

**BOUBYAN PETROCHEMICAL COMPANY
K.S.C.P. AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

30 April 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOUBYAN PETROCHEMICAL COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Boubyan Petrochemical Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 April 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 April 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Valuation of investment securities

The Group's investment securities represent 64% of the Group's total assets, which are measured at fair value and are classified either as financial assets at fair value through other comprehensive income (FVOCI) or as financial assets at fair value through profit or loss (FVPL) as disclosed in Note 13 to the consolidated financial statements.

Investment securities include equity securities, classified within Level 3 of the fair value hierarchy, which do not have a quoted price in an active market and are fair valued using other valuation techniques. The valuation of these unquoted equity securities involves the exercise of judgment by the management and the use of assumptions and estimates. Key judgments applied by management in valuation of these equity securities include forecasting cash flows of the investee companies, determination of enterprise value multiples of comparable peers, determination of discount rates, identification of recent sales transactions and application of illiquidity discounts.

Given the size and complexity of the valuation of investment securities, including the impact of the current pandemic of COVID-19 uncertainties on their valuations, we addressed this as a key audit matter.

Our audit procedures included, among others, the following:

- ▮ For valuations which used significant unobservable inputs, we evaluated the models and the assumptions used by the management and tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We also involved our internal valuation specialists to assist us in evaluating the reasonableness of the methodology and the appropriateness of the valuation models and inputs used to value these equity securities, including the consistency of the valuation models.
- ▮ We assessed the reasonableness of the key inputs considered in the valuation such as the cash flow projections and the long-term growth rates used to extrapolate these cash flows.
- ▮ We assessed the adequacy and the appropriateness the Group's disclosures concerning the fair value measurement of investment securities and the sensitivity to changes in key unobservable inputs in Note 29 to the consolidated financial statements.

The Group's policies on valuation of investment securities is disclosed in Note 2.5.13 and in Note 29 of the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Annual impairment of goodwill and other indefinite-lived intangible assets

The Group has intangible assets with a carrying value of KD 10,036,782 as at 30 April 2021, which includes goodwill arising on acquisition of a subsidiary and other intangibles (i.e. brand) with an indefinite useful life, as disclosed in Note 16 to the consolidated financial statements.

The annual impairment testing of goodwill and indefinite-lived intangible assets is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount.

The recoverable amount of the cash generating units (CGUs), which is based on the higher of the value in use or fair value less costs of disposal, has been derived from discounted forecast cash flow models. These models use several key assumptions including estimates of future sales volumes and prices, operating costs, royalty rates, terminal value growth rates and the weighted-average cost of capital (discount rate). The Group also considered, amongst these factors, the negative outlook due to the impact of the ongoing COVID-19 pandemic, in the determination of the recoverable amount of the CGUs.

Our audit procedures included, among others, the following:

- ▮ We involved our specialists to assist us in evaluating the appropriateness of the valuation model and testing key assumptions used in the impairment assessment analysis, such as the discount rate, royalty rate and terminal growth rate.
- ▮ We evaluated the sensitivity analyses performed by management around the key assumptions noted above and challenged the outcomes of the assessment.
- ▮ We evaluated the adequacy of the Group's disclosures included in Note 16 to the consolidated financial statements related to those assumptions.

The Group's policy on impairment testing of the intangible assets is disclosed in Note 2.5.12 to the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 30 April 2021, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2021 Annual Report (continued)

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

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

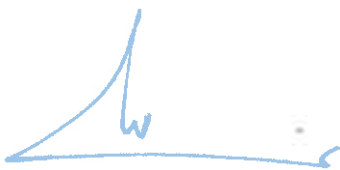
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 30 April 2021, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of the audit, we have not become aware of any violation of the provisions of law No.7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 30 April 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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

17 May 2021
Kuwait

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 April 2021

	<i>Notes</i>	2021 KD	2020 KD
Sale of goods		42,587,652	47,846,358
Tuition fees		24,281,184	27,320,371
Total revenue from contracts with customers	4	66,868,836	75,166,729
Cost of goods sold		(33,146,251)	(37,586,083)
Tuition costs		(11,262,174)	(14,293,737)
Total cost of sales and cost of providing services		(44,408,425)	(51,879,820)
GROSS PROFIT		22,460,411	23,286,909
Net gain on acquisition of a subsidiary	3.1	-	1,239,474
Dividend income	5	11,243,136	19,332,986
Other income	6	2,667,170	3,905,253
Net (loss) gain on investment securities		(26,009)	1,084,686
Share of results of associates	14	7,512,792	7,352,504
Impairment of associates	14	(1,195,023)	(4,694,106)
Impairment of property, plant and equipment	15	(3,438,662)	-
Impairment of intangible assets	16	(4,250,000)	(3,277,491)
Reversal of (allowance for) expected credit losses on dividends receivable	5	8,711,955	(8,711,955)
General and administrative expenses	7	(15,762,507)	(13,474,580)
Finance costs		(5,171,986)	(8,634,364)
Foreign exchange differences		(48,739)	172,516
PROFIT BEFORE TAX AND DIRECTORS' FEES		22,702,538	17,581,832
Taxation	8	(429,708)	(125,245)
Directors' fees	26	(90,000)	(90,000)
PROFIT FOR THE YEAR		22,182,830	17,366,587
Attributable to:			
Equity holders of the Parent Company		18,525,913	11,822,773
Non-controlling interests		3,656,917	5,543,814
		22,182,830	17,366,587
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	9	36.73 fils	23.12 fils

The attached notes 1 to 31 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 April 2021

	<i>Note</i>	2021 KD	2020 KD
Profit for the year		22,182,830	17,366,587
Other comprehensive income (loss)			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(471,088)	(92,651)
Share of other comprehensive income of associates	14	19,323	-
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(451,765)	(92,651)
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Net gain (loss) on equity instruments designated at fair value through other comprehensive income		6,310,298	(29,258,103)
Exchange differences on effective portion of hedging instruments		5,142,266	(3,135,980)
Share of other comprehensive (loss) income of associates	14	(785,991)	429,813
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		10,666,573	(31,964,270)
Other comprehensive income (loss) for the year		10,214,808	(32,056,921)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		32,397,638	(14,690,334)
Attributable to:			
Equity holders of the Parent Company		28,713,730	(20,234,148)
Non-controlling interests		3,683,908	5,543,814
		32,397,638	(14,690,334)

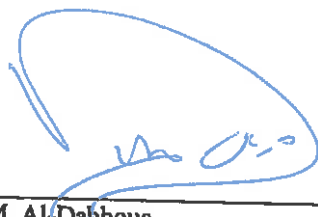
The attached notes 1 to 31 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2021

	Notes	2021 KD	2020 KD
ASSETS			
Cash and short-term deposits	10	38,731,615	46,979,935
Accounts receivable and prepayments	11	35,292,559	46,803,473
Inventories	12	8,569,177	5,753,121
Investment securities	13	353,434,259	347,612,835
Investment in associates	14	53,063,261	51,952,763
Property, plant and equipment	15	51,331,128	58,755,236
Intangible assets	16	10,036,782	14,596,878
TOTAL ASSETS		550,458,781	572,454,241
LIABILITIES AND EQUITY			
Liabilities			
Term loans	17	117,522,701	129,652,951
Islamic finance payables	18	118,788,249	135,395,072
Bank overdrafts	10	909,435	-
Accounts payable and accruals	19	46,669,337	45,652,765
Total liabilities		283,889,722	310,700,788
Equity			
Share capital			
Share premium	20	53,482,275	53,482,275
Treasury shares	20	2,400,000	2,400,000
Treasury shares reserve	21	(21,543,798)	(21,453,360)
Statutory reserve	21	5,732,086	5,732,086
Voluntary reserve	22	26,741,138	26,741,138
Foreign currency translation reserve	22	-	25,467,750
Fair value reserve	22	474,530	925,854
Other reserve	22	122,926,797	112,287,656
Retained earnings	22	(3,391,646)	(3,360,513)
		47,487,345	21,146,009
Equity attributable to holders of the Parent Company		234,308,727	223,368,895
Non-controlling interests		32,260,332	38,384,558
Total equity		266,569,059	261,753,453
TOTAL LIABILITIES AND EQUITY		550,458,781	572,454,241



Dabbous M. Al-Dabbous
Chairman

The attached notes 1 to 31 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 April 2021

	Attributable to equity holders of the Parent Company										Total equity KD			
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Other Reserve KD		Retained earnings KD	Sub-total KD	Non-controlling interests KD
As at 1 May 2020	53,482,275	2,400,000	-	(21,453,360)	5,732,086	26,741,138	25,467,750	925,854	112,287,656	(3,360,513)	21,146,009	223,368,895	38,384,558	261,753,453
Profit for the year	-	-	-	-	-	-	-	-	-	-	18,525,913	18,525,913	3,656,917	22,182,830
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(451,324)	10,639,141	-	-	10,187,817	26,991	10,214,808
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(451,324)	10,639,141	-	18,525,913	28,713,730	3,683,908	32,397,638
Transfer of voluntary reserve to retained earnings (Note 2.2.2)	-	-	-	-	-	-	(25,467,750)	-	-	-	25,467,750	-	-	-
Dividends (Note 20)	-	-	-	-	-	-	-	-	-	-	(17,652,327)	(17,652,327)	-	(17,652,327)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,819,434)	(4,819,434)
Amounts paid to non-controlling interests on capital reduction of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(4,963,608)	(4,963,608)
Acquisition of non-controlling interests without change in control (Note 2.2)	-	-	-	-	-	-	-	-	-	(31,133)	-	(31,133)	(25,092)	(56,225)
Purchase of treasury shares (Note 21)	-	-	-	(90,438)	-	-	-	-	-	-	-	(90,438)	-	(90,438)
At 30 April 2021	53,482,275	2,400,000	(21,453,360)	(21,543,798)	5,732,086	26,741,138	-	474,530	122,926,797	(3,391,646)	47,487,345	234,308,727	32,260,332	266,569,059
As at 1 May 2019	53,482,275	2,400,000	-	(7,451,647)	5,549,260	26,741,138	25,467,750	1,018,505	144,958,235	(3,292,856)	34,752,173	283,624,833	44,300,728	327,925,561
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,822,773	11,822,773	5,543,814	17,366,587
Other comprehensive loss for the year	-	-	-	-	-	-	-	(92,651)	(31,964,270)	-	-	(32,056,921)	-	(32,056,921)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(92,651)	(31,964,270)	-	11,822,773	(20,234,148)	(9,441,249)	(14,690,334)
Dividends (Note 20)	-	-	-	-	-	-	-	-	-	-	(26,135,246)	(26,135,246)	-	(26,135,246)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(6,174,386)	(6,174,386)
Amounts paid to non-controlling interests on capital reduction of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(39,112)	(39,112)
Acquisition of non-controlling interests without change in control	-	-	-	-	-	-	-	-	-	(67,657)	-	(67,657)	-	(67,657)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	(14,001,713)	182,826	-	-	-	(706,309)	-	706,309	(13,818,887)	4,194,763	(13,818,887)
Net purchase of treasury shares (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	4,194,763
Acquisition of a subsidiary (Note 3.1)	-	-	-	(21,453,360)	5,732,086	26,741,138	25,467,750	925,854	112,287,656	(3,360,513)	21,146,009	223,368,895	38,384,558	261,753,453
At 30 April 2020	53,482,275	2,400,000	(21,453,360)	(21,453,360)	5,732,086	26,741,138	25,467,750	925,854	112,287,656	(3,360,513)	21,146,009	223,368,895	38,384,558	261,753,453

The attached notes 1 to 31 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 April 2021

	Notes	2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit before tax and directors' fees		22,702,538	17,581,832
<i>Adjustments to reconcile profit before tax and directors' fees to net cash flows:</i>			
Net gain on acquisition of a subsidiary	3.1	-	(1,239,474)
Dividend income	5	(11,243,136)	(19,332,986)
Net loss (gain) on investment securities		26,009	(1,084,686)
Share of results of associates	14	(7,512,792)	(7,352,504)
Impairment of associates	14	1,195,023	4,694,106
Impairment of property, plant and equipment	15	3,438,662	-
Impairment of intangible assets	16	4,250,000	3,277,491
(Reversal of) allowance for expected credit losses on dividends receivable	5	(8,711,955)	8,711,955
Depreciation of property, plant and equipment	15	5,932,387	6,661,768
Depreciation of right-of-use assets	15	939,983	565,176
Amortisation of intangible assets	16	310,096	310,096
Government grants (included under 'other income')	6	(441,346)	-
Finance costs		5,171,986	8,634,364
Net unrealised foreign exchange differences		5,142,266	51,520
		21,199,721	21,478,658
<i>Working capital adjustments:</i>			
Accounts receivable and prepayments		2,798,959	(1,264,719)
Inventories		(2,816,056)	485,854
Accounts payable and accruals		(354,857)	(3,418,969)
Cash flows from operating activities		20,827,767	17,280,824
Receipt of government grants		441,346	-
Taxes paid		(67,283)	(1,442)
Net cash flows from operating activities		21,201,830	17,279,382
INVESTING ACTIVITIES			
Acquisition of a subsidiary	3.1	-	(76,564)
Acquisition of additional interest in associates	14	(75,095)	(2,957,898)
Proceeds from reduction of share capital of an associate	14	-	1,844,094
Proceeds from distribution of equity reserves of an associate	14	-	2,469,346
Dividends received from associates		3,855,034	6,657,381
Purchase of property, plant and equipment	15	(1,831,181)	(5,495,342)
Proceeds from disposal of property, plant and equipment		95,385	20,874
Purchase of investment securities		-	(44,465,117)
Proceeds from disposal of investment securities		923,373	14,290,047
Dividends received from investment securities		28,667,046	1,909,076
Net movement in short-term deposits		(5,000,000)	5,219,462
Net cash flows from (used in) investing activities		26,634,562	(20,584,641)
FINANCING ACTIVITIES			
Dividends paid to equity holders of the Parent Company		(17,256,568)	(26,039,254)
Amounts paid to non-controlling interests on capital reduction in subsidiaries		(4,963,608)	(6,174,386)
Dividends paid to non-controlling interests		(4,819,434)	(9,441,249)
Acquisition of non-controlling interests		(56,225)	(106,769)
Net (repayment of) proceeds from term loans		(12,130,250)	67,267,156
Net (repayment of) proceeds from Islamic finance payables		(16,606,823)	10,529,714
Finance costs paid		(5,022,230)	(8,538,315)
Payment of principal portion of lease liabilities	19	(1,011,375)	(576,842)
Purchase of treasury shares	21	(90,438)	(14,398,857)
Proceeds from sale of treasury shares	21	-	579,970
Net cash flows (used in) from financing activities		(61,956,951)	13,101,168
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(14,120,559)	9,795,909
Cash and cash equivalents acquired with a subsidiary on business combination	3.1	-	543,548
Foreign currency translation adjustment – net		(37,196)	(193,883)
Cash and cash equivalents at the beginning of the year		46,979,935	36,834,361
CASH AND CASH EQUIVALENTS AS AT 30 APRIL	10	32,822,180	46,979,935

The attached notes 1 to 31 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASHFLOWS (continued)

For the year ended 30 April 2021

Non-cash items excluded from the consolidated statement of cash flows:

	<i>Notes</i>	2021 KD	2020 KD
Dividends received from an associate (adjusted with purchase of investment securities)		460,508	-
Purchase of investment securities (adjusted with dividends received from associates)		(460,508)	-
Rent concessions (adjusted with accounts payable and accruals)		(18,164)	-
Transitional adjustment to lease liabilities on adoption of IFRS 16 (adjusted with accounts payable and accruals)		-	2,690,413
Additions to lease liabilities (adjusted with accounts payable and accruals)	19	1,375,316	141,429
Transitional adjustment to right-of-use assets on adoption of IFRS 16 (adjusted with additions to property, plant and equipment)		-	(2,698,617)
Transitional adjustment to prepayments on adoption of IFRS 16 (adjusted with accounts payable and accruals)		-	8,204
Additions to right-of-use assets (adjusted with additions to property, plant and equipment)	15	(1,375,316)	(141,429)

The attached notes 1 to 31 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

1 CORPORATE INFORMATION

The consolidated financial statements of Boubyan Petrochemical Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the year ended 30 April 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 17 May 2021 and are subject to the approval of the annual general assembly meeting (“AGM”) of the shareholders of the Parent Company. The AGM of the shareholders has the power to amend the consolidated financial statements after issuance.

The consolidated financial statements of the Group for the year ended 30 April 2020 were approved by the Parent Company’s shareholders at the AGM held on 15 July 2020. Dividends declared and paid by the Parent Company for the year then ended are provided in Note 20.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and listed on Boursa Kuwait. The Parent Company’s head office is located at KIPCO Tower, 33rd Floor, Al Shuhada Street, Sharq and its registered postal address is P.O. Box 2383, Safat 13024, Kuwait.

The principal objectives of the Parent Company include the following:

- Manufacture all kinds of petrochemical material and their derivatives.
- Sell, purchase, supply, distribute, export and store such materials and to participate in related activities including establishing and leasing the necessary services. The Parent Company may in particular contribute or participate in establishing petrochemical industries companies or trade therein whether the current ones or those may arise in the future.
- Possess, develop and set up industrial projects, areas and services and supporting and contributing to all this, and to provide technical support and industrial maintenance, and to finance and develop projects after obtaining the approvals from all competent official authorities.
- Develop the industrial and craft projects raised by the State or the private sector and to contribute to the industrial companies and entities.
- Invest the surplus funds in investment portfolios inside the State of Kuwait or abroad as an original or by proxy.
- Participate in, acquire or take over companies of similar activities or those that would facilitate in achieving the Parent Company’s objectives inside or outside the State of Kuwait.

The Parent Company’s primary investments at the reporting date include Equate Petrochemical Company K.S.C. (Closed) (“Equate”) and The Kuwait Olefins Company K.S.C. (Closed) (“TKOC”). Equate and TKOC are both closed shareholding companies incorporated and domiciled in the State of Kuwait and are principally engaged into the manufacture and sale of petrochemical products.

The shareholding structure of Equate and TKOC as at 30 April is as follows:

	<i>% shareholding stake</i>	
	<i>2021</i>	<i>2020</i>
Petrochemical Industries Company K.S.C.	42.5%	42.5%
Dow Chemical Company	42.5%	42.5%
Boubyan Petrochemical Company K.S.C.P.	9%	9%
Qurain Petrochemical Company K.S.C.P.	6%	6%

Information on the Group’s structure is provided in Note 2.2. Information on other related party relationships of the Group is provided in Note 26.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment securities that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (“KD”), which is also functional currency of the Parent Company.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 April 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change 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.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements of the Group include:

Name of the company	Country of incorporation	Principal activities	% effective equity interest	
			2021	2020
Directly held:				
Boubyan Plastic Industries Company K.S.C. (Closed) ("BPIC")	State of Kuwait	Manufacturing and trading of packaging material	100%	100%
Muna Noor Manufacturing and Trading Company LLC	Sultanate of Oman	Manufacturing and trading of plastic pipes	80%	80%
Jubail Integrated Packaging Company Limited LLC	Kingdom of Saudi Arabia	Manufacturing and trading of packaging material	100%	100%
Muna Noor Plastic Industries LLC	Sultanate of Oman	Manufacturing and trading of plastic pipes	99.43%	80%
Muna Noor LLC – Salalah	Sultanate of Oman	Manufacturing and trading of plastic pipes	80%	80%
Educational Holding Group K.S.C.P.	State of Kuwait	Educational services	83.11%	83.11%
Eyas for Higher and Technical Education Company K.S.C. (Closed)*	State of Kuwait	Educational services	55.72%	55.64%
Al Kout Industrial Projects Company K.S.C.P.	State of Kuwait	Production of chlorine, salt and other petrochemical products	54.14%	54.14%
Warba Capital Holding Company K.S.C.P.	State of Kuwait	Undertaking industrial investments	50.26%	50.26%
Indirectly held through BPIC:				
Muna Noor Manufacturing and Trading Company LLC	Sultanate of Oman	Manufacturing and trading of plastic pipes	20%	20%
Muna Noor Plastic Industries LLC	Sultanate of Oman	Manufacturing and trading of plastic pipes	0.57%	20%
Muna Noor LLC - Salalah	Sultanate of Oman	Manufacturing and trading of plastic pipes	20%	20%

***Acquisition of additional interest in Eyas for Higher and Technical Education Company K.S.C. (Closed) ("Eyas")**

During the current year, the Group acquired an additional 0.08% effective interest in Eyas, increasing its effective ownership interest from 55.64% to 55.72%. Cash consideration of KD 56,225 was paid to the non-controlling shareholders. The carrying value of the net assets of Eyas (excluding goodwill on the original acquisition) on the date of acquisition was KD 25,092. Following is a schedule of additional interest acquired in Eyas:

	<i>KD</i>
Cash consideration paid to NCI	56,225
Carrying value of the NCI acquired	(25,092)
Difference recognised in other reserve	31,133

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

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

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

Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The aforementioned amendments had no impact on the consolidated financial statements of the Group.

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

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

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

Several other amendments and interpretations apply for the first time effective from 1 May 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The 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.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

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

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

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

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Business combinations and goodwill

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

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

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2.5.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Investment in associates (continued)

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

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2.5.3 Fair value measurement

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Fair value measurement (continued)

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5.4 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

Rendering of educational services (tuition fees)

These services represent a single performance obligation comprised of a series of distinct services that are substantially the same and have the same pattern of transfer over the contract period. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognised as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received periodically in advance.

2.5.5 Government grants

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

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

2.5.6 Taxes

Zakat

Zakat is calculated at 1% of the taxable profit for the year in accordance with the Ministry of Finance Resolution No. 58/2007.

Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to KFAS is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve and Board of directors' remuneration, and accumulated losses brought forward.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Taxes (continued)

National Labour Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Parent Company after deducting its share of profit from associates and subsidiaries listed in Boursa Kuwait, its share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 for year 2000 and Ministerial Resolution No. 24 for year 2006 and their executive regulations.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that future taxable profits will be available to utilise this. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

2.5.7 Foreign currencies

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

i) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed-off, at which time, the cumulative amount is reclassified to profit or loss.

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

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

ii) Group companies

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

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Foreign currencies (continued)

ii) Group companies (continued)

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

2.5.8 Cash dividend

The Parent Company recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Parent Company. As per the Companies Law, a distribution is authorised when it is approved by the shareholders at the AGM. A corresponding amount is recognised directly in equity.

2.5.9 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

▀ Buildings	20 years
▀ Plant and equipment	10-20 years or units of production
▀ Furniture and office equipment	4-5 years
▀ Motor vehicles	5 years

Depreciation for property, plant and equipment of certain subsidiaries is calculated on the units of production method based on expected output over the useful life of the assets. Lands are not depreciated.

For accounting policy relating to recognition and depreciation of right-of-use assets, refer to Note 2.5.10 'Leases' accounting policy.

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

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

2.5.10 Leases

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

Group as a lessee

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

i) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Leases (continued)

Group as a lessee (continued)

i) Right-of-use assets (continued)

Right-of-use assets are presented under 'property, plant and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (i.e. 20 years).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to 2.5.16 'Impairment of non-financial assets' accounting policy.

ii) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in 'accounts payable and accruals' in the consolidated statement of financial position.

iii) 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) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5.11 Borrowing costs

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Amortisation of intangible assets with finite useful life is calculated on a straight-line basis over the estimated useful lives of assets, as follows:

Student relationships	5 years
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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.5.13 Financial instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at the reporting date, the Group has no debt instruments at fair value through OCI.

a) Financial assets at amortised cost (debt instruments)

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

Since the Group's financial assets (trade and other receivables, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

b) Financial assets designated at FVOCI (equity instruments)

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

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

The Group elected to classify irrevocably certain equity investments under this category.

c) Financial assets at FVTPL

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

This category includes equity investments, which the Group had not irrevocably elected to classify at FVOCI and unquoted funds. Dividends on equity investments are recognised in the consolidated statement of profit or loss when the right of payment has been established.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Derecognition

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

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

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

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

Impairment

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

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

For trade receivables and tuition fees receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Refer to Note 2.5.10 'Leases' accounting policy for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities (continued)

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

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

Financial liabilities at amortised cost

This is the category most relevant to the Group and generally applies to interest-bearing loans and borrowings (including Islamic finance payables) and trade and other payables.

Loans and borrowings

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

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

Accounts payable and accruals

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

Derecognition

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

iii) Offsetting of financial instruments

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

2.5.14 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses financial instruments to hedge its exposure to fluctuations in foreign exchange rates relating to the fair values of certain investments securities classified as financial assets at FVOCI.

For the purpose of hedge accounting, hedges of the Group are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.14 Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- ▶ There is 'an economic relationship' between the hedged item and the hedging instrument.
- ▶ The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- ▶ The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Fair value hedges

The fair value hedges that meet all the qualifying criteria for hedge accounting are accounted for, as below:

The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

However, in cases when an entity is hedging an investment in equity instruments for which it has elected to present changes in fair value in OCI, as permitted by IFRS 9, the fair value change of the hedging instrument is recognised in OCI. Ineffectiveness is also recognised in OCI. On sale of the investment, gains or losses accumulated in OCI are not reclassified to the consolidated statement of profit or loss.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

2.5.15 Inventories

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

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

- ▶ Raw materials and spare parts : purchase cost on a weighted average basis.
- ▶ Goods held for resale : purchase cost on a weighted average basis.
- ▶ Work in progress and finished goods : cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.
- ▶ Goods in transit : purchase cost incurred up to the reporting date.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.16 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in the consolidated statement of profit or loss in as a separate line item.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.5.17 Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.18 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the shareholders' equity. When the treasury shares are reissued, 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 then to the voluntary reserve and statutory reserve. 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 the 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.

Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

2.5.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

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

2.5.20 End of service benefits

The Group provides end of service benefits to its employees as per employee contracts and applicable labour laws in the countries where the Group operate. The entitlement of these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the applicable Government defined contribution plans calculated as a percentage of the employees' salaries in accordance with the legal requirements of the countries where the Group operates. The Group's obligations are limited to these contributions, which are expensed when due.

2.5.21 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.5.22 Segment information

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

2.5.23 Other reserve

Other reserve is used to recognise the effect of changes in ownership interest in subsidiaries, without loss of control.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.24 Events after the reporting period

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

2.6.1 Judgements

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

Classification of financial assets

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

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

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

The Group has some lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of certain assets with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

2.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared, considering the potential impact of the current economic volatility caused by the COVID-19 outbreak and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the ECLs associated with its debt instruments carried at amortised cost. The ECLs are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Impairment of financial assets at amortised cost (continued)

For trade receivables and tuition fees receivable, the Group uses a provision matrix to calculate ECLs. The provision rates are based on days past due for segmentation of customers with similar loss patterns (i.e., product type, customer type, etc.). The provision matrix is initially based on Group's historical observed default rates. The Group adjusts the historically observed loss rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, 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 co-relation 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 economic conditions may also not be a representative of customer's actual default in the future.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, gain on acquisition of a subsidiary, depreciation and amortisation reported.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.5.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Provision for impairment of inventories

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

Impairment of associates

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. The Group has considered potential impacts of the current market volatility in determination of the fair values and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial instruments represent the price that would be achieved for transactions between market participants in the current scenario. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate 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 profit rates) when available and is required to make certain entity-specific estimates.

3 BUSINESS COMBINATIONS

3.1 Acquisition in 2019-2020

Acquisition of Warba Capital Holding Company K.S.C.P. ("Warba Capital")

On 29 March 2020, the Group acquired an additional 1.39% equity interest in Warba Capital Holding Company K.S.C.P. ("Warba Capital"), which was previously held as investment in an associate with an effective equity holding of 48.87% and accounted for using the equity method, thereby obtaining control over the associate. Warba Capital is a listed company based in the State of Kuwait and principally engaged in undertaking industrial investments.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

3 BUSINESS COMBINATIONS (continued)

3.1 Acquisition in 2019-2020 (continued)

Acquisition of Warba Capital Holding Company K.S.C.P. ("Warba Capital") (continued)

Asset acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Warba Capital as at the date of acquisition were:

	<i>Fair values recognised on acquisition KD</i>
ASSETS	
Cash and short-term deposits	543,548
Accounts receivable and prepayments	240,936
Inventories	20,793
Investment securities	3,756,980
Investment in an associate	1,685,283
Property, plant and equipment	3,084,510
	<u>9,332,050</u>
LIABILITIES	
Term loan	700,701
Accounts payable and accruals	197,319
	<u>898,020</u>
Total identifiable net assets acquired	8,434,030
Non-controlling interests (49.74% of net assets)	(4,194,763)
Proportionate share of fair value of acquirer's previously held interest ¹	(2,712,417)
	<u>1,526,850</u>
Group's share of identifiable net assets acquired	1,526,850
Purchase consideration transferred	(76,564)
	<u>1,450,286</u>
Gain on bargain purchase ²	1,450,286
<i>Analysis of cash flows on acquisition</i>	
Net cash acquired with the subsidiary	543,548
Less: cash paid	(76,564)
	<u>466,984</u>
NET CASH INFLOW ON ACQUISITION	466,984

¹ Upon achieving business combination in stages, the Group remeasured its previously held interest of 48.87% in Warba Capital at fair value at the acquisition date (i.e. the date the Group attains control) and recognised a loss of KD 210,812 recorded within 'net gain on acquisition of a subsidiary' in the consolidated statement of profit or loss.

² The gain on bargain purchase amounting to KD 1,450,286 is recorded within 'net gain on acquisition of a subsidiary' in the consolidated statement of profit or loss.

If the business combination had taken place at the beginning of the prior year, the Group's revenue for the year ended 30 April 2020 would have increased by KD 623,460 and the profit before tax and directors' fees for that year would have decreased by KD 434,303.

3.2 Acquisition in 2020-2021

There were no acquisitions during the year ended 30 April 2021.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue:

	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Type of goods or service		
<i>Sale of goods</i>		
Sale of Chlor Alkai and petrochemicals	28,019,388	29,566,471
Sale of form-fill-seal (FFS) packaging bags and related products	2,658,526	2,491,280
Sale of polyethylene (PE) and polyvinyl chloride (PVC) pipes and fittings	11,656,440	15,788,607
Others	253,298	-
	42,587,652	47,846,358
<i>Rendering of services (tuition fees)</i>		
Educational services	24,281,184	27,320,371
Total revenue from contracts with customers	66,868,836	75,166,729
Geographical markets		
Kuwait and GCC	66,868,836	75,166,729
Total revenue from contracts with customers	66,868,836	75,166,729
Timing of revenue recognition		
Goods transferred at a point in time	42,587,652	47,846,358
Services transferred over time	24,281,184	27,320,371
Total revenue from contracts with customers	66,868,836	75,166,729

5 DIVIDEND INCOME

	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Dividend income from equity instruments at FVOCI	10,430,300	19,100,316
Dividend income from equity instruments at FVTPL	812,836	232,670
	11,243,136	19,332,986

Dividend income for the year includes dividends declared by Equate and TKOC (the "investees") amounting to KD 4,980,004 (2020: KD 10,054,980) and KD 4,688,296 (2020: KD 7,368,930) respectively.

At 30 April 2020, the Group had not received the dividends amounting to KD 17,423,910 declared by the investees during the prior year. As of that date, based on its assessment, the Group determined the likelihood of the investees to pay out the full dividend amount declared, to be small in light of the economic circumstances and the large-scale business disruptions posed by the coronavirus outbreak and its expected impact on short-term liquidity and profitability of the investees. As a result, the Group had recognised a loss allowance of KD 8,711,955 against dividends receivable from the investees during the year then ended.

During the current year, the Group has received the full dividend declared during the prior year amounting to KD 17,423,910 from the investees and, as a result, the management has reversed the previously recognised allowance of KD 8,711,955. The amount reversed has been recognised under 'Reversal of (allowance for) expected credit losses on dividends receivable' in the consolidated statement of profit or loss.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

6 GOVERNMENT GRANT

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

During the year, the Group has received financial support amounting to KD 441,346, which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised and presented under 'Other income' in the consolidated statement of profit or loss.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 KD	2020 KD
Staff costs	6,583,071	5,954,153
Depreciation of property, plant and equipment and right-of-use assets (Note 15)	2,493,080	2,177,493
Amortisation of intangible assets (Note 16)	310,096	310,096
Allowance for expected credit losses on trade receivables and tuition fees receivable	1,989,415	3,371,380
Other administrative expenses	4,386,845	1,661,458
	<u>15,762,507</u>	<u>13,474,580</u>

8 TAXATION

	2021 KD	2020 KD
Contribution to NLST	356,349	125,245
Contribution to KFAS	73,359	-
	<u>429,708</u>	<u>125,245</u>

9 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021	2020
Profit for the year attributable to the equity holders of the Parent Company (KD)	18,525,913	11,822,773
Weighted average number of ordinary shares outstanding (shares)*	504,373,737	511,361,226
Basic and diluted EPS (fils)	<u>36.73</u>	<u>23.12</u>

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year as follows:

	2021	2020
Weighted average number of ordinary shares outstanding during the year	534,822,750	534,822,750
Less: Weighted average number of treasury shares outstanding during the year	(30,449,013)	(23,461,524)
	<u>504,373,737</u>	<u>511,361,226</u>

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements which would require the restatement of EPS.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

10 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Cash at banks and on hand	12,304,124	10,879,935
Short-term deposits	26,427,491	36,100,000
Total cash and short-term deposits	38,731,615	46,979,935
Less: Short-term deposits with original maturity of more than three months	(5,000,000)	-
Less: Bank overdrafts	(909,435)	-
Total cash and cash equivalents	32,822,180	46,979,935

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of one to twelve months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Trade receivables and tuition fees receivable, gross	37,971,039	36,331,878
Less: Allowance for expected credit losses	(7,319,171)	(5,385,717)
Trade receivables and tuition fees receivable, net	30,651,868	30,946,161
Dividends receivable (2020: net of allowance of KD 8,711,955)	-	8,711,955
Prepayment, advances and other receivables	4,640,691	7,145,357
	35,292,559	46,803,473

The acquisition of a subsidiary resulted in increase in accounts receivable of KD 240,936 in 2020 (Note 3.1).

Set out below is the movement in the allowance for expected credit losses on trade receivables and tuition fees receivable:

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
As at the beginning of the year	5,385,717	2,011,132
Provision for expected credit losses	1,989,415	3,371,380
Foreign exchange movement	(55,961)	3,205
As at 30 April	7,319,171	5,385,717

The net carrying value of accounts receivable is considered a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Note 28.1 includes disclosures relating to the credit risk exposures of the Group's trade and other receivables.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

12 INVENTORIES

	2021 KD	2020 KD
Raw materials (at cost)	2,957,740	1,998,537
Spare parts (at cost)	1,649,228	1,441,808
Work in progress (at cost)	36,056	51,399
Finished goods and goods held for resale (at lower of cost or net realisable value)	2,070,662	1,868,574
Goods in transit (at cost)	1,855,491	392,803
Total inventories at the lower of cost and net realisable value	8,569,177	5,753,121

13 INVESTMENT SECURITIES

	2021 KD	2020 KD
<i>Financial assets at FVTPL</i>		
Quoted equity securities	883,185	1,162,267
Unquoted equity securities	6,858,030	6,915,101
Unquoted funds	345,788	519,454
	8,087,003	8,596,822
<i>Financial assets at FVOCI</i>		
Quoted equity securities	33,070,800	32,004,000
Unquoted equity securities		
– Equate	173,312,558	163,110,057
– TKOC	121,035,604	124,652,804
– Others	17,928,294	19,249,152
	345,347,256	339,016,013
	353,434,259	347,612,835

- The fair value of the 9% equity interest in Equate and TKOC has been determined using a weighted average of a mix of valuation techniques: free cash flow model, dividend discount model, PE multiple method and EBIDTA multiple method. These valuations require management to make certain assumptions about the model inputs, including projected cash flows, discount rates, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of the fair value for unquoted equity securities.

As a result of this exercise, the Group recognised an unrealised fair value gain in OCI amounting to KD 10,202,501 from Equate (2020: unrealised fair value loss of KD 10,319,341) and an unrealised fair value loss amounting to KD 3,617,200 from TKOC (2020: KD 7,169,850).

Further, the Group has recognised unrealised fair value gain of KD 1,066,800 during the year (2020: unrealised fair value loss of KD 14,707,631) from a quoted equity security designated as at FVOCI.

The fair value hierarchy disclosure and the basis of valuation is further detailed in Note 29.

- Investment in Equate and TKOC denominated in US Dollars with an aggregate carrying value of KD 294,348,162 (2020: KD 287,762,861), are designated as hedging instruments in fair value hedges towards loans and borrowings. The hedging gain or loss remains in OCI to match that of the hedging instrument.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

14 INVESTMENT IN ASSOCIATES

Set out below are the associates of the Group as at 30 April:

Name	Country of incorporation	Principal activities	% equity interest		Quoted fair value		Carrying amount	
			2021	2020	2021	2020	2021	2020
					KD	KD	KD	KD
Arabian Waterproofing Industries Company Limited	Kingdom of Saudi Arabia	Engaged in manufacture of waterproofing products and heat insulation materials	20.78%	20.78%	-*	-*	3,974,953	4,261,906
Al Borg Medical Laboratories Company Limited	Kingdom of Saudi Arabia	Engaged in medical laboratories and environmental and scientific tests	25.13%	25.13%	-*	-*	5,501,095	3,170,331
Nafais Holding Company K.S.C. (Closed) ("Nafais")	State of Kuwait	To invest in stakes mainly in educational and medical companies	21.12%	21.12%	-*	-*	10,396,575	10,001,410
Sama Educational Company K.S.C. (Closed) ("Sama") ¹	State of Kuwait	Educational activities	41.70%	41.70%	-*	-*	28,437,210	26,030,502
Kuwait Foundry Company K.S.C.P. ²	State of Kuwait	Casting of iron and related metals, asbestos, water drains and manufacture of sanitary tools and electric equipment related to casting industry	23.03%	22.61%	4,562,996	4,137,381	1,414,528	3,130,152
Al Dorra Petroleum Services Company K.S.C. (Closed) ("Al Dorra") ³	State of Kuwait	Petroleum services to oil and gas sector	37.99%	37.99%	-*	-*	3,000,000	3,673,179
Al Dhow for Environmental Projects Company K.S.C. (Closed) ("Al Dhow") ⁴	State of Kuwait	Manufacture and trading of environmental related products	20%	20%	-*	-*	338,900	1,685,283
Total equity-accounted investments							53,063,261	51,952,763

* Private entity – no quoted price available

¹ Indirectly held through Educational Holding Group K.S.C.P.

² During the year, the Group acquired an additional 0.42% equity interest in Kuwait Foundry for a consideration of KD 75,095, thereby increasing its equity interest in the associate to 23.03%.

³ Indirectly held through Al Kout Industrial Projects Company K.S.C.P.

⁴ Indirectly held through Warba Capital Holding Company K.S.C.P.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

14 INVESTMENT IN ASSOCIATES (continued)

The movement in the carrying amount of investment in associates during the year is as follows:

	2021 KD	2020 KD
At the beginning of the year	51,952,763	58,015,630
Acquisition of additional interests	75,095	2,957,898
Acquisition of a subsidiary (Note 3.1)	-	1,685,283
Reduction of share capital	-	(1,844,094)
Distribution of equity reserves	-	(2,469,346)
Share of results	7,512,792	7,352,504
Share of other comprehensive income that may be reclassified to profit or loss in subsequent periods	19,323	-
Share of other comprehensive (loss) income that will not be reclassified to profit or loss in the subsequent periods	(785,991)	429,813
Derecognition of previously held equity interest in associates upon obtaining control	-	(2,923,229)
Impairment losses*	(1,195,023)	(4,694,106)
Dividends received	(4,315,542)	(6,657,381)
Exchange differences	(200,156)	99,791
At 30 April	<u>53,063,261</u>	<u>51,952,763</u>

* During the year, the Group reviewed the carrying values of its investment in associates to determine whether any impairment has occurred. Based on their assessment, the management has recognised an impairment loss of KD 1,195,023 (2020: KD 4,694,106) in the consolidated statement of profit or loss, in respect of following associates. The impairment assessment was performed using discounted cash flow model covering a five-year period.

	2021 KD	2020 KD
Warba Capital	-	1,208,701
Al Dorra	195,023	3,485,405
Al Dhow	1,000,000	-
	<u>1,195,023</u>	<u>4,694,106</u>

Reasonable change in significant inputs used in determining the recoverable amount is not expected to have a material impact on the amount of impairment loss assessed.

The tables below provide summarised financial information for those associates that are material to the Group:

	<i>Nafais</i>		<i>Sama</i>	
	2021 KD	2020 KD	2021 KD	2020 KD
Summarised statement of financial position				
Assets	65,965,887	66,929,715	45,748,408	41,867,769
Liabilities	(16,739,680)	(19,574,554)	(6,069,445)	(7,955,983)
Equity	<u>49,226,207</u>	<u>47,355,161</u>	<u>39,678,963</u>	<u>33,911,786</u>
Group's share in equity %	21.12%	21.12%	41.70%	41.70%
Group's share in equity	<u>10,396,575</u>	<u>10,001,410</u>	<u>16,545,739</u>	<u>14,139,031</u>
PPA adjustment	-	-	11,891,471	11,891,471
Group's carrying amount	<u>10,396,575</u>	<u>10,001,410</u>	<u>28,437,210</u>	<u>26,030,502</u>

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

14 INVESTMENT IN ASSOCIATES (continued)

	<i>Nafais</i>		<i>Sama</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Summarised statement of profit or loss	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue	44,525,194	47,451,302	15,915,276	18,882,221
Cost of revenue	(29,715,440)	(35,042,887)	(6,909,458)	(8,559,115)
Administrative and other expenses	(5,937,301)	(3,276,611)	(1,322,643)	(1,760,909)
Profit for the year	8,872,453	9,131,804	7,683,175	8,562,197
Group's share in equity %	21.12%	21.12%	41.70%	41.70%
Group's share of profit	1,873,862	1,928,637	3,203,809	3,569,580

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

15 PROPERTY, PLANT AND EQUIPMENT

Cost:	Leasehold lands KD	Buildings KD	Plant and equipment KD	Furniture and office equipment KD	Motor vehicles KD	Right-of-use assets KD	Construction in progress KD	Total KD
At 1 May 2019	10,966,400	32,430,572	23,167,884	2,677,440	1,876,202	-	4,302,928	75,421,426
Effect of adoption of IFRS 16	-	-	-	-	-	2,698,617	-	2,698,617
Additions	-	251,474	4,752,311	160,703	142,104	141,429	188,750	5,636,771
Acquisition of a subsidiary (Note 3.1)	775,000	671,427	1,431,635	8,073	155,952	-	42,423	3,084,510
Disposals	-	-	(188,917)	(5,991)	(10,257)	-	-	(205,165)
Exchange differences	-	(548)	2,178	(14)	(73)	-	-	1,543
At 30 April 2020	11,741,400	33,352,925	29,165,091	2,840,211	2,163,928	2,840,046	4,534,101	86,637,702
Additions	-	47,897	46,529	109,910	12,443	1,375,316	1,614,402	3,206,497
Disposals	-	-	(115,427)	(654)	(25,806)	-	-	(141,887)
Transfers	-	33,519	-	-	-	-	(33,519)	-
Exchange differences	-	(164,101)	(446,183)	(18,291)	(25,857)	(16,324)	(1,426)	(672,182)
At 30 April 2021	11,741,400	33,270,240	28,650,010	2,931,176	2,124,708	4,199,038	6,113,558	89,030,130
Depreciation and impairment:								
At 1 May 2019	-	7,905,688	10,682,743	1,765,718	485,562	-	-	20,839,711
Depreciation charge for the year	-	2,752,719	2,945,502	498,877	464,670	565,176	-	7,226,944
Depreciation relating to disposals	-	-	(168,043)	(5,991)	(10,257)	-	-	(184,291)
Exchange differences	-	(540)	722	(10)	(70)	-	-	102
At 30 April 2020	-	10,657,867	13,460,924	2,258,594	939,905	565,176	-	27,882,466
Depreciation charge for the year	-	2,207,523	3,104,826	272,290	347,748	939,983	-	6,872,370
Depreciation relating to disposals	-	-	(20,075)	(621)	(25,806)	-	-	(46,502)
Impairment	-	-	-	-	-	-	3,438,662	3,438,662
Exchange differences	-	(82,402)	(328,433)	(12,546)	(23,401)	(1,212)	-	(447,994)
At 30 April 2021	-	12,782,988	16,217,242	2,517,717	1,238,446	1,503,947	3,438,662	37,699,002
Net book value:								
At 30 April 2021	11,741,400	20,487,252	12,432,768	413,459	886,262	2,695,091	2,674,896	51,331,128
At 30 April 2020	11,741,400	22,695,058	15,704,167	581,617	1,224,023	2,274,870	4,534,101	58,755,236

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Construction in progress

Construction in progress relate to the costs incurred on the construction of new facilities in the subsidiaries.

Impairment

As at 30 April 2021, the management has performed an impairment assessment for property, plant and equipment. As a result of this analysis, the management has recognised an impairment charge of KD 3,438,662 (2020: Nil) representing the write-down of construction work (comprising fixtures and fitting and machinery and equipment) related to a new production line ("Ferric Chloride CGU") of one of the subsidiaries. The impairment charge arose following management's decision to cease the project due to non-profitability of the production line. The impairment charge is recorded and presented as a separate line item in the consolidated statement of profit or loss for the year then ended.

Depreciation charge for the year

Depreciation charge for the year has been allocated to the cost of goods sold and general and administrative expenses as follows:

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Cost of goods sold	4,379,290	5,049,451
General and administrative expenses (Note 7)	2,493,080	2,177,493
	<u>6,872,370</u>	<u>7,226,944</u>

16 INTANGIBLE ASSETS

	<i>Goodwill</i> <i>KD</i>	<i>Brand</i> <i>KD</i>	<i>Student</i> <i>relationships</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Cost				
At 1 May 2019, 30 April 2020 and 30 April 2021	<u>33,421,970</u>	<u>7,167,050</u>	<u>1,550,480</u>	<u>42,139,500</u>
Amortisation and impairment				
At 1 May 2019	23,644,939	-	310,096	23,955,035
Amortisation charge for the year	-	-	310,096	310,096
Impairment	3,277,491	-	-	3,277,491
At 30 April 2020	<u>26,922,430</u>	<u>-</u>	<u>620,192</u>	<u>27,542,622</u>
Amortisation charge for the year	-	-	310,096	310,096
Impairment	4,250,000	-	-	4,250,000
At 30 April 2021	<u>31,172,430</u>	<u>-</u>	<u>930,288</u>	<u>32,102,718</u>
Net book value				
At 30 April 2021	<u>2,249,540</u>	<u>7,167,050</u>	<u>620,192</u>	<u>10,036,782</u>
At 30 April 2020	<u>6,499,540</u>	<u>7,167,050</u>	<u>930,288</u>	<u>14,596,878</u>

Amortisation charge for the year

Amortisation charge for the year is included in general and administrative expenses in the consolidated statement of profit or loss (Note 7).

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

16 INTANGIBLE ASSETS (continued)

Impairment assessment

For impairment testing, goodwill acquired through business combinations and brand with indefinite useful life, are allocated to following CGUs:

	<i>Goodwill</i>		<i>Brand</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>CGUs</i>				
Al Kout	2,249,540	6,499,540	-	-
GUST	-	-	7,167,050	7,167,050
	<u>2,249,540</u>	<u>6,499,540</u>	<u>7,167,050</u>	<u>7,167,050</u>

a) *Goodwill*

Al Kout CGU

The Group performed its impairment test as at 30 April 2021. The recoverable amount of Al Kout CGU as at 30 April 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 10.28% (2020: 10.97%) and cash flows beyond the five-year period are extrapolated using a 2% (2020: 2%) growth rate. Based on its assessment, the management has recognised an impairment charge of KD 4,250,000 in the current year (2020: KD 3,277,491) against goodwill, which is recorded within 'Impairment of intangible assets' in the consolidated statement of profit or loss.

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

The calculation of value in use is most sensitive to the following assumptions:

- Discount rates;
- Projected growth rates used to extrapolate cash flows beyond the budget period and
- Local inflation rates.

Discount rates

Discount rates reflect management's estimate of return on capital employed (ROCE) required. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the weighted average cost of capital (WACC).

Projected growth rates used to extrapolate cash flows beyond the budget period

Assumptions are based on industry research by the management. Further, the management assesses how the CGUs relative position to its competitors might change over the forecast period.

Local inflation rates

Estimates are obtained from published indices for the countries where the CGU operate, as well as data relating to specific commodities.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

b) *Brand*

Gulf University for Science and Technology ("GUST") CGU

The management has estimated the recoverable amount of brand based on Relief from Royalty ("RFR") method by estimating the present value of the notional savings of royalty payments because of owning the brands, over the budgeted period of five years.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

16 INTANGIBLE ASSETS (continued)

Impairment assessment (continued)

b) Brand (continued)

Gulf University for Science and Technology ("GUST") CGU (continued)

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

The calculation of recoverable amount is most sensitive to the following assumptions used:

	<i>Estimates</i>	
	2021	2020
• Growth rate	2%	2%
• Royalty rate	5.75%	5.75%
• Discount rate	17.39%	18.04%
• Projected growth rates used to extrapolate royalty-savings beyond the budget period	2%	2%

• Net notional savings of royalty payments

The net notional savings of royalty payments are arrived at by estimating the future growth of revenue and the royalty rate, which are based on industry research by the management.

• Discount rates

Discount rates reflect management's estimate of return on capital employed (ROCE) required. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the weighted average cost of capital (WACC).

Sensitivity to changes in assumptions

With regard to the assessment of recoverable amount of brand, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the brands to materially exceed its recoverable amount.

17 TERM LOANS

	2021 KD	2020 KD
Local currency	43,476,701	47,075,701
Foreign currency (USD)	74,046,000	82,577,250
	<u>117,522,701</u>	<u>129,652,951</u>

The Group has the following principal bank loans, which are unsecured:

- Revolving term loan of KD 42,950,000 (2020: KD 42,950,000), denominated in local currency, carries interest at CBK discount rate plus a spread of 0.75% (2020: 0.75%) per annum, which will be rolled over on an annual basis.
- As at 30 April 2020, term loans of KD 4,125,701, denominated in local currency, carried interest at CBK discount rate plus a spread of 0.75% per annum. These term loans have been settled during the current year.
- Revolving term loans of KD 6,622,000 (2020: KD 9,878,400), denominated in USD, carrying interest thereon at LIBOR plus a spread of 1.5% (2020: 1.5%) per annum, which will be rolled over on an annual basis.
- Term loans of KD 67,424,000 (2020: KD 72,698,850), denominated in USD, carrying interest thereon at LIBOR plus a spread ranging from 1.5% to 1.75% (2020: 1.5% to 1.75%) per annum. These term loans have different maturity dates between May 2021 to May 2023.

During the year, the Group did not breach any of its financial covenants, nor did it default on any other obligations under its loan agreements.

At 30 April 2021, the Group had available KD 37,000,000 (2020: KD 43,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

18 ISLAMIC FINANCE PAYABLES

Islamic finance payables represent payables under Murabaha and Tawarruq agreement entered with local banks and are carried at their principal amount net of deferred finance cost.

2021	<i>Foreign currency KD</i>	<i>Local currency KD</i>	<i>Total KD</i>
<i>Murabaha:</i>			
Gross amount	56,018,262	5,598,265	61,616,527
Less: deferred finance cost	(213,126)	(35,439)	(248,565)
	<u>55,805,136</u>	<u>5,562,826</u>	<u>61,367,962</u>
<i>Tawarruq:</i>			
Gross amount	57,574,484	-	57,574,484
Less: deferred finance cost	(154,197)	-	(154,197)
	<u>57,420,287</u>	<u>-</u>	<u>57,420,287</u>
	<u>113,225,423</u>	<u>5,562,826</u>	<u>118,788,249</u>
2020	<i>Foreign currency KD</i>	<i>Local currency KD</i>	<i>Total KD</i>
<i>Murabaha:</i>			
Gross amount	76,313,268	-	76,313,268
Less: deferred finance cost	(15,056)	-	(15,056)
	<u>76,298,212</u>	<u>-</u>	<u>76,298,212</u>
<i>Tawarruq:</i>			
Gross amount	55,654,211	3,655,707	59,309,918
Less: deferred finance cost	(205,065)	(7,993)	(213,058)
	<u>55,449,146</u>	<u>3,647,714</u>	<u>59,096,860</u>
	<u>131,747,358</u>	<u>3,647,714</u>	<u>135,395,072</u>

- Murabaha payables and Tawarruq payables bear finance cost at commercial rates.
- During the year, the Group did not breach any of its financial covenants, nor did it default on any other obligations under its financing agreements.
- The USD borrowings (Note 17 and 18) have been designated as fair value hedging instruments to manage the exposure to fluctuations in foreign currency rates of certain financial assets at FVOCI (Note 13).

19 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2021 KD</i>	<i>2020 KD</i>
Accounts payable	7,572,223	10,681,893
Dividends payable	4,448,802	4,053,043
Employees' end of service benefits	8,485,976	9,130,037
Tuition fees received in advance and advance from customers	8,788,382	8,080,284
Lease liabilities	2,856,130	2,351,049
Accrued charges on credit facilities	249,334	226,676
Provision for taxation	758,967	396,542
Directors' fees payable	90,000	90,000
Other accruals and payables	13,419,523	10,643,241
	<u>46,669,337</u>	<u>45,652,765</u>

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

19 ACCOUNTS PAYABLE AND ACCRUALS (continued)

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

	2021	2020
	KD	KD
At the beginning of the year	2,351,049	2,690,413
Additions	1,375,316	141,429
Accretion of interest	149,756	96,049
Payments	(1,011,375)	(576,842)
Reversals	(18,164)	-
Exchange differences	9,548	-
At 30 April	2,856,130	2,351,049

Terms and conditions of the above financial liabilities:

- ✦ Trade payables are non-interest bearing and are normally settled on 60-day to 90-day terms
- ✦ Other payables are non-interest bearing and have an average term of six months
- ✦ Interest payable is normally settled in arrears throughout the financial year

For explanations on the Group's liquidity risk management processes, refer to Note 28.2.

20 SHARE CAPITAL, SHARE PREMIUM AND DISTRIBUTIONS

20.1 Share capital

Authorised, issued and paid-up share capital of the Parent Company consists of 534,822,750 (2020: 534,822,750) shares of 100 (2020: 100) fils per share. These are comprised of 400,000,000 (2020: 400,000,000) fully paid-up shares and 134,822,750 (2020: 134,822,750) bonus shares.

20.2 Share premium

This represents the excess of the issue price of a share over its nominal value.

20.3 Distributions made and proposed

The Board of Directors of the Parent Company proposed cash dividends of 55 fils per share (2020: 35 fils per share) on outstanding shares (excluding treasury shares) amounting to KD 27,739,781 (2020: KD 17,652,327) for the year ended 30 April 2021. This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

On 15 July 2020, the shareholders at the AGM of the Parent Company approved cash dividends of 35 fils per share for the year ended 30 April 2020 (30 April 2019: 50 fils per share) on outstanding shares (excluding treasury shares) aggregating to KD 17,652,327 (30 April 2019: KD 26,135,246).

21 TREASURY SHARES AND TREASURY SHARES RESERVE

	2021	2020
Number of treasury shares	30,463,091	30,297,331
Percentage of share capital	5.70%	5.67%
Cost of treasury shares – KD	21,543,798	21,453,360
Market value – KD	28,026,044	15,088,071
Weighted average market price – fils	651.5	702.0

- ✦ Reserves equivalent to the cost of treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.
- ✦ During the year, the Parent Company purchased 165,760 shares for a total consideration of KD 90,438 (2020: 18,828,704 shares for a total consideration of KD 14,398,857).
- ✦ During the prior year, the Parent Company sold 641,760 shares for a total consideration of KD 579,970. The resultant gain on sale of treasury shares amounted to KD 182,826 and was recognised in the treasury shares reserve. The Group has not sold any treasury shares during the year ended 30 April 2021.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

22 RESERVES

22.1 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to equity holders of the Parent Company (before tax and directors' fees) shall be transferred to the statutory reserve. The Annual General Assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

For the current year, no such transfer has been made as the statutory reserve has reached 50% of the paid-up share capital and the shareholders of the Parent Company had resolved to discontinue such transfers.

22.2 Voluntary reserve

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

On 15 July 2020, the shareholders at the AGM of the Parent Company approved the Board of Directors' recommendation to transfer the entire amount of voluntary reserve as at 30 April 2020 of KD 25,467,750 to the retained earnings.

During the year, no transfer has been made upon the recommendation of the Board of Directors.

22.3 Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in OCI and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the profit or loss when the net investment is disposed-off.

22.4 Fair value reserve

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at fair value through other comprehensive income (e.g. equities) and share of changes in fair value reserve of associates, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are not reclassified to the profit or loss when the associated assets are sold or impaired.

As at 30 April, fair value reserve consists of the following

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Unrealised gain relating to financial assets at FVOCI	123,035,930	111,651,719
Share of fair value reserve in the equity of associates	(109,133)	635,937
	<u>122,926,797</u>	<u>112,287,656</u>

22.5 Other reserve

Other reserve is used to recognise the effect of changes in ownership interest in subsidiaries, without loss of control.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

23 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of the subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

<i>Name</i>	<i>Country of incorporation and operation</i>	<i>2021</i>	<i>2020</i>
Educational Holding Group K.S.C.P. ("EDU Holding")	State of Kuwait	16.89%	16.89%
Eyas for Higher and Technical Education Company K.S.C. (Closed) ("EYAS")	State of Kuwait	44.28%	44.36%
Al Kout Industrial Projects Company K.S.C.P. ("Al Kout")	State of Kuwait	45.86%	45.86%

Accumulated balances of material non-controlling interest:

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
EDU Holding	9,407,881	10,196,359
EYAS	5,074,414	7,740,488
Al Kout	14,164,142	16,252,948

Profit allocated to material non-controlling interest:

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
EDU Holding	1,061,078	1,713,562
EYAS	3,159,272	3,206,323
Al Kout	239,205	623,929

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for 2021:

	<i>EDU Holding</i> <i>Year ended</i> <i>28 February</i> <i>2021</i> <i>KD</i>	<i>EYAS</i> <i>Year ended</i> <i>28 February</i> <i>2021</i> <i>KD</i>	<i>Al Kout</i> <i>Year ended</i> <i>31 March</i> <i>2021</i> <i>KD</i>
Sale of goods	-	-	28,019,388
Tuition fees	2,630,405	21,650,779	-
Cost of goods sold	-	-	(19,849,281)
Tuition costs	(2,780,274)	(8,481,900)	-
Other income	406,180	1,520,771	190,962
Net loss on investment securities	-	-	(279,082)
Share of results of associates	6,766,769	21,314	(490,304)
Impairment losses	-	-	(3,633,685)
General and administrative expenses and finance costs	(677,435)	(6,233,044)	(3,436,436)
PROFIT FOR THE YEAR	6,345,645	8,477,920	521,562
Attributable to non-controlling interests	1,061,078	3,159,272	239,205
Dividends paid to non-controlling interests	239,772	2,446,430	2,313,818
Amounts paid to non-controlling interests on capital reduction	1,609,784	3,353,824	-

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

23 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarised statement of profit or loss for 2020:

	<i>EDU Holding</i> <i>Year ended</i> <i>29 February</i> <i>2020</i> <i>KD</i>	<i>EYAS</i> <i>Year ended</i> <i>29 February</i> <i>2020</i> <i>KD</i>	<i>Al Kout</i> <i>Year ended</i> <i>31 March</i> <i>2020</i> <i>KD</i>
Sale of goods	-	-	29,566,471
Tuition fees	5,279,857	22,362,557	-
Cost of goods sold	-	-	(20,943,840)
Tuition costs	(3,951,353)	(7,530,787)	-
Other income	732,711	2,069,580	657,584
Net loss on investment securities	-	-	(276,018)
Share of results of associates	7,145,599	-	70,409
Impairment of associates	-	-	(3,485,405)
General and administrative expenses and finance costs	(624,753)	(8,301,619)	(4,228,819)
PROFIT FOR THE YEAR	8,582,061	8,599,731	1,360,382
Attributable to non-controlling interests	1,713,562	3,206,323	623,929
Dividends paid to non-controlling interests	2,655,520	4,471,911	2,313,818
Amounts paid to non-controlling interests on capital reduction	584,680	5,589,706	-

Summarised statement of financial position as at 2021:

	<i>EDU</i> <i>28 February</i> <i>2021</i> <i>KD</i>	<i>EYAS</i> <i>28 February</i> <i>2021</i> <i>KD</i>	<i>Al Kout</i> <i>31 March</i> <i>2021</i> <i>KD</i>
Cash and short-term deposits	3,698,606	2,265,853	2,220,081
Accounts receivable and prepayments	2,629,434	18,060,021	11,480,610
Inventories	-	71,626	3,173,889
Investment securities	-	-	883,185
Investment in associates	27,328,827	201,900	3,000,000
Property, plant and equipment and intangible assets	687,879	10,613,248	17,744,199
Islamic finance payables	-	-	(5,562,826)
Bank overdrafts	-	-	(909,435)
Accounts payable and accruals	(5,991,571)	(15,714,535)	(7,240,230)
Total equity	28,353,175	15,498,113	24,789,473
Attributable to:			
Equity holders of the Parent Company	18,945,294	10,423,699	10,625,331
Non-controlling interests	9,407,881	5,074,414	14,164,142

Summarised statement of financial position as at 2020:

	<i>EDU</i> <i>29 February</i> <i>2020</i> <i>KD</i>	<i>EYAS</i> <i>29 February</i> <i>2020</i> <i>KD</i>	<i>Al Kout</i> <i>31 March</i> <i>2020</i> <i>KD</i>
Cash and short-term deposits	5,269,552	10,288,937	740,407
Accounts receivable and prepayments	4,235,378	10,072,478	10,552,065
Inventories	4,756	119,342	2,768,760
Investment securities	-	-	1,162,267
Investment in associates	27,915,267	180,585	3,673,179
Property, plant and equipment and intangible assets	112,929	12,047,773	28,581,046
Term loan	-	-	(1,425,000)
Accounts payable and accruals	(5,148,672)	(10,089,064)	(10,809,556)
Total equity	32,389,210	22,620,051	35,243,168
Attributable to:			
Equity holders of the Parent Company	22,192,851	14,879,563	18,990,220
Non-controlling interests	10,196,359	7,740,488	16,252,948

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

23 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarised cash flow information for 2021:

	<i>EDU</i> <i>Year ended</i> <i>28 February</i> <i>2021</i> <i>KD</i>	<i>EYAS</i> <i>Year ended</i> <i>28 February</i> <i>2021</i> <i>KD</i>	<i>Al Kout</i> <i>Year ended</i> <i>31 March</i> <i>2021</i> <i>KD</i>
Operating	1,913,774	7,425,317	3,230,902
Investing	3,581,028	317,642	(1,558,679)
Financing	(1,317,819)	(6,766,043)	(1,201,691)
Net increase in cash and cash equivalents	4,176,983	976,916	470,532

Summarised cash flow information for 2020:

	<i>EDU</i> <i>Year ended</i> <i>29 February</i> <i>2020</i> <i>KD</i>	<i>EYAS</i> <i>Year ended</i> <i>29 February</i> <i>2020</i> <i>KD</i>	<i>Al Kout</i> <i>Year ended</i> <i>31 March</i> <i>2020</i> <i>KD</i>
Operating	(1,233,916)	2,508,882	10,367,963
Investing	15,058,265	4,847,851	(5,864,980)
Financing	(14,108,102)	(23,249,337)	(4,881,311)
Net decrease in cash and cash equivalents	(283,753)	(15,892,604)	(378,328)

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and short-term deposits, term loans, Islamic finance payables and bank overdrafts at the reporting date is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities is as follows:

<i>As at 30 April 2021</i>	<i>Within</i> <i>12 months</i> <i>KD</i>	<i>After</i> <i>1 year</i> <i>KD</i>	<i>Total</i> <i>KD</i>
ASSETS			
Cash and short-term deposits	38,731,615	-	38,731,615
Accounts receivable and prepayments	35,292,559	-	35,292,559
Inventories	8,569,177	-	8,569,177
Investment securities	8,087,003	345,347,256	353,434,259
Investment in associates	-	53,063,261	53,063,261
Property, plant and equipment	-	51,331,128	51,331,128
Intangible assets	-	10,036,782	10,036,782
TOTAL ASSETS	90,680,354	459,778,427	550,458,781
LIABILITIES			
Term loans	4,089,701	113,433,000	117,522,701
Islamic finance payables	15,826,219	102,962,030	118,788,249
Bank overdrafts	909,435	-	909,435
Accounts payable and accruals	35,866,412	10,802,925	46,669,337
TOTAL LIABILITIES	56,691,767	227,197,955	283,889,722
NET LIQUIDITY GAP	33,988,587	232,580,472	266,569,059

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<i>As at 30 April 2020</i>	<i>Within 12 months KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and short-term deposits	46,979,935	-	46,979,935
Accounts receivable and prepayments	46,803,473	-	46,803,473
Inventories	5,753,121	-	5,753,121
Investment securities	8,596,822	339,016,013	347,612,835
Investment in associates	-	51,952,763	51,952,763
Property, plant and equipment	-	58,755,236	58,755,236
Intangible assets	-	14,596,878	14,596,878
TOTAL ASSETS	108,133,351	464,320,890	572,454,241
LIABILITIES			
Term loans	6,414,268	123,238,683	129,652,951
Islamic finance payables	26,809,165	108,585,907	135,395,072
Accounts payable and accruals	36,558,558	9,094,207	45,652,765
TOTAL LIABILITIES	69,781,991	240,918,797	310,700,788
NET LIQUIDITY GAP	38,351,360	223,402,093	261,753,453

25 SEGMENT INFORMATION

For management purposes, the Group is organised into two major business segments. The principal activities and services under these segments are as follows:

- ✦
Energy, manufacturing and petrochemical sector : Direct investment stakes in this sector comprising of basic materials (Equate, TKOC, Banagas and others), manufacturing activities of subsidiaries: Muna Noor Manufacturing and Trading Company LLC, Oman, Muna Noor Plastic Industries LLC, Oman, Muna Noor LLC - Salalah, Oman, Jubail Integrated Packaging Company Limited LLC, KSA, Boubyan Plastics Industries Company K.S.C. (Closed) and Al Kout Industrial Projects Company K.S.C.P. and Warba Capital Holding Company K.S.C.P.
- ✦
Services and education : Tuition fees and revenue generated from providing educational and medical services.
- ✦
Others : Investing directly and through portfolios into shipping, services, funds etc.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have material inter-segment transactions.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

25 SEGMENT INFORMATION (continued)

The following tables present revenue and profit information for the Group's operating segments for the years ended 30 April 2021 and 2020:

<i>Year ended 30 April 2021</i>	<i>Energy, manufacturing and petrochemical sector KD</i>	<i>Services and education KD</i>	<i>Others KD</i>	<i>Total KD</i>
Sale of goods	42,587,652	-	-	42,587,652
Tuition fees	-	24,281,184	-	24,281,184
Dividend income	10,447,504	-	795,632	11,243,136
Share of results of associates	(444,815)	8,249,364	(291,757)	7,512,792
Segment revenue	52,590,341	32,530,548	503,875	85,624,764
Segment profit	5,394,110	16,284,845	503,875	22,182,830
Other disclosures:				
Depreciation	4,634,324	2,238,046	-	6,872,370
Amortisation	-	310,096	-	310,096
Impairment of associates	195,023	-	1,000,000	1,195,023
Impairment of property, plant and equipment	3,438,662	-	-	3,438,662
Impairment of intangible assets	4,250,000	-	-	4,250,000
Reversal of expected credit losses on dividends receivable	8,711,955	-	-	8,711,955
Finance costs	3,856,315	885,237	430,434	5,171,986
Purchase of property, plant and equipment	2,084,826	1,121,671	-	3,206,497
Acquisition of additional interests in associates	75,095	-	-	75,095
Acquisition of non-controlling interests	-	25,092	-	25,092
<i>Year ended 30 April 2020</i>				
Sale of goods	47,846,358	-	-	47,846,358
Tuition fees	-	27,320,371	-	27,320,371
Dividend income	17,616,227	-	1,716,759	19,332,986
Share of results of associates	1,061,288	6,330,085	(38,869)	7,352,504
Segment revenue	66,523,873	33,650,456	1,677,890	101,852,219
Segment profit	6,037,998	10,254,017	1,074,572	17,366,587
Other disclosures:				
Depreciation	5,164,083	2,062,861	-	7,226,944
Amortisation	-	310,096	-	310,096
Impairment of associates	3,485,405	-	1,208,701	4,694,106
Impairment of intangible assets	3,277,491	-	-	3,277,491
Allowance for expected credit losses on dividends receivable	8,711,955	-	-	8,711,955
Finance costs	3,453,746	5,180,618	-	8,634,364
Purchase of property, plant and equipment	5,448,290	188,481	-	5,636,771
Acquisition of additional interests in associates	170,298	2,787,600	-	2,957,898

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

25 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 April 2021 and 30 April 2020:

<i>As at 30 April 2021</i>	<i>Energy, manufacturing and petrochemical sector KD</i>	<i>Services and education KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment assets	404,356,017	97,815,945	48,286,819	550,458,781
Segment liabilities	201,078,248	62,616,210	20,195,264	283,889,722
Other disclosures:				
Investment in associates	8,389,481	44,334,880	338,900	53,063,261
Goodwill	2,249,540	-	-	2,249,540
<i>As at 30 April 2020</i>	<i>Energy, manufacturing and petrochemical sector KD</i>	<i>Services and education KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment assets	419,308,527	94,175,384	58,970,330	572,454,241
Segment liabilities	178,205,711	86,394,200	46,100,877	310,700,788
Other disclosures:				
Investment in associates	11,065,237	39,202,243	1,685,283	51,952,763
Goodwill	6,499,540	-	-	6,499,540

26 RELATED PARTY DISCLOSURES

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

The following tables provides the total amount of transactions that have been entered into with related parties during the years ended 30 April 2021 and 2020, as well as balances with related parties as at 30 April 2021 and 2020.

	<i>2021 KD</i>	<i>2020 KD</i>
Consolidated statement of profit or loss:		
Sales	1,046,364	576,725
Purchases	515,491	502,796
	<i>2021 KD</i>	<i>2020 KD</i>
Consolidated statement of financial position:		
Accounts receivable and prepayments	184,287	180,589

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured and interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 April 2021, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2020: Nil).

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

26 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel:

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions and balances outstanding related to key management personnel were as follows:

	<i>Transaction values for the year ended 30 April</i>		<i>Balance outstanding as at 30 April</i>	
	<i>2021 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2020 KD</i>
Short-term benefits	435,476	430,000	53,639	32,920
Employees' end of service benefits	21,389	9,856	56,769	35,380
	<u>456,865</u>	<u>439,856</u>	<u>110,408</u>	<u>68,300</u>

The Board of Directors in their meeting held on 17 May 2021 proposed directors' fees of KD 90,000 for the year ended 30 April 2021. This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

The directors' fees of KD 90,000 for the year ended 30 April 2020 were approved by the AGM of the shareholders held on 15 July 2020.

27 COMMITMENTS AND CONTINGENCIES

27.1 Commitments

At 30 April 2021, the Group had commitments of KD 785,128 (2020: KD 805,213) relating to acquisition of investments.

27.2 Contingencies

The Parent Company has provided corporate guarantees of KD 8,695,731 (2020: KD 14,985,962) to foreign banks on behalf of its subsidiaries. No material liabilities are expected to arise.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the year ended 30 April 2021, there were no significant changes to the risk management objectives and policies.

The Group's principal financial liabilities comprise term loans, Islamic finance payables, bank overdrafts and accounts payable and accruals (including lease liabilities). The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has accounts receivable and cash and short-term deposits that arrive directly from its operations.

The Group also holds financial assets at FVOCI and financial assets at FVTPL.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, which is subdivided into interest rate risk, foreign currency risk and equity risk. It is also subject to operational risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management structure

The Board of Directors of the Group are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk mitigation

As part of its overall risk management, the Group uses or may choose to use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, liquidity risks and equity risks.

The main risks to which the Group's assets and liabilities are exposed and the principal methods of risk management are as follows:

28.1 Credit risk

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

The Group is mainly exposed to credit risk on its trade receivables and tuition fees receivable. As at 30 April 2021, the Group has considered the impact of COVID-19 on the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. There were no changes to the payment period given to customers during the period, however, the Group will continue to individually assess the situation as more reliable data becomes available and accordingly may change the payment period for certain customers in the subsequent reporting periods. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets is disclosed below. The Group does not hold collateral as security.

The Group's gross maximum exposure to credit risk segmented by geographic region is as follows:

<i>30 April 2021</i>	<i>Kuwait KD</i>	<i>MENA KD</i>	<i>Total KD</i>
Cash and short-term deposits	35,773,128	2,958,487	38,731,615
Trade receivables and tuition fees receivable	28,983,164	1,668,704	30,651,868
Other receivables	4,174,752	465,939	4,640,691
Maximum exposure to credit risk	<u>68,931,044</u>	<u>5,093,130</u>	<u>74,024,174</u>
<i>30 April 2020</i>	<i>Kuwait KD</i>	<i>MENA KD</i>	<i>Total KD</i>
Cash and short-term deposits	44,110,083	2,869,852	46,979,935
Trade receivables and tuition fees receivable	26,937,947	4,008,214	30,946,161
Other receivables	15,537,259	320,053	15,857,312
Maximum exposure to credit risk	<u>86,585,289</u>	<u>7,198,119</u>	<u>93,783,408</u>

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.1 Credit risk (continued)

Risk concentration of maximum exposure to credit risk (continued)

The Group's gross maximum exposure to credit risk segmented by industry classification is as follows:

	2021 KD	2020 KD
Manufacturing	14,603,104	11,211,858
Banks	38,731,615	46,979,935
Services and education	20,689,455	35,591,615
	<u>74,024,174</u>	<u>93,783,408</u>

Expected credit loss assessment

Trade receivables and tuition fees receivable

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and tuition fees receivable.

The expected loss rates are based on the payment profiles of sales and collection of tuition fees over a period of 36 months before 30 April 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Set out below is the information about the credit risk exposure as at 30 April on the Group's trade receivables and tuition fees receivable using a provision matrix:

		<i>Days past due</i>				
		<i>Current</i>	<i>0-180 days</i>	<i>181-270</i>	<i>271-365</i>	
<i>30 April 2021</i>	<i>KD</i>	<i>KD</i>	<i>days</i>	<i>days</i>	<i>KD</i>	<i>Total</i>
			<i>KD</i>	<i>KD</i>		<i>KD</i>
Expected credit loss rate	5.3%	7.2%	22.8%	70.6%	58.5%	19.3%
Estimated total gross carrying amount at default	8,795,814	17,909,247	3,336,360	1,324,219	6,605,399	37,971,039
Expected credit loss	<u>469,521</u>	<u>1,290,612</u>	<u>761,167</u>	<u>934,355</u>	<u>3,863,516</u>	<u>7,319,171</u>
		<i>Days past due</i>				
<i>30 April 2020</i>	<i>KD</i>	<i>0-180 days</i>	<i>181-270</i>	<i>271-365</i>	<i>>365 days</i>	<i>Total</i>
		<i>KD</i>	<i>days</i>	<i>days</i>	<i>KD</i>	<i>KD</i>
Expected credit loss rate	0.3%	10.0%	14.0%	28.8%	89.6%	14.8%
Estimated total gross carrying amount at default	16,499,245	5,725,770	4,196,286	7,745,778	2,164,799	36,331,878
Expected credit loss	<u>54,361</u>	<u>572,577</u>	<u>587,480</u>	<u>2,230,784</u>	<u>1,940,515</u>	<u>5,385,717</u>

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.1 Credit risk (continued)

Expected credit loss assessment (continued)

Other receivables

The Group performs an impairment analysis on its receivables from related parties and other receivables at each reporting date based on general approach given in IFRS 9, to measure expected credit losses (ECLs). The Group regularly monitors the receivables in order to determine whether these are subject to 12 months ECL or life time ECL. This is based on Group's assessment whether there has been a significant increase in credit risk since initial recognition of these instruments.

The Group estimates the elements of ECL (i.e. probability of default, loss given default and exposure at default) using appropriate credit risk assumptions with relevant forward-looking adjustments. The Group adjusts the probability of default with relevant forward-looking adjustments relating to the forecast market conditions that could impact the extent of defaults by the counter parties.

For the year ended 30 April 2020, the Group recognised provision for expected credit losses of KD 8,711,955 relating to dividends receivable (Note 5). There are no dividends receivable as at 30 April 2021.

Cash and short-term deposits

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

The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties. Accordingly, management identified impairment loss to be immaterial.

28.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group limits its liquidity risks by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 90 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

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

<i>30 April 2021</i>	<i>Within 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Term loans	6,301,251	119,765,777	126,067,028
Islamic finance payables	17,733,722	106,518,092	124,251,814
Bank overdrafts	909,435	-	909,435
Trade and other payables	26,538,849	8,485,976	35,024,825
Lease liabilities	528,788	2,629,400	3,158,188
Total undiscounted financial liabilities	52,012,045	237,399,245	289,411,290

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.2 Liquidity risk (continued)

30 April 2020	<i>Within 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Term loans	10,253,299	128,075,631	138,328,930
Islamic finance payables	23,453,748	123,616,052	147,069,800
Trade and other payables	26,091,395	9,130,037	35,221,432
Lease liabilities	641,190	1,901,705	2,542,895
Total undiscounted financial liabilities	<u>60,439,632</u>	<u>262,723,425</u>	<u>323,163,057</u>

28.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

28.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

At the reporting date, the Group's borrowings at variable rate were mainly denominated in US dollars (USD).

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	<i>2021 KD</i>	<i>2020 KD</i>
Fixed-rate instruments		
Financial assets	26,427,491	36,100,000
Financial liabilities	<u>(118,788,249)</u>	<u>(135,395,072)</u>
	<u>(92,360,758)</u>	<u>(99,295,072)</u>
Variable rate instruments		
Financial liabilities	<u>(117,522,701)</u>	<u>(129,652,951)</u>
	<u>(209,883,459)</u>	<u>(228,948,023)</u>

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit before tax by KD 1,175,227 (2020: KD 1,296,530). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.3 Market risk (continued)

28.3.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's investments are mainly denominated in US Dollars (USD). These investments are financed by borrowings in foreign currencies; consequently, management believes that there is no significant risk due to fluctuations in currency rates. The management also manages these rates by entering into hedging transactions.

The effect on profit before tax and directors' fees and OCI (due to change in the fair value of monetary assets and liabilities), as a result of 5% change in currency rate, with all other variables held constant is shown below:

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	<i>Effect on OCI</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
USD	5,360,435	4,906,829

28.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 319,134,486 (2020: KD 313,927,114). Sensitivity analyses of these investments have been provided in Note 29.

The Group's listed equity investments are publicly traded and are included either in the Kuwait Stock Exchange ("Boursa Kuwait") and other markets.

At the reporting date, the exposure to equity investments at fair value listed on Boursa Kuwait and other markets was KD 33,070,800 and KD 883,185 (2020: KD 32,004,000 and KD 1,162,267), respectively. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the market indices, the Group has determined that an increase/(decrease) of 5% on the respective market index could have an impact of approximately KD 1,868,500 and KD 44,159 (2020: KD 1,760,220 and KD 58,113) increase/(decrease) respectively, on the equity attributable to the Group.

28.3.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit and practical application of technology.

The recent and rapid development of the coronavirus outbreak across the world have required entities to limit or suspend business operations, implement travel restrictions and quarantine measures that have significantly disrupted (or are expected to disrupt) its activities. In an attempt to manage such events, the Group implements its contingency plans which include preventive safety measures, compliance with legal and regulatory guidelines and instructions, and maximises the use of technology and resource management to meet the day-to-day operational requirements that are required for continuity of the business.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

29 FAIR VALUE MEASUREMENT

Set out below that are a summary of financial instruments measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values. As at 30 April 2021 and 2020, the Group does not have any non-financial asset measured at fair value.

Financial instruments	2021 KD	2020 KD
Investment securities (at fair value)		
Quoted equity securities	33,953,985	33,166,267
Unquoted equity securities	319,134,486	313,927,114
Unquoted funds	345,788	519,454
	<u>353,434,259</u>	<u>347,612,835</u>

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and short-term deposits
- Accounts receivable
- Term loans
- Islamic finance payables
- Bank overdrafts
- Accounts payable and accruals (including lease liabilities)

Valuation methods and assumptions

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

Listed investment in equity securities

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

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for the majority of these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. Specific approach relating to Group's primary investments Equate and TKOC are detailed in Note 13. The Group classifies the fair value of these investments as Level 3.

Unlisted funds

The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the investee fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the investee fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the investee fund, the Group classifies these funds as either Level 2 or Level 3.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

29 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy

The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

	Fair value measurement using			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>30 April 2021</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at FVTPL:				
Quoted equity securities	883,185	883,185	-	-
Unquoted equity securities	6,858,030	-	-	6,858,030
Unquoted funds	345,788	-	345,788	-
	<u>8,087,003</u>	<u>883,185</u>	<u>345,788</u>	<u>6,858,030</u>
Financial assets at FVOCI				
Quoted equity securities	33,070,800	33,070,800	-	-
Unquoted equity securities	312,276,456	-	-	312,276,456
	<u>345,347,256</u>	<u>33,070,800</u>	<u>-</u>	<u>312,276,456</u>
Investment securities (at fair value)	<u>353,434,259</u>	<u>33,953,985</u>	<u>345,788</u>	<u>319,134,486</u>
	Fair value measurement using			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>30 April 2020</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at FVTPL:				
Quoted equity securities	1,162,267	1,162,267	-	-
Unquoted equity securities	6,915,101	-	-	6,915,101
Unquoted funds	519,454	-	519,454	-
	<u>8,596,822</u>	<u>1,162,267</u>	<u>519,454</u>	<u>6,915,101</u>
Financial assets at FVOCI				
Quoted equity securities	32,004,000	32,004,000	-	-
Unquoted equity securities	307,012,013	-	-	307,012,013
	<u>339,016,013</u>	<u>32,004,000</u>	<u>-</u>	<u>307,012,013</u>
Investment securities (at fair value)	<u>347,612,835</u>	<u>33,166,267</u>	<u>519,454</u>	<u>313,927,114</u>

There were no transfers between any levels of the fair value hierarchy during the years ended 30 April 2021 or 2020.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

29 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	<i>Financial assets at FVTPL KD</i>	<i>Financial assets at FVOCI KD</i>	<i>Total KD</i>
2021			
As at 1 May 2020	6,915,101	307,012,013	313,927,114
Remeasurement recognised in OCI	-	5,264,443	5,264,443
Remeasurement recognised in profit or loss	(517,579)	-	(517,579)
Purchases / sales (net)	460,508	-	460,508
As at 30 April 2021	6,858,030	312,276,456	319,134,486
	<i>Financial assets at FVTPL KD</i>	<i>Financial assets at FVOCI KD</i>	<i>Total KD</i>
2020			
As at 1 May 2019	7,834,580	319,392,075	327,226,655
Acquisition of a subsidiary (Note 3.1)	-	3,672,933	3,672,933
Remeasurement recognised in OCI	-	(14,642,019)	(14,642,019)
Remeasurement recognised in profit or loss	(519,479)	-	(519,479)
Purchases / sales (net)	(400,000)	(1,410,976)	(1,810,976)
As at 30 April 2020	6,915,101	307,012,013	313,927,114

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, are as shown below:

Category	Significant unobservable valuation inputs
Financial assets at FVTPL	Market multiples including price to earnings (PE) multiple, price to book value (P/BV) multiple, dividend yield and DLOM.
Financial assets at FVOCI	Cash flow projections, Discount rate, terminal growth rates, dividend payouts, market multiples including PE multiple and EBIDTA multiple and DLOM

The discount for lack of marketability (DLOM) represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Sensitivity analysis:

The table below illustrates the effect on OCI due to a reasonable change of each significant input, separately, with all other variables held constant.

	<i>Increase (decrease) by</i>	<i>Effect on OCI</i>	
		<i>2021 KD</i>	<i>2020 KD</i>
Discount rate	<i>50 basis points</i>	(15,616,914)	(12,992,853)
Terminal growth rate	<i>(50 basis points)</i>	(14,719,000)	(14,330,469)
DLOM	<i>5%</i>	(12,434,946)	(18,947,591)

The impact on consolidated statement of profit or loss would be immaterial due to movement of 50 basis points in any of the significant input used for the valuation of the Group's unquoted equity instruments.

Boubyan Petrochemical Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 30 April 2021

30 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at acceptable levels. The Group includes within net debt, interest bearing loans and borrowings, Islamic finance payables, bank overdrafts less cash and short-term deposits. Capital represents equity attributable to the Parent Company.

	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Term loans	117,522,701	129,652,951
Islamic financing payables	118,788,249	135,395,072
Bank overdrafts	909,435	-
Less: cash and short-term deposits	<u>(38,731,615)</u>	<u>(46,979,935)</u>
Net debt	<u>198,488,770</u>	<u>218,068,088</u>
Equity attributable to holders of the Parent Company	<u>234,308,727</u>	<u>223,368,895</u>
Capital and net debt	<u>432,797,497</u>	<u>441,436,983</u>
Gearing ratio	<u>46%</u>	<u>49%</u>

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 April 2021 and 2020.

31 IMPACT OF COVID-19 OUTBREAK

The COVID-19 outbreak has developed rapidly in 2020 and 2021, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

The currently known impact of COVID-19 on the Group are:

- ▶ Sales for the year decreased by 11% as a result of lower trading activity, primarily driven by the impacts from COVID-19, such as state-imposed production downtimes and lower order intake for major operating segments.
- ▶ Decline in tuition revenues for the year by 11%, as the government had announced that all educational institutions remain closed until August 2020 and has ended the academic year 2019/2020 as well as instructed all the private schools to reduce the tuition fees by 25% for the academic year 2020/2021, until students are permitted to return to school.
- ▶ Allowance for expected credit losses on trade receivables and tuition fees receivable for the year of KD 1,989,415.
- ▶ Impairment of goodwill arising on acquisition of a subsidiary of KD 4,250,000.
- ▶ Impairment of associates of KD 1,195,023.
- ▶ Government grant received towards salaries of national workforce amounting to KD 441,346.

31 IMPACT OF COVID-19 OUTBREAK (continued)

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity. Given the ongoing economic uncertainty, the exact impact on the Group's future activities cannot be predicted at this stage.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence for a foreseeable future. As a result, the consolidated financial statements has been appropriately prepared on a going concern basis.