibility to pay zakat falls on the shareholders.

Head of the Sharia
Supervisory Committee
Prof. Dr. Abdul Aziz Al Qassar

Member of the Sharia
Supervisory Committee
D. Essam Khalaf Al Enezi

Member of the Sharia
Supervisory Committee
D. Ali Ibrahim Al Rashed

2

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DECLARATION

شـــركــــــة الشـعـيـبـة الـصـنـاعـيـة (ش.م.ك.ع)

SHUAIBA INDUSTRIAL COMPANY (K.P.S.C)

Acknowledgment and Representation on the Soundness and Integrity of the Financial Statements for the Financial Year Ended December 31, 2020

We, the Chairman and members of the Board of Directors of Shuaiba Industrial Company (SIC), acknowledge and represent that the financial statements provided to the external auditors are accurate and true, that the Company's financial reports have been presented in a true and fair manner, save for inadvertent error and omission, in accordance with the International Accounting Standards (IAS) as applied in the State of Kuwait, and that they reflect the financial position of the Company as at December 31, 2020 based on the information and reports provided to us by the Executive Management and auditors. The due diligence was carried out to verify the integrity and accuracy of these reports.

Members of the Board of Directors Signature:

Mr. Saleh Omran Abdullah Kanaan	Chairman of the Board of Directors	
Mr. Bader Mohammad Al-Qattan	Deputy Chairman and CEO	
Mr. Adel Yousef Al-Saqabi	Director	
Mr. Wael Yousef Al-Saqabi	Director	
Mr. Abdullah Hamad Al-Terkait	Director	

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Web site: www.sic-kwt.com / www.spac-bags.com

شركة الشعيبة الصناعية - شركة مساهمة كويتية عامة

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of Shuaiba Industrial Company K.P.S.C., State of Kuwait

BDO

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Khaled Ben Al Waleed Street,
Sharq
P.O. Box 25578, Safat 13116
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Shuaiba Industrial Company K.P.S.C. ("the Parent Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial 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 financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matters:

Carrying value of inventories	How our audit addressed the matter
The Group held inventories at the lower of cost and net realizable value of KD 4,017,794 after considering the required provision for old and obsolete inventories as at 31 December 2020. The Group recognised provision for old and obsolete inventories of KD 101,389 for the year ended 31 December 2020. The Group has significant level of inventories at the year end, assessing carrying value is an area of significant judgment, particularly with regards to the estimation of provisions for old and obsolete inventories in order to ensure that inventories are carried at lower of cost and net realisable value. Also, in arriving to the value of finished goods involves the use of raw materials and allocation of payroll costs and overheads using technical process, hence considered a key audit matter. Refer to the following notes to the consolidated financial statements: • Note 5.6 - Summary of significant accounting policies; • Note 6 - Significant accounting judgements and estimation uncertainty; • Note 10 - Inventories.	Our work performed include the below procedures: - Obtained an understanding and evaluated the management's process in place to identify and recognise provision for old and obsolete inventories. - For samples of selected inventories items, determined the net realisable value by reference to recent selling prices compared with net realisable value as determined by management. - Evaluating the appropriateness of the assumptions used based on our knowledge and information of the Group and the industry. - Physically inspected samples of the inventories items in order to check whether there are any damaged or obsolete items. - Tested the ageing report used by the management correctly aged inventories items by agreeing samples of aged inventories to the last recorded invoice. - Verified on a test basis whether the Group absorbed production overheads on a systematic basis. - Assessing whether the Group policies had been consistently applied and the adequacy of the Group's disclosures in respect of inventories.

Independent Auditor's Report (Continued)

To The Shareholders of Shuaiba Industrial Company K.P.S.C., State of Kuwait

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for the year ended 31 December 2020, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of the Group for the year ended 31 December 2020 is expected to be made available to us after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report (Continued)

To The Shareholders of Shuaiba Industrial Company K.P.S.C., State of Kuwait

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, its Executive Regulations, as amended, or Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, nor Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended or the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

Qais M. Al-Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 25 March 2021

Consolidated Statement of
FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Non-current assets			
Property, plant and equipment	7	**8,537,547**	8,619,825
Right of use assets	8	**1,382,750**	1,472,735
Investment in an associate	9	**2,601,163**	2,423,954
		12,521,460	12,516,514
Current assets			
Inventories	10	**4,017,794**	4,552,143
Trade and other receivables	11	**3,765,661**	3,862,360
Term deposits	12	**570,000**	350,000
Cash and cash equivalents	13	**1,529,436**	1,707,902
		9,882,891	10,472,405
Total assets		**22,404,351**	22,988,919
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**10,069,180**	10,069,180
Share premium		**2,294,444**	2,294,444
Statutory reserve	15	**2,640,537**	2,529,391
Voluntary reserve	15	**1,508,216**	1,715,624
Treasury shares	16	**(164,740)**	(164,740)
Treasury shares reserve		**471,283**	471,283
Foreign currency translation reserve		**501,811**	499,040
Retained earnings		**907,487**	288,780
Total equity		**18,228,218**	17,703,002
Liabilities			
Non-current liabilities			
Employees' end of service benefits		**885,630**	825,229
Term loans	17	**-**	480,027
Lease liabilities	8	**866,147**	922,434
		1,751,777	2,227,690
Current liabilities			
Term loans	17	**480,027**	600,000
Lease liabilities	8	**42,654**	38,943
Trade and other payables	18	**1,733,622**	2,166,448
Notes payable	19	**108,155**	166,362
Contract liabilities	20	**59,898**	86,474
		2,424,356	3,058,227
Total liabilities		**4,176,133**	5,285,917
Total equity and liabilities		**22,404,351**	22,988,919

The notes on pages 59 to 98 form an integral part of these consolidated financial statements.

Saleh Omran Abdullah Kannan
Chairman

Bader Mohammad Ghloum AlQattan
Vice chairman

Consolidated Statement of
PROFIT OR LOSS

As at 31 December 2020

	Notes	2020 KD	2019 KD
Sales	20	**12,290,351**	14,821,664
Cost of sales		**(9,911,212)**	(13,091,342)
Gross profit		**2,379,139**	1,730,322
Share of results of an associate	9	**184,157**	(11,927)
Other income	20	**92,540**	140,821
Provision for old and obsolete inventories	10	**(101,389)**	(19,669)
Provision for expected credit losses	11	**(56,559)**	(48,382)
Impairment of property plant and equipment	7	**(18,960)**	-
Realized gain on financial assets at ("FVTPL")		**-**	1,738
Foreign exchange (loss)/gain		**(2,919)**	5,096
General and administrative expenses	21	**(885,826)**	(845,951)
Selling and distribution expenses	22	**(404,238)**	(502,044)
Finance costs		**(74,481)**	(111,771)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration		**1,111,464**	338,233
KFAS		**(10,003)**	(3,044)
NLST		**(33,246)**	(11,327)
Zakat		**(13,298)**	(4,531)
Board of Directors' remuneration	30	**(30,000)**	-
Profit for the year		**1,024,917**	319,331
Basic and diluted earnings per share (fils)	23	**10.33**	3.22

The notes on pages 59 to 98 form an integral part of these consolidated financial statements.

Consolidated Statement of COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
Profit for the year		**1,024,917**	319,331
Other comprehensive (loss) / income items:			
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:			
Share of associate's other comprehensive (loss)/income	9	**(6,284)**	3,272
Items that may be reclassified subsequently to the consolidated statement of profit or loss:			
Foreign exchange differences on translation of foreign operations		**2,771**	(7,744)
Total other comprehensive loss for the year		**(3,513)**	(4,472)
Total comprehensive income for the year		**1,021,404**	314,859

The notes on pages 59 to 98 form an integral part of these consolidated financial statements.

Consolidated Statement of CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Foreign currency translation reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2019	10,069,180	2,294,444	2,495,568	1,827,831	(164,740)	471,283	506,784	880,171	18,380,521
Profit for the year	-	-	-	-	-	-	-	319,331	319,331
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	(7,744)	3,272	(4,472)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(7,744)	322,603	314,859
Transfer for dividends distribution (Note 30)	-	-	-	(112,207)	-	-	-	112,207	-
Dividends (Note 30)	-	-	-	-	-	-	-	(992,378)	(992,378)
Transfer to reserve	-	-	33,823	-	-	-	-	(33,823)	-
At 31 December 2019	10,069,180	2,294,444	2,529,391	1,715,624	(164,740)	471,283	499,040	288,780	17,703,002
At 1 January 2020	10,069,180	2,294,444	2,529,391	1,715,624	(164,740)	471,283	499,040	288,780	17,703,002
Profit for the year	-	-	-	-	-	-	-	1,024,917	1,024,917
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	2,771	(6,284)	(3,513)
Total comprehensive income for the year	-	-	-	-	-	-	2,771	1,018,633	1,021,404
Transfer for dividends distribution (Note 30)	-	-	-	(207,408)	-	-	-	207,408	-
Dividends (Note 30)	-	-	-	-	-	-	-	(496,188)	(496,188)
Transfer to reserve	-	-	111,146	-	-	-	-	(111,146)	-
At 31 December 2020	10,069,180	2,294,444	2,640,537	1,508,216	(164,740)	471,283	501,811	907,487	18,228,218

The notes on pages 59 to 98 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			
Profit for the year		**1,024,917**	319,331
Adjustments for:			
Depreciation	7	**506,868**	493,081
Amortization	8	**90,657**	90,276
Share of results of an associate	9	**(184,157)**	11,927
Gain on sale of property, plant and equipment	20	**(1,045)**	(357)
Impairment of property plant and equipment	7	**18,960**	-
Profit income from term deposits	20	**(5,558)**	(7,617)
Provision for old and obsolete inventories	10	**101,389**	19,669
Provision for expected credit losses	11	**56,559**	48,382
Realised gain on financial assets at (“ FVTPL ”)		**-**	(1,738)
Foreign exchange loss /(gain)		**2,919**	(5,096)
Provision for employees’ end of service benefits		**78,569**	84,527
Finance costs		**74,481**	111,771
		1,764,559	1,164,156
Changes in working capital:			
Inventories		**432,414**	1,321,327
Trade and other receivables		**37,283**	(133,860)
Trade and other payables		**(441,853)**	(885,666)
Contract liabilities		**(26,576)**	37,146
Cash flows generated from operations		**1,765,827**	1,503,103
Employees’ end of service benefits paid		**(18,158)**	(37,741)
Net cash flows generated from operating activities		**1,747,669**	1,465,362
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(442,200)**	(113,019)
Proceeds from sale of property, plant and equipment		**1,220**	378
Proceeds from sale of financial assets at fair value through profit or loss		**-**	73,322
Profit income from term deposits received		**5,558**	7,617
(Placement) / maturity of term deposits		**(220,000)**	270,000
Dividend received from an associate	9	**-**	162,085
Net cash flows (used in)/generated from investing activities		**(655,422)**	400,383
FINANCING ACTIVITIES			
Proceeds from term loans	24	**-**	572,039
Repayment of term loans	24	**(600,000)**	(644,000)
Payment of principal portion of lease liabilities	24	**(53,034)**	(37,661)
Notes payable	24	**(58,207)**	166,362
Dividends paid	24	**(487,161)**	(979,069)
Finance costs paid	24	**(74,481)**	(111,771)
Net cash flow used in financing activities		**(1,272,883)**	(1,034,100)
Effect of foreign currency translation		**2,170**	(3,308)
Net (decrease)/increase in cash and cash equivalents		**(178,466)**	828,337
Cash and cash equivalents at beginning of the year		**1,707,902**	879,565
Cash and cash equivalents at end of the year	13	**1,529,436**	1,707,902

The notes on pages 59 to 98 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Shuaiba Industrial Company K.P.S.C. ("the Parent Company"), is a public shareholding company incorporated in 1978 under the Laws of the State of Kuwait and is listed on the Boursa Kuwait.

The Group comprises of the Parent Company and its subsidiary as described in Note 5.1 (together referred to as the "Group").

The Parent Company's objectives are as follows:

1. Manufacture of paper cement bags for packing of cement and similar products.
2. Import and export material required for the Company's objectives.

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 Parent Company may also purchase such entities or affiliate them.

At the Annual General Assembly held on 29 March 2010, the shareholders approved the Group to conduct its activities in accordance with Islamic Sharia Principles.

The address of the Parent Company's registered office is P.O. Box, 10088, Shuaiba 65451, State of Kuwait.

These consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue by the Parent Company's Board of Directors on 25 March 2021. The shareholders General Assembly has the power to amend these consolidated financial statements after issuance.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention.

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

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to Companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies' Law and its Executive Regulations, as amended.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas of significant judgements and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 6.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2020

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria: (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and (c) There is no substantive change to other terms and conditions of the lease. Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. This amendment had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 3 Definition of a Business

Amendments were effective for reporting periods beginning on or after 1 January 2020. The amendment to IFRS 3 Business Combinations 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 clarifies 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 uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have 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, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting.

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

b) Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective.

IFRS 17 – Insurance Contracts

This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

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

Early application is permitted, provided an entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any material impact to the Group.

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

This standard is not expected to have any material impact to the Group.

The following amendments are effective for the period beginning 1 January 2022, with early application permitted:

- *Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and*
- *References to Conceptual Framework (Amendments to IFRS 3).*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*

The Group is currently assessing the impact of these new accounting standards and amendments.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1, which clarifies the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023. The Group does not believe that the amendments to IAS 1 will have a material impact on the classification of its liabilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiary. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit and loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners 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 policy.

All intra-group transactions, balances, income and expenses 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 profit or loss. Any investment retained is recognised at fair value.

The details of the subsidiary / branch are as follows:

Name of subsidiary	Principal activity	Voting rights and equity interest		Country of incorporation
		2020	2019	
Advance Technologies International Agencies Company W.L.L.	Commercial agencies	99%	99%	State of Kuwait

The non-controlling interest' waived their ownership in the subsidiary as per letters of assignment in favour of the Parent Company.

The Group has also an operating Branch in Jebel Ali Free Zone, Dubai. The details of the Branch are as follows:

Name of the Branch	Principal activity	Country of incorporation
Shuaiba Industrial Company, Jebel Ali Free Zone.	Manufacturing and selling of paper products	United Arab Emirates

5.2 Business combinations

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

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

5.3 Property, plant and equipment

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

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Work in progress for purposes of production works or administrative usage are stated at cost less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalized on assets that meet the conditions of capitalizing the borrowing costs in accordance with the Group's accounting policy. These properties are classified within the appropriate categories of items of property, plant and equipment when finished and being considered ready for use. Depreciation of such assets commences when they are ready for use for their intended purpose in the same way as other items of property, plant and equipment.

5.4 Investment in an associate

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5: Current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The associate's financial statements are prepared either to the Parent Company's financial position date or to a date not earlier than three months of the Parent Company's financial position date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the financial position date of the associates and the Parent Company's financial position date.

5.5 Impairment of non-financial assets

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, group assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

5.6 Inventories

Finished goods are stated at the lower of cost and net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realisable value is based on the selling price less the estimated cost till completion and sale of inventory.

Spare parts are not intended for resale and are valued at cost after making provision for any old and obsolete items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of purchased cost or net realisable value using the weighted average method after making provision for old and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

5.7 Financial instruments

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

Financial assets and financial liabilities carried on the consolidated statement of financial position include trade and other receivables (excluding advance to suppliers and prepayments), term deposits, cash and cash equivalents, term loans, lease liabilities, trade and other payables and notes payable.

5.7.1 Financial assets

Recognition, initial measurement and derecognition

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component, 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 are measured at the transaction price.

A financial asset is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Classification of financial assets

Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:

- Financial assets at amortised cost; and

Subsequent Measurement

Financial assets at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets carried at amortised cost consist of trade and other receivables (excluding advance to suppliers and prepayments) , term deposits and cash and cash equivalents.

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business and recognized initially at transaction price. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group.

Term deposits

Term deposits are placed with banks and have a contractual maturity of more than three months and less than one year from placement date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Group recognises an provision for expected credit losses (ECLs) for financial assets measured at amortised cost.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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 and other receivables (excluding advance to suppliers and prepayments), the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

For deposits and cash and cash equivalents for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the Group's policy to measure ECLs on such instruments on a 12-month basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, The Group considers a financial asset in default when contractual payments are 90 days past due. 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.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

5.7.2 Financial liabilities

All financial liabilities within IFRS 9 are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates

Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value, net of directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of profit or loss.

5.8 Offsetting of financial assets and liabilities

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

5.9 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the financial position date.

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

5.10 Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of 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 is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued, sold or cancelled. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognised in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.12 Dividends

The dividends attributable to shareholders of the Parent Company are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

5.13 Contingent assets and contingent liabilities

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

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

5.14 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

Right of use assets

The Group recognizes 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 amortization and impairment losses, and adjusted for any re-measurement of lease liabilities, the cost of right of use assets includes the amount of lease liabilities recognized, 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 recognized right of use assets are amortized 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 recognizes 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 recognized 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 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 (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. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group as a lessor

The Group doesn't act as lessor during the year ended 31 December 2020

5.15 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the control of promised goods to its customers.

The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the goods.
- The customer has legal title to the goods.
- The Group has transferred physical possession of the goods.
- The customer has the significant risks and rewards of ownership of the goods.
- The customer has accepted the goods.

Revenue for the Group arises from:

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Dividend income

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

Profit income from term deposits

Profit income from term deposits is recognised using the effective interest rate method.

Other income

Other income mainly represents waste sales which are recognized when or as the Group transfers control of the goods to the customer.

Contract liabilities

Contract liabilities are recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

5.16 Finance costs

Finance costs primarily comprise interest on the Group's financing. Finance costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

5.17 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated to Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies are re-translated at the dates of the consolidated statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Group companies

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

- Assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date.
- Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

5.18 Taxation

KFAS and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat represent levies/taxes imposed on the Parent Company at the flat percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Tax/statutory levy	*Rate*
Contribution to KFAS	1.0% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

National Labour Support tax

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgements

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

Useful lives of tangible assets

As described in Note 5, the Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Classification of financial instruments

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in (Note 5).

Determining the lease term of contracts with renewal and termination options

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. The Group has lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the options to renew these leases. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., 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 of land with shorter non-cancellable period. The Group typically exercises its option to renew for this leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Principal versus agent considerations

The Group enters into contracts to sell goods and render services to its customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group determined that it is a principal in all its contracts with its customers.

- The Group controls the promised goods or services before the Group transfers the goods or services to the customer.
- The Group satisfies the performance obligations by itself and does not engage another party in satisfying its performance obtligations in its contracts with customers.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position 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 discussed below:

Impairment of non-financial assets

The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Impairment of investment in an associate

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "share of gain in associate" in the consolidated statement of profit or loss.

Fair value measurement and valuation techniques

Some of the Group's assets are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets are disclosed in (Note 29).

Impairment of inventories

Inventories are held at cost or net realisable value whichever is lower. When inventories become old or obsolete, an estimate is made of the required impairment. For individually significant amounts, this estimation is performed on an individual basis. Amount which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the paper manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in (Note 27).

Estimating the incremental borrowing rate for leases

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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Machinery	Furniture and fixtures	Motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January 2019	555,000	3,833,127	9,842,984	851,410	231,354	10,139	15,324,014
Additions	-	-	-	31,915	45,040	36,064	113,019
Disposals	-	-	-	(1,250)	-	-	(1,250)
Transfer to right of use assets	(555,000)	-	-	-	-	-	(555,000)
Transfers	-	4,815	38,623	-	-	(43,438)	-
Foreign currency translation difference	-	(1,398)	(1,494)	(127)	(31)	-	(3,050)
At 31 December 2019	-	3,836,544	9,880,113	881,948	276,363	2,765	14,877,733
Additions	-	41,108	-	40,152	-	360,940	442,200
Disposals	-	-	-	(5,307)	(4,840)	-	(10,147)
Foreign currency translation difference	-	596	1,217	-	13	(1,678)	148
At 31 December 2020	-	3,878,248	9,881,330	916,793	271,536	362,027	15,309,934
Accumulated depreciation							
At 1 January 2019	-	1,534,450	3,213,183	795,862	223,424	-	5,766,919
Charge for the year	-	128,351	336,606	24,443	3,681	-	493,081
Related to disposals	-	-	-	(1,229)	-	-	(1,229)
Foreign currency translation difference	-	(298)	(431)	(108)	(26)	-	(863)
At 31 December 2019	-	1,662,503	3,549,358	818,968	227,079	-	6,257,908
Charge for the year	-	115,035	356,613	24,113	11,107	-	506,868
Related to disposals	-	-	-	(5,293)	(4,679)		(9,972)
Impairment loss	-	-	18,960	-	-	-	18,960
Foreign currency translation difference	-	(403)	(920)	(47)	(7)	-	(1,377)
At 31 December 2020	-	1,777,135	3,924,011	837,741	233,500	-	6,772,387
Net book value							
At 31 December 2020	-	2,101,113	5,957,319	79,052	38,036	362,027	8,537,547
At 31 December 2019	-	2,174,041	6,330,755	62,980	49,284	2,765	8,619,825
Annual depreciation (in years)		5-30	5-30	5	5		

Certain property, plant and equipment with a carrying value of KD 4,405,086 (2019: KD 4,481,180) have been assigned as security against term loans (Note 17).

Buildings are constructed on leasehold land from the government of Kuwait and the government of Dubai for a period of 5 years and 15 years respectively with a renewable option.

Depreciation charges are included in the consolidated statement of profit or loss under the following categories;

	2020 KD	2019 KD
Cost of sales	**491,539**	486,543
General and administrative expenses (Note 21)	**15,329**	6,538
	506,868	493,081

8. LEASES

The carrying amount of the Group's right of use assets and the movements during the year as follows:

	2020 KD	2019 KD
At 1 January	**1,472,735**	1,563,505
Amortization charges	**(90,657)**	(90,276)
Foreign currency translation difference	**672**	(494)
At 31 December	**1,382,750**	1,472,735

Right of use assets with a carrying value of KD 768,107 (2019: KD 818,016) have been assigned as security against term loans (Note 17).

Amortization charges are included in the consolidated statement of profit or loss under the following categories:

	2020 KD	2019 KD
Cost of sales	**85,666**	85,285
General and administrative expenses (Note 21)	**4,991**	4,991
	90,657	90,276

Set out below, are the carrying amounts of the Group's lease liabilities and the movements during the year:

The lease liabilities are classified in the consolidated statement of financial position as follows:

	2020 KD	2019 KD
At 1 January	**961,377**	999,562
Finance costs	**34,749**	34,705
Payments during the year	**(87,783)**	(72,366)
Foreign currency translation difference	**458**	(524)
At 31 December	**908,801**	961,377

The Group recognised rent expense from short-term leases of KD 213,692 (2019: KD 178,256) for the year.

The lease liabilities are classified in the consolidated statement of financial position as follows:

	2020 KD	2019 KD
Non-current portion	**866,147**	922,434
Current portion	**42,654**	38,943
	908,801	961,377

9. INVESTMENT IN AN ASSOCIATE

The details of the Group's associate are as follows:

Name of associate	Country of incorporation	Voting rights and equity interest (%) 2020 %	Voting rights and equity interest (%) 2019 %	Measurement method	Activity	Carrying value 2020 KD	Carrying value 2019 KD
Yanbu Saudi Kuwaiti Paper Products Company L.t.d.	Kingdom of Saudi Arabia	40	40	Equity method	Paper products	**2,601,163**	2,423,954

Summarised financial information in respect of the Group's associate is set out below:

	2020 KD	2019 KD
Associate's financial position		
Non-current assets	**3,194,827**	3,360,148
Current assets	**5,528,056**	3,624,613
Total assets	**8,722,883**	6,984,761
Non-current liabilities	**(198,473)**	(164,742)
Current liabilities	**(2,021,503)**	(760,134)
Total liabilities	**(2,219,976)**	(924,876)
Net assets	**6,502,907**	6,059,885
Group's share of associate's net assets	**2,601,163**	2,423,954
Associate's revenue and results		
Revenues	**7,469,302**	6,381,053
Net income/(loss)	**460,392**	(29,817)
Other comprehensive (loss)/income	**(15,710)**	8,180
Group's share of profit /(loss)	**184,157**	(11,927)
Group's share of other comprehensive (loss)/income	**(6,284)**	3,272
Dividend received	**-**	162,085

10. INVENTORIES

	2020 KD	2019 KD
Raw materials	**3,524,483**	3,794,833
Finished goods	**137,750**	289,471
Packing materials	**47,945**	35,702
Goods in transit	**124,037**	186,727
Spare parts	**424,243**	385,231
	4,258,458	4,691,964
Provision for old and obsolete inventories	**(240,664)**	(139,821)
	4,017,794	4,552,143

As at 31 December, the movement in the provision for old and obsolete inventories as follows:

	2020 KD	2019 KD
At 1 January	**139,821**	120,182
Charge for the year	**101,389**	19,669
Foreign currency translation difference	**(546)**	(30)
At 31 December	**240,664**	139,821

In 2020, inventories of KD 7,582,788 (2019: KD 10,267,237) were recognized as an expense and included in 'cost of sales'.

11. TRADE AND OTHER RECEIVABLES

	2020 KD	2019 KD
Trade receivables	**3,779,682**	3,679,831
Less: provision for expected credit losses	**(195,751)**	(141,621)
	3,583,931	3,538,210
Advance to suppliers	**-**	133,734
Prepayments	**81,707**	108,761
Refundable deposits	**75,712**	63,861
Staff receivables	**8,086**	10,311
Other receivables	**16,225**	7,483
	3,765,661	3,862,360

As at 31 December, the movement in the provision for expected credit losses as follows:

	2020	2019
	KD	KD
At 1 January	**141,621**	93,327
Charge for the year	**56,559**	48,382
Write off during the year	**(2,367)**	-
Foreign currency translation difference	**(62)**	(88)
At 31 December	**195,751**	141,621

Disclosures relating to the credit risk exposures and analysis relating to the provision for expected credit losses are set forth in Note 27.

12. TERM DEPOSITS

Term deposits represent deposits placed at local bank denominated in Kuwaiti Dinars having an original maturity period of three months or more and less than one year from the date of placement and yield an average profit rate of 1.11% (2019: 2.84%) per annum.

13. CASH AND CASH EQUIVALENTS

	2020	2019
	KD	KD
Bank balances	**1,523,023**	1,429,292
Cash on hand and with portfolio manager	**6,413**	5,017
Short term deposit	**-**	273,593
	1,529,436	1,707,902

Short term deposit represent deposit placed at local bank and denominated in Kuwaiti Dinars having an original maturity of less than three months from the date of placement and yield an average profit rate of Nil % (2019: 1.5 %) per annum.

14. SHARE CAPITAL

The authorized, issued and paid up share capital is KD 10,069,180 (2019: KD 10,069,180) comprising of 100,691,795 shares of 100 fils each (2019: 100,691,795 shares of 100 fils each) and all shares are paid in cash.

15. RESERVES

Statutory reserve

As required by the Companies' Law, as amended, and the Parent Company's Memorandum of Association, as amended, at least 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Board of Directors' remuneration is transferred per annum to statutory reserve as per a resolution issued by the Parent Company's ordinary General Assembly. Such Transfer may be discontinued as per a resolution issued by the Company's Ordinary General Assembly when the reserve exceeds 50% of the share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

Voluntary reserve

As required by the Companies' Law, as amended, and the Parent Company's Memorandum of Association, as amended, no more than 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax , Zakat and Board of Directors' remuneration may be deducted per annum, as per a resolution issued by the Parent Company's Ordinary General Assembly, in order to form voluntary reserve, which is allocated for the purposes specified by the assembly.

The Board of Directors in their meeting dated 12 February 2017 approved to discontinue the transfer of profits to voluntary reserve

16. TREASURY SHARES

	2020	2019
Number of shares	**1,454,028**	1,454,028
Percentage to issued shares (%)	**1.44%**	1.44%
Market value (KD)	**225,374**	225,374
Cost (KD)	**164,740**	164,740

The Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares throughout the year, in which they are held by the Parent Company, pursuant to instructions of the relevant regulatory authorities.

17. TERM LOANS

	2020	2019
	KD	KD
Non-current portion	**-**	480,027
Current portion	**480,027**	600,000
	480,027	1,080,027

Term loans represents credit refinance facilities (the "facilities") obtained from a local bank. The facilities are used to finance purchases of equipment and machinery to expand the Group's plant. The facilities carry a profit rate of 3.5% semiannually (2019: 3.5%) and repayable as shown below.

2020

Facility amount	Payable amount	Current portion	Non-current portion	Maturity date	
				Current portion	Non-current portion
KD	KD	KD	KD		
2,800,000	**480,027**	**480,027**	**-**	Up to November 2021	-

2019

Facility amount	Payable amount	Current portion	Non-current portion	Maturity date	
				Current portion	Non-current portion
KD	KD	KD	KD		
2,800,000	1,080,027	600,000	480,027	Up to December 2020	Up to December 2021

The facilities are secured by certain property, plant and equipment (Note 7) and right of use assets (Note 8) in favour of the bank. It also requires, among other matters, certain restrictions on the payment of dividends and a requirement to maintain a minimum leverage ratio (current assets to current liabilities) of 1.5:1.

18. TRADE AND OTHER PAYABLES

	2020	2019
	KD	KD
Trade payables	**812,635**	1,493,436
Dividends payable	**172,053**	163,026
Accrued expenses	**244,654**	222,915
Staff payables	**415,471**	265,825
KFAS	**10,003**	3,044
NLST	**35,508**	13,671
Zakat	**13,298**	4,531
Directors' remuneration	**30,000**	-
	1,733,622	2,166,448

19. NOTES PAYABLE

Notes payable include an amount of KD 108,155 (2019: KD 166,362) represent facilities from local bank carry an interest rate 1.5% (2019: 1.5%) per annum over the Central Bank of Kuwait discount rate.

20. REVENUE

	For the year ended 31 December 2020				
	Industrial Packaging Division	Consumer Packaging Division	Flexible Packaging Division	Other income	Total
	KD	KD	KD	KD	KD
Type of revenue					
Sale of multi-wall paper	6,542,170	-	-	-	6,542,170
Sale of superior value and high quality bags and wrapping sheets	-	4,461,114	-	-	4,461,114
Sale of multi-ply printed and laminated films	-	-	1,287,067	-	1,287,067
Waste sale	-	-	-	85,937	85,937
Gain on sale of property, plant and equipment	-	-	-	1,045	1,045
Total revenue from contracts with customers	6,542,170	4,461,114	1,287,067	86,982	12,377,333
Profit income from term deposits	-	-	-	5,558	5,558
Total revenue	6,542,170	4,461,114	1,287,067	92,540	12,382,891
Geographical markets					
Kuwait	1,922,070	1,437,510	1,228,005	38,084	4,625,669
GCC	4,033,439	2,881,942	59,062	48,898	7,023,341
Asia	175,816	141,662	-	-	317,478
Africa	410,845	-	-	-	410,845
Total revenue from contracts with customers	6,542,170	4,461,114	1,287,067	86,982	12,377,333
Timing of revenue recognition					
Goods transferred at a point in time	6,542,170	4,461,114	1,287,067	86,982	12,377,333
Total revenue from contracts with customers	6,542,170	4,461,114	1,287,067	86,982	12,377,333
Revenue					
External customers	6,542,170	4,461,114	1,287,067	86,982	12,377,333
Total revenue from contracts with customers	6,542,170	4,461,114	1,287,067	86,982	12,377,333

	For the year ended 31 December 2019				
	Industrial Packaging Division	Consumer Packaging Division	Flexible Packaging Division	Other income	Total
	KD	KD	KD	KD	KD
Type of revenue					
Sale of multi-wall paper	8,487,105	-	-	-	8,487,105
Sale of superior value and high quality bags and wrapping sheets	-	4,992,177	-	-	4,992,177
Sale of multi-ply printed and laminated films	-	-	1,342,382	-	1,342,382
Waste sale	-	-	-	132,847	132,847
Gain on sale of property, plant and equipment	-	-	-	357	357
Total revenue from contracts with customers	8,487,105	4,992,177	1,342,382	133,204	14,954,868
Profit income from term deposits	-	-	-	7,617	7,617
Total revenue	8,487,105	4,992,177	1,342,382	140,821	14,962,485
Geographical markets					
Kuwait	2,578,927	1,832,344	1,304,729	59,954	5,775,954
GCC	4,394,455	2,974,150	37,653	73,250	7,479,508
Asia	975,444	185,683	-	-	1,161,127
Africa	529,138	-	-	-	529,138
U.S.A	9,141	-	-	-	9,141
Total revenue from contracts with customers	8,487,105	4,992,177	1,342,382	133,204	14,954,868
Timing of revenue recognition					
Goods transferred at a point in time	8,487,105	4,992,177	1,342,382	133,204	14,954,868
Total revenue from contracts with customers	8,487,105	4,992,177	1,342,382	133,204	14,954,868
Revenue					
External customers	8,487,105	4,992,177	1,342,382	133,204	14,954,868
Total revenue from contracts with customers	8,487,105	4,992,177	1,342,382	133,204	14,954,868

The Group recognised provision for expected credit losses on trade receivable arising from contracts with customers, included in the consolidated statement of profit or loss, amounting to KD 56,559 for the year ended 31 December 2020 (2019: KD 48,382).

Contract balances

	2020 KD	2019 KD
Contract liabilities	**59,898**	86,474

The contract liabilities represent advances received from customers during the year to deliver goods to customers during the year ending 31 December 2021. Performance obligations related to contract liabilities for the year ended 31 December 2019, were satisfied during the year ended 31 December 2020.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 KD	2019 KD
Staff costs	**617,723**	587,020
Depreciation (Note 7)	**15,329**	6,538
Amortization (Note 8)	**4,991**	4,991
Rent	**14,874**	13,888
Communication expenses	**30,093**	31,806
Professional fees	**59,227**	64,622
Travel expense	**17,829**	41,366
Stationery expenses	**21,680**	24,502
Others	**104,080**	71,218
	885,826	845,951

22. SELLING AND DISTRIBUTION EXPENSES

	2020 KD	2019 KD
Staff costs	**135,127**	129,129
Packing expenses	**224,344**	267,694
Others	**44,767**	105,221
	404,238	502,044

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year after deducting treasury shares as follows:

	2020 KD	2019 KD
Profit for the year (KD)	**1,024,917**	319,331
Weighted average number of shares outstanding:		
Number of issued shares	**100,691,795**	100,691,795
Less: Weighted average number of treasury shares	**(1,454,028)**	(1,454,028)
Weighted average number of shares outstanding	**99,237,767**	99,237,767
Basic and diluted earnings per share (fils)	**10.33**	3.22

24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Term loans KD	Lease liabilities KD	Notes payable KD	Dividends payable KD	Total KD
At 1 January 2020	1,080,027	961,377	166,362	163,026	2,370,792
Repayment of term loans	(600,000)	-	-	-	(600,000)
Distribution of dividends	-	-	-	496,188	496,188
Dividends paid	-	-	-	(487,161)	(487,161)
Payment of principal portion of lease liabilities	-	(53,034)	-	-	(53,034)
Payment of notes payable	-		(58,207)	-	(58,207)
Finance costs accrued	35,258	34,749	4,474	-	74,481
Finance costs paid	(35,258)	(34,749)	(4,474)	-	(74,481)
Foreign currency translation difference	-	458	-	-	458
At 31 December 2020	480,027	908,801	108,155	172,053	1,669,036
1 January 2019	1,151,988	-	-	149,717	1,301,705
Impact of adoption of IFRS 16	-	999,562	-	-	999,562
Proceeds from term loans	572,039	-	-	-	572,039
Repayment of term loans	(644,000)	-	-	-	(644,000)
Distribution of dividends	-	-	-	992,378	992,378
Dividends paid	-	-	-	(979,069)	(979,069)
Payment of principal portion of lease liabilities	-	(37,661)	-	-	(37,661)
Proceeds from notes payable	-	-	166,362	-	166,362
Finance costs accrued	50,408	34,705	26,658	-	111,771
Finance costs paid	(50,408)	(34,705)	(26,658)	-	(111,771)
Foreign currency translation difference	-	(524)	-	-	(524)
At 31 December 2019	1,080,027	961,377	166,362	163,026	2,370,792

25. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant related party transactions and balances are as follows:

Consolidated statement of financial position:	2020 KD	2019 KD
Board of Directors' remuneration (Note 18)	**30,000**	-

Amounts due to related parties are payable on demand and are non-profit bearing.

	2020 KD	2019 KD
Consolidated statement of profit or loss		
Key management compensation		
Salaries and other short-term benefits	**201,743**	187,344
Termination benefits	**14,832**	18,005
Board of Directors' committees' remuneration	**30,000**	-

26. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group conducts its activities through the below main operating segments:

- **Industrial Packaging Division:** Produces and supplies multi-wall paper sacks for industrial use.
- **Consumer Packaging Division:** Produces and supplies various types of superior value and high quality bags and wrapping sheets to major regional and international flagships and chains.
- **Flexible Packaging Division:** Produces and supplies multi-ply printed and laminated films, including aluminium foil lamination.

The following is an analysis of the Group's revenue and results by operating segments for the year:

	2020 KD	2019 KD	2020 KD	2019 KD
	Revenue		Segment results	
Industrial packaging division	**6,542,170**	8,487,105	**827,116**	370,461
Consumer packaging division	**4,461,114**	4,992,177	**1,323,564**	1,171,446
Flexible packaging division	**1,287,067**	1,342,382	**228,459**	188,415
	12,290,351	14,821,664	**2,379,139**	1,730,322
Share of results of an associate			**184,157**	(11,927)
Other income			**92,540**	140,821
Provision for old and obsolete inventories			**(101,389)**	(19,669)
Provision for expected credit losses			**(56,559)**	(48,382)
Impairment of property plant and equipment			**(18,960)**	-
Realized gain on financial assets at ("FVTPL")			**-**	1,738
Foreign exchange (loss)/gain			**(2,919)**	5,096
General and administrative expenses			**(885,826)**	(845,951)
Selling and distribution expenses			**(404,238)**	(502,044)
Finance costs			**(74,481)**	(111,771)
KFAS			**(10,003)**	(3,044)
NLST			**(33,246)**	(11,327)
Zakat			**(13,298)**	(4,531)
Board of Director's remuneration			**(30,000)**	-
Profit for the year			**1,024,917**	319,331

The following is an analysis of the Group's revenue and segment results by geographical area for the year:

	2020 KD	2019 KD	2020 KD	2019 KD
	Revenue		Segment results	
Kuwait	**4,587,585**	5,716,000	**1,176,656**	912,100
GCC	**6,974,443**	7,406,258	**1,137,899**	727,422
Asia	**317,478**	1,161,127	**5,719**	5,075
Africa	**410,845**	529,138	**58,865**	83,530
USA	**-**	9,141	**-**	2,195
	12,290,351	14,821,664	**2,379,139**	1,730,322

The following is an analysis of the Group's assets and liabilities by geographical area for the year:

	2020 KD	2019 KD	2020 KD	2019 KD
	Assets		Liabilities	
Kuwait	**14,558,475**	14,618,862	**3,102,699**	3,555,298
GCC	**7,845,876**	8,370,057	**1,073,434**	1,730,619
	22,404,351	22,988,919	**4,176,133**	5,285,917

27. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's activities expose it to variety of financial risks: e.g. market risk (i.e. foreign currency risk and interest rate risk as the Group does not have equity instruments), credit risk and liquidity risk. The Group management policies for reducing each of the risks are discussed below. The Group does not use derivative financial instruments based on future speculations.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 5 to the consolidated financial statements.

27.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of, foreign currency risk and profit rate risk.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates that affects the Group's cash flows or the valuation of the monetary assets and liabilities denominated in foreign currency.

The Group has set policies for the management of foreign exchange risk which require each company in the Group to manage the foreign risk against its currency of operation. The Group tracks and manages these risks by:

- Monitoring the changes in foreign currency exchange rates on regular basis.
- Set up tide limits for dealing in foreign currencies for the basic objectives of the Group's activities.

The following is net foreign currencies positions as at the date of the consolidated financial statements:

	2020	2019
	KD	KD
United States Dollars	**961,520**	62,084
Saudi Riyal	**21,501**	71,325
United Arab Emirates Dirhams	**998,413**	900,796
Euro	**(31,730)**	(123,895)

The tables below analyse the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinars from levels applicable at 31 December, with all other variables held constant on the consolidated statement of profit or loss and consolidated statement of equity. The effect of decreases in foreign currency is expected to be equal and opposite to the effect of the increases shown.

	Change in currency rate (%)	Effect on profit for the year and equity	
		2020	2019
		KD	KD
United States Dollars	%5+	**48,076**	3,104
Saudi Arabian Riyal	%5+	**1,075**	3,566
United Arab Emirates Dirhams	%5+	**49,921**	45,040
Euro	%5+	**(1,587)**	(6,195)

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates, the Group is not exposed to interest rate risk for deposits, term loans and lease liabilities, since the deposits, term loans and lease liabilities carry a fixed profit rate. However, The Group has financial instruments, which potentially subject the Group to interest rate risk, consist primarily of notes payable.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit before KFAS, NLST, Zakat and Board of Directors' remuneration for one year, based on the floating rate financial liabilities held at 31 December. The effect of decreases in the rate is expected to be equal and opposite to the effect of the increases shown.

	2020	2019	Change in basis points	Effect on profit for the year and equity	
				2020	2019
	KD	KD		KD	KD
Notes payable	**108,155**	166,362	%5+	**224**	1,333

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of trade receivables and other receivables (excluding advance to suppliers and prepayments), term deposits and cash and cash equivalents.

Trade receivables

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis and grouped based on shared credit risk characteristics and the days past due.

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, service type and customer type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

31 December 2020	*Days past due*				
	0-90 days	91-180 days	181-365 days	Above 365 days	Total
	KD	KD	KD	KD	KD
Expected credit loss rate (%)	%0.50	%6.236	%56.63	%100	
Gross carrying amount	3,337,375	253,729	58,389	130,189	3,779,682
Expected credit losses	16,677	15,822	33,063	130,189	195,751

31 December 2019	*Days past due*				
	0-90 days	91-180 days	181-365 days	Above 365 days	Total
	KD	KD	KD	KD	KD
Expected credit loss rate (%)	%0.30	%6.472	%15.390	%100	
Gross carrying amount	3,459,893	77,380	19,296	123,262	3,679,831
Expected credit losses	10,380	5,009	2,970	123,262	141,621

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the due date and failure to engage with the Group on alternative payment arrangement among others is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired

Financial instruments, term deposits and cash and bank balances

The Group's deposits, bank balances and short term deposit measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's deposits, bank balances and short term deposit are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	2020 KD	2019 KD
Trade and other receivables (excluding advance to suppliers and prepayments)	**3,683,954**	3,619,865
Term deposits	**570,000**	350,000
Short term deposit	**-**	273,593
Bank balances and cash with portfolio manager	**1,526,159**	1,430,167
	5,780,113	5,673,625

Geographic concentration of maximum exposure to credit risk

The maximum exposure to credit risk for financial assets at the reporting date by geographical region and industry wise sector as follows:

	GCC KD	Other KD	Total KD
2020			
Trade and other receivables (excluding prepayments)	3,562,697	121,257	3,683,954
Term deposit	570,000	-	570,000
Bank balances and cash with portfolio manager	1,526,159	-	1,526,159
	5,658,856	121,257	5,780,113

	GCC KD	Other KD	Total KD
2019			
Trade and other receivables (excluding advance to suppliers and prepayments)	3,535,912	83,953	3,619,865
Term deposits	350,000	-	350,000
Short term deposit	273,593	-	273,593
Bank balances and cash with portfolio manager	1,430,167	-	1,430,167
	5,589,672	83,953	5,673,625

	2020 KD	2019 KD
Industry sector:	3,683,954	3,619,865
Manufacturing	2,096,159	2,053,760
Banks and financial institutions	5,780,113	5,673,625

27.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2020	Less than 3 months KD	3 to 12 months KD	1 to 2 years KD	2 to 5 years KD	Total KD
Term loans	-	494,268	-	-	494,268
Lease liabilities	12,117	61,350	74,558	1,052,500	1,200,525
Trade and other payables	1,640,261	93,361	-	-	1,733,622
Notes payable	110,168	-	-	-	110,168
	1,762,546	648,979	74,558	1,052,500	3,538,583

2019	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	KD
Term loans	-	637,800	496,828	-	1,134,628
Lease liabilities	11,818	60,454	72,272	1,175,229	1,319,773
Trade and other payables	2,098,502	67,946	-	-	2,166,448
Notes payable	168,003	-	-	-	168,003
	2,278,323	766,200	569,100	1,175,229	4,788,852

27.4 Capital risk management

The Group's objective when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. 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.

The Group monitors capital on the basis of gearing ratio, which is calculated by net debt value divided by total invested capital. Net debt is calculated as the total debt less cash and cash equivalents, and the total capital invested is calculated as the total equity and net debt.

	2020	2019
	KD	KD
Term loans	**480,027**	1,080,027
Lease liabilities	**908,801**	961,377
Notes payable	**108,155**	166,362
Less: cash and cash equivalents	**(1,529,436)**	(1,707,902)
Net debt	**(32,453)**	499,864
Equity	**18,228,218**	17,703,002
Capital invested	**18,195,765**	18,202,866
Gearing ratio	**-**	%2.75

In order to achieve this overall objective, the Group's capital management, among others, aims to ensure that it meets financial covenants attached to the term loans that define capital structure requirements. Breaches in meeting the financial covenants would permit lending banks and providers of the debt to immediately call loans and borrowings due from the Group. There have been no breaches in the financial covenants of any interest bearing loans and borrowings in the current financial year.

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

The Group's policy is to keep the gearing ratio around the optimal debt ratio which is estimated based on cost of capital rate. The optimal debt ratio represents the ratio of debt on which the Group maximises the Parent Company's value to its shareholders and simultaneously keeping the cost of capital at the lowest level.

28. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value represents the price that would be received to sell assets or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

In the opinion of Group's management the fair value of financial assets and financial liabilities are not materially different from their carrying values at the financial position date.

29. COMMITMENTS AND CONTINGENT LIABILITIES

	2020	2019
	KD	KD
Capital commitments		
For the purchase of property, plant and equipment	-	229,484
Contingent liabilities		
Letters of credit	-	511,591
Letters of guarantee	**115,332**	81,575
	115,332	593,166

30. ANNUAL GENERAL ASSEMBLY MEETING

The Annual Ordinary General Assembly of the shareholders of the Parent Company held on 5 May The Annual Ordinary General Assembly of the shareholders of the Parent Company held on 18 June 2020 approved the following:

- The consolidated financial statements of the Group for the financial year ended 31 December 2019.
- Transfer of KD 207,408 from voluntary reserve to retained earnings for distribution of cash dividends for the financial year ended 31 December 2019 (2018: KD 112,207).
- Distribution of cash dividends of 5% equivalent to 5 fils per share on outstanding shares excluding treasury shares, amounting to KD 496,188 for the financial year ended 31 December 2019 to the shareholders of the Parent Company's record as at the accrual date (2018: KD 992,378).

At the meeting held on 25 March 2021, the Board of Directors have proposed to distribute board of directors' remuneration of KD 30,000 for the year ended 31 December 2020 (2019: nil), which is subject to the approval of the Shareholders' Annual General Assembly.

31. SIGNIFICANT EVENTS

Impact of COVID-19

In relation to the COVID-19 outbreak, Group's business continuity plans are working. The Group has assessed the principal risks and uncertainties, including the COVID-19 pandemic and the impact it is having on economic activity. The Group actively monitors the impact of COVID-19 and adopting cost control measures to mitigate against the potential impact of weaker demand for cement bags and other paper products. These measures have included;

- The reduction of appropriate variable costs;
- Tight control of discretionary expenditure;
- A recruitment freeze;
- And temporary reduction in working hours and employees.

The Group has updated inputs and assumptions used for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19 and unprecedented volatility in economic factors. ECLs were estimated based on a range of forecast economic conditions. Considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination and will continue to do so for the upcoming quarters.

The ECL models have been updated through adjustments in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probabilities of default for the credit portfolio of the Group. The Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

In addition to the assumptions outlined above, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors.

The Group has modelled a number of scenarios including where the restrictions imposed as a result of the pandemic and the downturn in economic activity continues. Further possible downside risk has been incorporated into forecasts through a widening of sensitivities.

Having considered the Group's forecasts, sensitivity analysis and the Group's significant financial headroom, management have a reasonable expectation that the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.