

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Consolidated financial statements and independent  
auditor's report**  
For the year ended 31 December 2021

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

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For the year ended 31 December 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

To The Shareholders of Shuaiba Industrial Company K.P.S.C.  
State of 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 2021, 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 2021, 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:



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

#### Key Audit Matters (continued)

##### Expected credit losses ("ECL") on Trade Receivables

As at 31 December 2021, trade and other receivables amounted to KD 2,998,316 (excluding prepayments) (2020: KD 3,683,954) and net off expected credit losses of KD 213,950 (2020: KD 195,751) (Note 11).

The Group has recognized provision for expected credit losses on trade receivables for the year ended 31 December 2021 amounting to KD 55,589 (2020: KD 56,559).

The Group applies the simplified approach under IFRS 9: 'Financial Instruments' ("IFRS 9") to measure ECL on trade receivables, which allows for lifetime ECL to be recognised from initial recognition of the trade receivables. The Group determines the ECL on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the individual trade receivables and the economic environment. Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Refer to the following notes to the consolidated financial statements:

- Note 5.7.1 – Financial assets;
- Note 6 – Significant accounting judgments and estimation uncertainty;
- Note 11 – Trade and other receivables;
- Note 27.2 – Credit risk.

##### How our audit addressed the matter

Our work performed include the below procedures:

- We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information;
- We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report;
- Testing the subsequent settlements made for the selected sample of customers;
- We considered management's criteria of aggregating trade receivables into segments and assessed whether the criteria for each segment is indicative of similar credit characteristics;
- We also considered the adequacy of the group's disclosures relating to the ECL, management's assessment of the credit risk and their responses to such risks.



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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

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

#### ***Key Audit Matters (continued)***

##### **Carrying value of inventories**

The Group held inventories at the lower of cost and net realizable value of KD 3,548,298 after considering the required provision for old and obsolete inventories as at 31 December 2021 (2020: KD 4,017,794). The Group recognised provision for old and obsolete inventories of KD Nil for the year ended 31 December 2021 (2020: KD 101,389) (Note 10).

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 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 - Inventories;
- Note 6 - Significant accounting judgements and estimation uncertainty;
- Note 10 - Inventories.

##### **How our audit addressed the matter**

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

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

#### ***Other Information***

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 2021, 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 2021 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.



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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

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

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

As part of an audit in accordance with ISAs, we exercise professional 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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 2021 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: 23 March 2022**




**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Consolidated statement of financial position  
As at 31 December 2021**

	Notes	2021 KD	2020 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	8,043,080	8,537,547
Right of use assets	8	1,288,602	1,382,750
Investment in an associate	9	2,586,838	2,601,163
		<u>11,918,520</u>	<u>12,521,460</u>
<b>Current assets</b>			
Inventories	10	3,548,298	4,017,794
Trade and other receivables	11	3,117,030	3,765,661
Term deposits	12	650,000	570,000
Bank balances and cash	13	4,075,253	1,529,436
		<u>11,390,581</u>	<u>9,882,891</u>
<b>Total assets</b>		<u>23,309,101</u>	<u>22,404,351</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	10,069,180	10,069,180
Share premium		2,294,444	2,294,444
Statutory reserve	15	2,784,455	2,640,537
Voluntary reserve	15	1,423,325	1,508,216
Treasury shares	16	(164,740)	(164,740)
Treasury shares reserve		471,283	471,283
Foreign currency translation reserve		454,075	501,811
Retained earnings		1,195,501	907,487
<b>Total equity</b>		<u>18,527,523</u>	<u>18,228,218</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits		957,503	885,630
Lease liabilities	8	831,078	866,147
		<u>1,788,581</u>	<u>1,751,777</u>
<b>Current liabilities</b>			
Term loans	17	-	480,027
Lease liabilities	8	46,281	42,654
Trade and other payables	18	2,910,489	1,733,622
Notes payable	19	-	108,155
Contract liabilities	20	36,227	59,898
		<u>2,992,997</u>	<u>2,424,356</u>
<b>Total liabilities</b>		<u>4,781,578</u>	<u>4,176,133</u>
<b>Total equity and liabilities</b>		<u>23,309,101</u>	<u>22,404,351</u>

The notes on pages 12 to 50 form an integral part of these consolidated financial statements.

  
Saleh Omran Abdullah Kanqan  
Chairman

  
Bader Mohammad Ghloum AlQattan  
Vice chairman

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Consolidated statement of profit or loss**  
For the year ended 31 December 2021

	Notes	<u>2021</u> KD	<u>2020</u> KD
Sales			
Cost of sales	20	12,841,695	12,290,351
<b>Gross profit</b>		<u>(10,156,470)</u>	<u>(9,911,212)</u>
Share of results of an associate		2,685,225	2,379,139
Other income	9	179,474	184,157
Provision for old and obsolete inventories	20	103,711	92,540
Provision for expected credit losses	10	-	(101,389)
Impairment of property plant and equipment	11	(55,589)	(56,559)
Foreign exchange loss	7	-	(18,960)
General and administrative expenses		(4,130)	(2,919)
Selling and distribution expenses	21	(946,520)	(885,826)
Finance costs	22	(479,595)	(404,238)
		<u>(43,398)</u>	<u>(74,481)</u>
<b>Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration</b>			
KFAS		1,439,178	1,111,464
NLST		(12,953)	(10,003)
Zakat		(39,169)	(33,246)
Board of Directors' remuneration		(15,668)	(13,298)
<b>Profit for the year</b>	30	<u>(30,000)</u>	<u>(30,000)</u>
		<u>1,341,388</u>	<u>1,024,917</u>
<b>Basic and diluted earnings per share (fils)</b>	23	<u>13.52</u>	<u>10.33</u>

The notes on pages 12 to 50 form an integral part of these consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Consolidated statement of comprehensive income**  
For the year ended 31 December 2021

	Note	<u>2021</u> KD	<u>2020</u> KD
<b>Profit for the year</b>		<u>1,341,388</u>	<u>1,024,917</u>
<b>Other comprehensive (loss) / income items:</b>			
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Share of associate's other comprehensive loss	9	(1,969)	(6,284)
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Foreign exchange differences on translation of foreign operations		(47,736)	2,771
<b>Total other comprehensive loss for the year</b>		<u>(49,705)</u>	<u>(3,513)</u>
<b>Total comprehensive income for the year</b>		<u>1,291,683</u>	<u>1,021,404</u>

The notes on pages 12 to 50 form an integral part of these consolidated financial statements.

**Shuiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Consolidated statement of changes in equity**

For the year ended 31 December 2021

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
<b>At 1 January 2020</b>	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)	-
<b>At 31 December 2020</b>	10,069,180	2,294,444	2,640,537	1,508,216	(164,740)	471,283	501,811	907,487	18,228,218
<b>At 1 January 2021</b>	10,069,180	2,294,444	2,640,537	1,508,216	(164,740)	471,283	501,811	907,487	18,228,218
Profit for the year	-	-	-	-	-	-	-	1,341,388	1,341,388
Other comprehensive loss for the year	-	-	-	-	-	-	(47,736)	(1,969)	(49,705)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(47,736)	1,339,419	1,291,683
Transfer for dividends distribution (Note 30)	-	-	-	(84,891)	-	-	-	84,891	-
Dividends (Note 30)	-	-	-	-	-	-	-	(992,378)	(992,378)
Transfer to reserve	-	-	143,918	-	-	-	-	(143,918)	-
<b>At 31 December 2021</b>	10,069,180	2,294,444	2,784,455	1,423,325	(164,740)	471,283	454,075	1,195,501	18,527,523

The notes on pages 12 to 50 form an integral part of these consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Consolidated statement of cash flows  
For the year ended 31 December 2021**

	Notes	2021 KD	2020 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year			
Adjustments for:		1,341,388	1,024,917
Depreciation			
Amortization	7	561,584	506,868
Share of results of an associate	8	93,237	90,657
Gain on sale of property, plant and equipment	9	(179,474)	(184,157)
Impairment of property plant and equipment	20	-	(1,045)
Profit income from term deposits	7	-	18,960
Provision for old and obsolete inventories	20	(3,212)	(5,558)
Provision for expected credit losses	10	-	101,389
Foreign exchange loss	11	55,589	56,559
Provision for employees' end of service benefits		4,130	2,919
Finance costs		151,428	78,569
		43,398	74,481
		<u>2,068,068</u>	<u>1,764,559</u>
<i>Changes in working capital:</i>			
Inventories			
Trade and other receivables		469,293	432,414
Trade and other payables		588,697	37,283
Contract liabilities		1,164,398	(441,853)
		(23,671)	(26,576)
<b>Cash flows generated from operations</b>		<u>4,266,785</u>	<u>1,765,827</u>
Employees' end of service benefits paid		(79,417)	(18,158)
<b>Net cash flows generated from operating activities</b>		<u>4,187,368</u>	<u>1,747,669</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(77,742)	(442,200)
Proceeds from sale of property, plant and equipment		-	1,220
Profit income from term deposits received		3,212	5,558
Placement of term deposits		(80,000)	(220,000)
Dividend received from an associate	9	159,800	-
<b>Net cash flows generated from / (used in) investing activities</b>		<u>5,270</u>	<u>(655,422)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans	24	(480,027)	(600,000)
Payment of principal portion of lease liabilities	24	(29,775)	(53,034)
Notes payable	24	(108,155)	(58,207)
Dividends paid	24	(979,909)	(487,161)
Finance costs paid	24	(43,398)	(74,481)
<b>Net cash flow used in financing activities</b>		<u>(1,641,264)</u>	<u>(1,272,883)</u>
Effect of foreign currency translation		(5,557)	2,170
<b>Net increase / (decrease) in bank balances and cash</b>		<u>2,545,817</u>	<u>(178,466)</u>
<b>Bank balances and cash at beginning of the year</b>		<u>1,529,436</u>	<u>1,707,902</u>
<b>Bank balances and cash at end of the year</b>	13	<u>4,075,253</u>	<u>1,529,436</u>

The notes on pages 12 to 50 form an integral part of these consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Notes to the consolidated financial statements**  
For the year ended 31 December 2021

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**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 2021 were authorised for issue by the Parent Company's Board of Directors on 23 March 2022. 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 2021**

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 2021.

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

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

On 31 March 2021, the IASB issued another amendment to IFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment *COVID-19-Related Rent Concessions*. These amendments had no impact on the consolidated financial statements of the Group.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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

**b) Standards and interpretations issued but not effective**

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

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

On 23 January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

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

Amendments to IFRS 3: Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.



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

**b) Standards and interpretations issued but not effective (Continued)**

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

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

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

The amendments are not expected to have a material impact on the Group.

*Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

**Annual Improvements to IFRS Standards 2018-2020 cycles**

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

*IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

b) Standards and interpretations issued but not effective (Continued)

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

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

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

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture: Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have impact on the Group.

IFRS 16 Leases: Lease incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

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

**b) Standards and interpretations issued but not effective (Continued)**

*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

**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 affect 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 loses 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.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary  
State of Kuwait**

**Notes to the consolidated financial statements**  
For the year ended 31 December 2021

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.1 Basis of consolidation (Continued)**

*Subsidiaries (Continued)*

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:

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Voting rights and equity interest</u>		<u>Country of incorporation</u>
		<u>2021</u>	<u>2020</u>	
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:

<u>Name of the Branch</u>	<u>Principal activity</u>	<u>Country of incorporation</u>
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.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Business combinations (Continued)**

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.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.5 Impairment of non-financial assets (continued)**

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 prepayments), term deposits, bank balances and cash, term loans, lease liabilities, trade and other payables and notes payable.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (Continued)**

**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.



**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (Continued)**

**5.7.1 Financial assets (continued)**

*Financial assets at amortized cost (continued)*

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 prepayments), term deposits and bank balances and cash.

*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.

*Bank balances and cash*

Bank balances and cash comprise cash on hand and with portfolio manager and at banks which 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 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.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (Continued)**

**5.7.1 Financial assets (continued)**

**Impairment of financial assets (continued)**

For deposits and bank balances and cash 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.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (Continued)**

**5.7.2 Financial liabilities (continued)**

*Borrowings (continued)*

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.14 Leases (Continued)**

**The Group as a lessee (Continued)**

*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 2021

**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.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.15 Revenue recognition (Continued)**

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).

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.18 Taxation (Continued)**

**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.



**6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY  
(CONTINUED)**

**Significant management judgements (continued)**

*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 obligations 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.

*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.

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**6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY  
(CONTINUED)**

**Estimation uncertainty (continued)**

*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

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**7. PROPERTY, PLANT AND EQUIPMENT**

Cost	Buildings KD	Machinery KD	Furniture and fixtures KD	Motor vehicles KD	Capital work in progress KD	Total KD
<b>At 1 January 2020</b>	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
<b>At 31 December 2020</b>	3,878,248	9,881,330	916,793	271,536	362,027	15,309,934
Additions	16,100	-	-	-	61,642	77,742
Transfers	-	347,887	74,733	-	(422,620)	-
Foreign currency translation difference	(4,113)	(7,748)	(326)	(92)	(1,049)	(13,328)
<b>At 31 December 2021</b>	3,890,235	10,221,469	991,200	271,444	-	15,374,348
<b>Accumulated depreciation</b>						
<b>At 1 January 2020</b>	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)
<b>At 31 December 2020</b>	1,777,135	3,924,011	837,741	233,500	-	6,772,387
Charge for the year	137,188	382,143	31,330	10,923	-	561,584
Foreign currency translation difference	(947)	(1,350)	(328)	(78)	-	(2,703)
<b>At 31 December 2021</b>	1,913,376	4,304,804	868,743	244,345	-	7,331,268
<b>Net book value</b>						
At 31 December 2021	1,976,859	5,916,665	122,457	27,099	-	8,043,080
At 31 December 2020	2,101,113	5,957,319	79,052	38,036	362,027	8,537,547
<b>Annual depreciation (in years)</b>	5-30	5-30	5	5		

Certain property, plant and equipment with a carrying value of KD Nil (2020: KD 4,405,086) 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.

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**7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

	<u>2021</u>	<u>2020</u>
	KD	KD
Cost of sales	544,720	491,539
General and administrative expenses (Note 21)	16,864	15,329
	<u>561,584</u>	<u>506,868</u>

**8. LEASES**

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

	<u>2021</u>	<u>2020</u>
	KD	KD
<b>At 1 January</b>		
Amortization charges	1,382,750	1,472,735
Foreign currency translation difference	(93,237)	(90,657)
	(911)	672
<b>At 31 December</b>	<u>1,288,602</u>	<u>1,382,750</u>

Right of use assets with a carrying value of KD Nil (2020: KD 768,107) 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:

	<u>2021</u>	<u>2020</u>
	KD	KD
Cost of sales	88,245	85,666
General and administrative expenses (Note 21)	4,992	4,991
	<u>93,237</u>	<u>90,657</u>

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

	<u>2021</u>	<u>2020</u>
	KD	KD
<b>At 1 January</b>		
Finance costs	908,801	961,377
Payments during the year	33,297	34,749
Foreign currency translation difference	(63,072)	(87,783)
	(1,667)	458
<b>At 31 December</b>	<u>877,359</u>	<u>908,801</u>

The Group recognised rent expense from short-term leases of KD 206,561 (2020: KD 213,692) for the year.

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**8. LEASES (CONTINUED)**

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

	<u>2021</u>	<u>2020</u>
	KD	KD
Non-current portion	831,078	866,147
Current portion	46,281	42,654
	<u>877,359</u>	<u>908,801</u>

**9. INVESTMENT IN AN ASSOCIATE**

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

<u>Name of associate</u>	<u>Country of incorporation</u>	<u>Voting rights and equity interest (%)</u>		<u>Measurement method</u>	<u>Activity</u>	<u>Carrying value</u>	
		<u>2021</u>	<u>2020</u>			<u>2021</u>	<u>2020</u>
		%	%			KD	KD
Yanbu Saudi Kuwaiti Paper Products Company L.t.d.	Kingdom of Saudi Arabia	40	40	Equity method	Paper products	<u>2,586,838</u>	<u>2,601,163</u>

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

	<u>2021</u>	<u>2020</u>
	KD	KD
<b>Associate's financial position</b>		
Non-current assets	3,000,207	3,194,827
Current assets	4,611,295	5,528,056
Total assets	<u>7,611,502</u>	<u>8,722,883</u>
Non-current liabilities	(222,999)	(198,473)
Current liabilities	(921,407)	(2,021,503)
Total liabilities	<u>(1,144,406)</u>	<u>(2,219,976)</u>
Net assets	<u>6,467,096</u>	<u>6,502,907</u>
Group's share of associate's net assets	<u>2,586,838</u>	<u>2,601,163</u>
<b>Associate's revenue and results</b>		
Revenues	6,227,529	7,469,302
Net profit	448,685	460,392
Other comprehensive loss	(4,923)	(15,710)
Group's share of profit	<u>179,474</u>	<u>184,157</u>
Group's share of other comprehensive loss	<u>(1,969)</u>	<u>(6,284)</u>
Dividend received	<u>159,800</u>	<u>-</u>

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**10. INVENTORIES**

	<u>2021</u>	<u>2020</u>
	KD	KD
Raw materials	1,965,528	3,524,483
Finished goods	266,223	137,750
Packing materials	61,444	47,945
Goods in transit	992,976	124,037
Spare parts	502,588	424,243
	<u>3,788,759</u>	<u>4,258,458</u>
Provision for old and obsolete inventories	(240,461)	(240,664)
	<u>3,548,298</u>	<u>4,017,794</u>

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

	<u>2021</u>	<u>2020</u>
	KD	KD
<b>At 1 January</b>		
Charge for the year	240,664	139,821
Foreign currency translation difference	-	101,389
<b>At 31 December</b>	<u>(203)</u>	<u>(546)</u>
	<u>240,461</u>	<u>240,664</u>

In 2021, inventories of KD 7,370,383 (2020: KD 7,582,788) were recognized as an expense and included in 'cost of sales'.

**11. TRADE AND OTHER RECEIVABLES**

	<u>2021</u>	<u>2020</u>
	KD	KD
Trade receivables	3,103,727	3,779,682
Less: provision for expected credit losses	<u>(213,950)</u>	<u>(195,751)</u>
	2,889,777	3,583,931
Prepayments	118,714	81,707
Refundable deposits	71,597	75,712
Staff receivables	5,997	8,086
Other receivables	30,945	16,225
	<u>3,117,030</u>	<u>3,765,661</u>

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

	<u>2021</u>	<u>2020</u>
	KD	KD
<b>At 1 January</b>		
Charge for the year	195,751	141,621
Write off during the year	55,589	56,559
Foreign currency translation difference	(37,175)	(2,367)
<b>At 31 December</b>	<u>(215)</u>	<u>(62)</u>
	<u>213,950</u>	<u>195,751</u>

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

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**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 1.45 % (2020: 1.11%) per annum.

**13. BANK BALANCES AND CASH**

	<u>2021</u>	<u>2020</u>
	KD	KD
Bank balances	4,070,479	1,523,023
Cash on hand and with portfolio manager	4,774	6,413
	<u>4,075,253</u>	<u>1,529,436</u>

**14. SHARE CAPITAL**

The authorized, issued and paid up share capital is KD 10,069,180 (2020: KD 10,069,180) comprising of 100,691,795 shares of 100 fils each (2020: 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.

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**16. TREASURY SHARES**

	<u>2021</u>	<u>2020</u>
Number of shares	1,454,028	1,454,028
Percentage to issued shares (%)	1.44%	1.44%
Market value (KD)	327,156	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**

	<u>2021</u>	<u>2020</u>
	KD	KD
Current portion	-	480,027
	-	480,027

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 (2020: 3.5%) and repayable as shown below.

**2021**

Facility amount	Payable amount	Current portion	Non-current portion	Maturity date	
				Current portion	Non-current portion
KD	KD	KD	KD		
2,800,000	-	-	-	-	-

**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	-

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.



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**18. TRADE AND OTHER PAYABLES**

	<u>2021</u>	<u>2020</u>
	KD	KD
Trade payables	1,832,053	812,635
Dividends payable	184,522	172,053
Accrued expenses	261,986	244,654
Staff payables	531,573	415,471
KFAS	12,953	10,003
NLST	41,648	35,508
Zakat	15,754	13,298
Directors' remuneration	30,000	30,000
	<u>2,910,489</u>	<u>1,733,622</u>

**19. NOTES PAYABLE**

Notes payable include an amount of KD Nil (2020: KD 108,155) represent facilities from local bank which carry an interest rate Nil % (2020: 1.5%) per annum over the Central Bank of Kuwait discount rate.

**20. REVENUE**

Type of revenue	<u>For the year ended 31 December 2021</u>				
	<u>Industrial Packaging Division</u> KD	<u>Consumer Packaging Division</u> KD	<u>Flexible Packaging Division</u> KD	<u>Other income</u> KD	<u>Total</u> KD
Sale of multi-wall paper	6,074,626	-	-	-	6,074,626
Sale of superior value and high quality bags and wrapping sheets	-	5,425,658	-	-	5,425,658
Sale of multi-ply printed and laminated films	-	-	1,341,411	-	1,341,411
Waste sale	-	-	-	100,499	100,499
<b>Total revenue from contracts with customers</b>	<u>6,074,626</u>	<u>5,425,658</u>	<u>1,341,411</u>	<u>100,499</u>	<u>12,942,194</u>
Profit income from term deposits	-	-	-	3,212	3,212
<b>Total revenue</b>	<u>6,074,626</u>	<u>5,425,658</u>	<u>1,341,411</u>	<u>103,711</u>	<u>12,945,406</u>
<b>Geographical markets</b>					
Kuwait	1,828,242	1,646,745	1,288,063	72,385	4,835,435
GCC	3,617,089	3,564,757	53,348	28,114	7,263,308
Asia	23,450	214,156	-	-	237,606
Africa	605,845	-	-	-	605,845
<b>Total revenue from contracts with customers</b>	<u>6,074,626</u>	<u>5,425,658</u>	<u>1,341,411</u>	<u>100,499</u>	<u>12,942,194</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	6,074,626	5,425,658	1,341,411	100,499	12,942,194
<b>Total revenue from contracts with customers</b>	<u>6,074,626</u>	<u>5,425,658</u>	<u>1,341,411</u>	<u>100,499</u>	<u>12,942,194</u>
<b>Revenue</b>					
External customers	6,074,626	5,425,658	1,341,411	100,499	12,942,194
<b>Total revenue from contracts with customers</b>	<u>6,074,626</u>	<u>5,425,658</u>	<u>1,341,411</u>	<u>100,499</u>	<u>12,942,194</u>

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**20. REVENUE (CONTINUED)**

	For the year ended 31 December 2020				Total KD
	Industrial Packaging Division KD	Consumer Packaging Division KD	Flexible Packaging Division KD	Other income KD	
<b>Type of revenue</b>					
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
<b>Total revenue from contracts with customers</b>	<u>6,542,170</u>	<u>4,461,114</u>	<u>1,287,067</u>	<u>86,982</u>	<u>12,377,333</u>
Profit income from term deposits	-	-	-	5,558	5,558
<b>Total revenue</b>	<u>6,542,170</u>	<u>4,461,114</u>	<u>1,287,067</u>	<u>92,540</u>	<u>12,382,891</u>
<b>Geographical markets</b>					
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
<b>Total revenue from contracts with customers</b>	<u>6,542,170</u>	<u>4,461,114</u>	<u>1,287,067</u>	<u>86,982</u>	<u>12,377,333</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	6,542,170	4,461,114	1,287,067	86,982	12,377,333
<b>Total revenue from contracts with customers</b>	<u>6,542,170</u>	<u>4,461,114</u>	<u>1,287,067</u>	<u>86,982</u>	<u>12,377,333</u>
<b>Revenue</b>					
External customers	6,542,170	4,461,114	1,287,067	86,982	12,377,333
<b>Total revenue from contracts with customers</b>	<u>6,542,170</u>	<u>4,461,114</u>	<u>1,287,067</u>	<u>86,982</u>	<u>12,377,333</u>

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 55,589 for the year ended 31 December 2021 (2020: KD 56,559).

**Contract balances**

	<u>2021</u>	<u>2020</u>
	KD	KD
Contract liabilities	<u>36,227</u>	<u>59,898</u>

The contract liabilities represent advances received from customers during the year to deliver goods to customers during the year ending 31 December 2022. Performance obligations related to contract liabilities for the year ended 31 December 2020, were satisfied during the year ended 31 December 2021.

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**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2021</u>	<u>2020</u>
	KD	KD
Staff costs	667,519	617,723
Depreciation (Note 7)	16,864	15,329
Amortization (Note 8)	4,992	4,991
Rent	17,325	14,874
Communication expenses	31,388	30,093
Professional fees	80,506	59,227
Travel expense	29,442	17,829
Stationery expenses	27,312	21,680
Others	71,172	104,080
	<u>946,520</u>	<u>885,826</u>

**22. SELLING AND DISTRIBUTION EXPENSES**

	<u>2021</u>	<u>2020</u>
	KD	KD
Staff costs	130,236	135,127
Packing expenses	292,081	224,344
Others	57,278	44,767
	<u>479,595</u>	<u>404,238</u>

**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:

	<u>2021</u>	<u>2020</u>
	KD	KD
Profit for the year (KD)	<u>1,341,388</u>	<u>1,024,917</u>
<i>Weighted average number of shares outstanding:</i>		
Number of issued shares	100,691,795	100,691,795
Less: Weighted average number of treasury shares	<u>(1,454,028)</u>	<u>(1,454,028)</u>
Weighted average number of shares outstanding	<u>99,237,767</u>	<u>99,237,767</u>
<b>Basic and diluted earnings per share (fils)</b>	<u>13.52</u>	<u>10.33</u>

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**24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<u>Term loans</u> KD	<u>Lease liabilities</u> KD	<u>Notes payable</u> KD	<u>Dividends payable</u> KD	<u>Total</u> KD
<b>At 1 January 2021</b>	480,027	908,801	108,155	172,053	1,669,036
Repayment of term loans	(480,027)	-	-	-	(480,027)
Distribution of dividends	-	-	-	992,378	992,378
Dividends paid	-	-	-	(979,909)	(979,909)
Payment of principal portion of lease liabilities	-	(29,775)	-	-	(29,775)
Payment of notes payable	-	-	(108,155)	-	(108,155)
Finance costs accrued	9,448	33,297	653	-	43,398
Finance costs paid	(9,448)	(33,297)	(653)	-	(43,398)
Foreign currency translation difference	-	(1,667)	-	-	(1,667)
<b>At 31 December 2021</b>	-	877,359	-	184,522	1,061,881
<b>1 January 2020</b>	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 from 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
<b>At 31 December 2020</b>	480,027	908,801	108,155	172,053	1,669,036

**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:**

	<u>2021</u> KD	<u>2020</u> KD
Board of Directors' remuneration (Note 18)	30,000	30,000

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

	<u>2021</u> KD	<u>2020</u> KD
<b>Consolidated statement of profit or loss</b>		
<i>Key management compensation</i>		
Salaries and other short-term benefits	238,902	201,743
Termination benefits	16,332	14,832
Board of Directors' remuneration	30,000	30,000

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**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:

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	KD	KD	KD	KD
	<u>Revenue</u>		<u>Segment results</u>	
Industrial packaging division	6,074,626	6,542,170	940,280	827,116
Consumer packaging division	5,425,658	4,461,114	1,590,679	1,323,564
Flexible packaging division	1,341,411	1,287,067	154,266	228,459
	<u>12,841,695</u>	<u>12,290,351</u>	<u>2,685,225</u>	<u>2,379,139</u>
Share of results of an associate			179,474	184,157
Other income			103,711	92,540
Provision for old and obsolete inventories			-	(101,389)
Provision for expected credit losses			(55,589)	(56,559)
Impairment of property plant and equipment			-	(18,960)
Foreign exchange loss			(4,130)	(2,919)
General and administrative expenses			(946,520)	(885,826)
Selling and distribution expenses			(479,595)	(404,238)
Finance costs			(43,398)	(74,481)
KFAS			(12,953)	(10,003)
NLST			(39,169)	(33,246)
Zakat			(15,668)	(13,298)
Board of Director's remuneration			(30,000)	(30,000)
<b>Profit for the year</b>			<u>1,341,388</u>	<u>1,024,917</u>

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**26. SEGMENT REPORTING (CONTINUED)**

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

	<u>2021</u> KD	<u>2020</u> KD	<u>2021</u> KD	<u>2020</u> KD
	<u>Revenue</u>		<u>Segment results</u>	
Kuwait	4,763,050	4,587,585	1,262,447	1,176,656
GCC	7,235,194	6,974,443	1,270,771	1,137,899
Asia	237,606	317,478	59,621	5,719
Africa	605,845	410,845	92,386	58,865
	<u>12,841,695</u>	<u>12,290,351</u>	<u>2,685,225</u>	<u>2,379,139</u>

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

	<u>2021</u> KD	<u>2020</u> KD	<u>2021</u> KD	<u>2020</u> KD
	<u>Assets</u>		<u>Liabilities</u>	
Kuwait	15,324,483	14,558,475	3,364,478	3,102,699
GCC	7,984,618	7,845,876	1,417,100	1,073,434
	<u>23,309,101</u>	<u>22,404,351</u>	<u>4,781,578</u>	<u>4,176,133</u>

**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:

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27. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

27.1 Market risk (continued)

a) Foreign currency risk (continued)

- 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:

	2021	2020
	KD	KD
United States Dollars	(318,297)	961,520
Saudi Riyal	-	21,501
United Arab Emirates Dirhams	686,842	998,413
Euro	(131,747)	(31,730)

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	
		2021	2020
		KD	KD
United States Dollars	+5%	(15,915)	48,076
Saudi Arabian Riyal	+5%	-	1,075
United Arab Emirates Dirhams	+5%	34,342	49,921
Euro	+5%	(6,587)	(1,587)

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.

	2021	2020	Change in basis points	Effect on profit for the year and equity	
	KD	KD		2021	2020
				KD	KD
Notes payable	-	108,155	+5%	-	(224)

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27. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

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 bank balances and cash.

*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 2021	<i>Days past due</i>				Total KD
	0-90 days KD	91-180 days KD	181-365 days KD	Above 365 days KD	
Expected credit loss rate (%)	0.24%	5.73%	55.48%	100%	
Gross carrying amount	2,612,925	216,573	177,657	96,572	3,103,727
Expected credit losses	6,395	12,414	98,569	96,572	213,950

31 December 2020	<i>Days past due</i>				Total KD
	0-90 days KD	91-180 days KD	181-365 days KD	Above 365 days 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

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 bank balances and cash:*

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.



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27. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

27.2 Credit risk (Continued)

*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:

	<u>2021</u>	<u>2020</u>
	KD	KD
Trade and other receivables (excluding prepayments)	2,998,316	3,683,954
Term deposits	650,000	570,000
Bank balances and cash with portfolio manager	<u>4,070,689</u>	<u>1,526,159</u>
	<u>7,719,005</u>	<u>5,780,113</u>

**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:

	<u>GCC</u>	<u>Other</u>	<u>Total</u>
	KD	KD	KD
<b>2021</b>			
Trade and other receivables (excluding prepayments)	2,871,441	126,875	2,998,316
Term deposit	650,000	-	650,000
Bank balances and cash with portfolio manager	<u>4,070,689</u>	-	<u>4,070,689</u>
	<u>7,592,130</u>	<u>126,875</u>	<u>7,719,005</u>
	<u>GCC</u>	<u>Other</u>	<u>Total</u>
	KD	KD	KD
<b>2020</b>			
Trade and other receivables (excluding prepayments)	3,562,697	121,257	3,683,954
Term deposits	570,000	-	570,000
Bank balances and cash with portfolio manager	<u>1,526,159</u>	-	<u>1,526,159</u>
	<u>5,658,856</u>	<u>121,257</u>	<u>5,780,113</u>
	<u>2021</u>	<u>2020</u>	
	KD	KD	
<i>Industry sector:</i>			
Manufacturing	2,998,316	3,683,954	
Banks and financial institutions	<u>4,720,689</u>	<u>2,096,159</u>	
	<u>7,719,005</u>	<u>5,780,113</u>	

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27. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

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. The carrying amounts of the Group's liabilities with maturity less than 12 months are not materially different from their contractual undiscounted figures.

2021	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	KD
Lease liabilities	13,316	64,949	78,266	1,017,083	1,173,614
Trade and other payables	2,461,647	448,842	-	-	2,910,489
	<u>2,474,963</u>	<u>513,791</u>	<u>78,266</u>	<u>1,017,083</u>	<u>4,084,103</u>
2020	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	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
	<u>1,762,546</u>	<u>648,979</u>	<u>74,558</u>	<u>1,052,500</u>	<u>3,538,583</u>

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.

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**27. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**27.4 Capital risk management (Continued)**

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 bank balances and cash, and the total capital invested is calculated as the total equity and net debt.

	<u>2021</u>	<u>2020</u>
	KD	KD
Term loans	-	480,027
Lease liabilities	877,359	908,801
Notes payable	-	108,155
Less: bank balances and cash	(4,075,253)	(1,529,436)
Net debt	<u>(3,197,894)</u>	<u>(32,453)</u>
Equity	18,527,523	18,228,218
Capital invested	<u>15,329,629</u>	<u>18,195,765</u>
Gearing ratio	<u>-</u>	<u>-</u>

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 2021.

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**

	<u>2021</u>	<u>2020</u>
	KD	KD
<b>Contingent liabilities</b>		
Letters of credit	59,966	-
Letters of guarantee	<u>74,208</u>	<u>115,332</u>
	<u>134,174</u>	<u>115,332</u>

**30. ANNUAL GENERAL ASSEMBLY MEETING**

The Annual Ordinary General Assembly of the shareholders of the Parent Company held on 5 May 2021 approved the following:

- The consolidated financial statements of the Group for the financial year ended 31 December 2020.
- Transfer of KD 84,891 from voluntary reserve to retained earnings for distribution of cash dividends for the financial year ended 31 December 2020 (2019: KD 207,408).
- Distribution of cash dividends of 10% equivalent to 10 fils per share on outstanding shares excluding treasury shares, amounting to KD 992,378 for the financial year ended 31 December 2020 to the shareholders of the Parent Company's record as at the accrual date (2019: KD 496,188).

At the meeting held on 23 March 2022 the Board of Directors have proposed to distribute board of directors' remuneration of KD 30,000 for the year ended 31 December 2021 (2020: KD 30,000), 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 control.

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.