

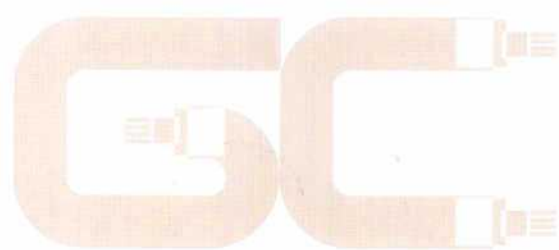


# 2008

ANNUAL REPORT



شركة الخليج للكابلات والصناعات الكهربائية ش.م.ك.  
Gulf Cable & Electrical Industries Co. K.S.C.



شركة الخليج للكابلات والصناعات الكهربائية ش.م.ع.  
Gulf Cable & Electrical Industries Co. K.S.C.

**In The Name of God  
most Gracious.  
Most Merciful**



H. H. Sheikh  
**Sabah Al Ahmad Al Jaber  
Al Sabah**

The Amir of the State of Kuwait



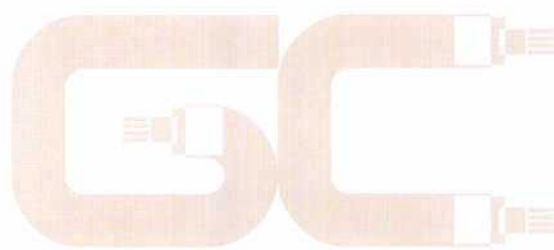
H. H. Sheikh  
**Nawaf Al Ahmad  
Al Jaber Al Sabah**

The Crown Prince  
of the State of Kuwait



H. H. Sheikh  
**Naser Al Mohammad  
Al Ahmad Al Sabah**

The Prime Minister of the  
State of Kuwait



شركة الخليج للكابلات والصناعات الكهربائية ش.م.ك.  
Gulf Cable & Electrical Industries Co. K.S.C.



## **Members of the Board of Directors**

**Mr. Bader Naser Mohammad Al-Kharafi**  
Chairman of the Board and Managing Director

**Mr. Asaad Ahmad Omran Al-Banwan**  
Vice Chairman

**Mr. Bader Mohammad Abdul-Wahab Al-Juan**  
Member

**Mr. Sabah Khalid Saleh Al-Ghunaim**  
Member

**Mr. Jaheel Mohammad Abdul Rahman Al-Jaheel**  
Member

**Mr. Jamal Naser Hamad Al-Falah**  
Member

**Mr. Yusuf Ibrahim Yusuf Al-Raqm**  
Member

**Mr. Mohammad Saad Mohammad Al-Saad**  
Member

# **Gulf Cable and Electrical Industries Company**

## **KSC - Kuwait**

Commercial Registration No. 23213

Telephones : 24675244 (7 Lines)

Fax No. : 24675305 - 24675850

P.O. Box: 1196 Safat - 13012 Kuwait

Website : [www.gulfcable.com](http://www.gulfcable.com)

E-mail: [info@gulfcable.com](mailto:info@gulfcable.com)

## **Address**

Al-Sulaibiya - Fifth Street - Area 11 A

## **Main Banks**

National Bank of Kuwait

Gulf Bank

Bank of Kuwait and the Middle East

Burgan Bank

Commercial Bank of Kuwait

Industrial Bank of Kuwait

## **External Auditors**

Grant Thornton - Al-Qatami, Al-Aiban & Partners

UHY-Fawzia Mubarak Al-Hassawi

# Thirty Second Annual Report of the Board of Directors For The Year Ended 31 December 2008

**Dear Shareholders,**

we have the pleasure to welcome you to the Thirty Second Annual General Assembly of your company, and present to you our administrative and financial report for the year ended 31 December, 2008.

In the middle of this international economy crisis which affected all local, regional and international economies, and its effects started to deeply press on the regional markets during the last quarter of 2008, the management of the company has strived to maintain its achievements during the first three quarters of the year. This was attained by putting on extensive efforts with suppliers and clients to cooperate and restructure the responsibilities and commitments, in order to cross this difficult crisis with the least possible effect on cash liquidity and drop of prices. These efforts enabled the company by the end of the year to realize an acceptable growth in operational profits as well as other achievements detailed hereafter.



## **Production:**

On the production level, we were able to exceed once again the limits of the licensed capacity of fifty thousand tons a year. The production this year was 54.50 thousand tons compared to 54.05 thousand tons the year before. In this regards, we are pleased to announce that we obtained the approval of the General Authority for Industry to raise our production capacity from 50 to 75 thousand tons per year, along with the license to import all the required machines and equipment required for this expansion project.





## Sales:

Sales in 2008 were about 109.86 compared to 83.98 million Kuwaiti Dinars in 2007, an increase of about 30.81%, including a contribution of our Jordan subsidiary by achieving a sales figure of 9.38 million Kuwaiti Dinars compared to only 1.20 million in 2007.

## Investments:

The company's investments are concentrated in strategic shareholdings in numerous companies, based on the policy applied by the company since the beginning of these investments, and not intended for speculations. These investments are listed as Available for Sale in the Financial Statement. The situation in the international markets since last September left its effect on the Cumulative Reserve in Fair value of Available for Sale Investments within the Shareholders Equity. Subsequently, this also affected our profitability, due to implementing the international accounting Standard No. (39), that requires charging the value of decline in Available for Sale Investments to the Income Statement. The Fair value of Available for Sale Investments dropped from 248.65 in 2007 to 128.63 million Dinars in 2008, resulting from charging the Income Statement by about 21.19 million Kuwaiti Dinars due to impairment in the value of some Available for Sale Investments. In spite of this, the positive Cumulative Reserve in Fair value of Available for Sale Investments within the Shareholders Equity at the end of the year is about 35 million Kuwaiti Dinars as appearing in the Shareholders Equity. The net revenues of investments reached 8.26 million Dinars approximately in 2008 compared to 8.43 in 2007.



## Dear Shareholders,

During the year 2008, the technical and administrative staff in all departments of the company realized many achievements, including, but not limited to, the following:

### The Technical and IT departments:

All preparation works were finalized to equip the factories in Kuwait and Jordan with new machines and equipment during 2009 to implement the expansion projects in the factories.

New sources for raw materials have been established, insuring the continuation of supplies and savings in costs.

Open storage areas were expanded.

A full integration in systems between Kuwait and Jordan branch has been established.

All administrative Departments have moved into the new Administration building.

The Oracle Project is approaching its final stages. Implementation of the system is expected to start commissioning stage in 2009.

### Human Resources and Administrative Affairs:

#### Manpower

##### 1. Kuwait

In 2008 the total number of technical and administrative employees increased from 520 to 569. This increase of about 9.42% targeted the technical sector fulfilling the needs of the continuing expansions in 2008 and 2009.

A new Sales and Marketing Office has been opened in Kuwait City, to handle all the sales and marketing activities, where Kuwaiti female staff members will be trained to meet the future company needs in marketing and client relation activities.





## 2. Jordan

As of 31 December 2008, the number of work force in Jordan complex (Gulf Cables and Multi Industries Company - Al-Mafraq area), our subsidiary company, reached 286 compared to 232 on 31 Dec 2007, showing an increase of about 23.81%. The Company is still in the process of hiring technical capabilities to meet the expansion in production. In the mean time in-house training in Jordan continues lead by experienced technicians and engineers sent from Kuwait.

During the second half of 2008, a new Administration and Sales Office has been opened in Amman, the Jordanian Capital.

Our subsidiary in Jordan has obtained the ISO (SGS) 9001:2000 accreditations, which gives the company the rights and power to register and promote its products locally and in all the neighboring regions.



### Training (Kuwait & Jordan):

The Company conducts in-house and external training courses for its staff whenever required, in order to enhance their knowledge and expertise.

### General activities

The company constantly cooperates with the Kuwait Foundation for the Advancement of Sciences concerning the participation of the employees in the training courses held by specialized institutions and academies.

The Company is always cooperating with Kuwait University - College of Engineering and Petroleum - and with the Public Authority for Applied Education and Training by offering more services to the students through field visits during the year to closely study the production chain and the technical work in the mechanical and electrical maintenance departments.

The company participated in external and local exhibitions to widen the local and regional customers' base.

## Dear Shareholders,

The Company's profits as a result of its operational and investment activities has realized about 3.23 million Kuwaiti Dinars in 2008, after the deduction of about 21.19 million Dinars due to implementing the accounting Standard No. (39) representing the decline in Available for Sale Investments, and after the deduction of the share of Kuwait Foundation for the Advancement of Sciences, the national labor support tax, Zakat and the Board of Directors remunerations totaling about 0.35 million Kuwaiti Dinars. The administrative and general expenses reached 4.03 million Dinars (2007: 3.33 million), and financing charges about 3.28 million Dinars (2007: 0.91 million). The year's profits included about 1.34 from the reversal of provisions (2007: nil).

Based on these results, and with the available retained earnings, the Board of Directors decided in its meeting held on 14 January 2009 to propose a recommendation for your approval to distribute cash dividends of 70 % (i.e. 70 Fils per share) (2007: i.e. 50 % cash and 30 % bonus shares).

The Board of Directors approved the year end financial statements on 24 February 2009, which shows that the total shareholders equity of the parent company for the year ended 31 December 2008 amounted to about 151.42 million Dinars, compared to 248.99 million Dinars in 2007.

Finally, I ask the Almighty God to grant us continuous success. We look forward to more advancement and development with the help of God and then with your permanent support and assistance to the management. I would like to close my word by expressing my deepest thanks to all the managers, technicians, and staff in both Kuwait and Jordan for their efforts and dedicated work. We hope all this will continue for the best of all of us.

Thank you,



**Bader Naser Al-Kharafi**

Chairman Managing Director

29 March 2009

# **Consolidated financial statements and independent auditors report**

## **Gulf Cable and Electrical Industries Company – KSC and Subsidiary - Kuwait**

### **for the year ending in 31 December 2008**

#### **Independent auditors' report**

**To the shareholders of**  
**Gulf Cable and Electrical Industries Company – KSC**  
**Kuwait**

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) (the parent company) and its Subsidiary (the group), which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and the explanatory notes.

#### **Directors' Responsibility for the Consolidated Financial Statements**

The parent company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the

assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

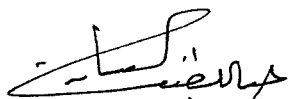
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2008, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Report on Other Legal and Regulatory Requirements

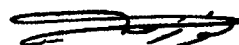
In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, nor of the articles of association of the parent company, as amended, have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the group or on its financial position.



**Abdullatif M. Al-Aiban (CPA)**

(Licence No. 94-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners



**Fawzia Mubarak Al-Hassawi**

(Licence No. 80-A)

of UHY-Fawzia Mubarak Al-Hassawi

Kuwait 24 February 2009

# Consolidated statement of income

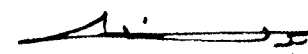
	Notes	Year ended 31 Dec. 2008 KD	Year ended 31 Dec. 2007 KD
Sales		<b>109,858,045</b>	83,982,574
Cost of sales	5	<b>(87,817,090)</b>	(58,765,272)
<b>Gross profit</b>		<b>22,040,955</b>	25,217,302
Dividend income		<b>7,366,726</b>	3,730,277
Investment income		<b>533,873</b>	358,605
Realised gain on sale of available for sale of investments		<b>246,620</b>	4,138,017
Impairment in value of available for sale investments	11	<b>(21,189,414)</b>	-
Interest income	6	<b>112,588</b>	200,588
Other revenue		<b>97,078</b>	30,429
Gain /(loss) on foreign exchange		<b>328,355</b>	(128,058)
		<b>9,536,781</b>	33,547,160
<b>Expenses and other charges</b>			
Administrative expenses	5	<b>(2,489,035)</b>	(1,855,340)
Commercial expenses	5	<b>(1,538,297)</b>	(1,472,724)
Provision for doubtful debts		-	(342,095)
Reversal of provision /(provision)for obsolete stock		<b>845,304</b>	(106,914)
Reversal of warranty provision		<b>493,721</b>	-
Interest expense	8	<b>(3,275,776)</b>	(911,181)
Impairment of goodwill		-	(759,684)
<b>Profit before contribution to KFAS,NLST, Zakat and Directors' remuneration</b>		<b>3,572,698</b>	28,099,222
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		<b>(35,826)</b>	(281,428)
National Labour Support Tax (NLST)		-	(624,113)
Zakat		-	(15,447)
Directors' remuneration		<b>(310,000)</b>	(310,000)
<b>Profit for the year</b>		<b>3,226,872</b>	26,868,234
Attributable to:			
Shareholders of the parent company		<b>3,236,779</b>	26,911,812
Minority interest		<b>(9,907)</b>	(43,578)
<b>Profit for the year</b>		<b>3,226,872</b>	26,868,234
<b>Earnings per share</b>	9	<b>15 Fils</b>	128 Fils

The notes set out on pages 8 to 25 form an integral part of these consolidated financial statements.



# Consolidated balance sheet

	Notes	31 Dec. 2008 KD	31 Dec. 2007 KD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	14,975,255	11,627,112
Available for sale investments	11	128,445,771	248,450,493
		<b>143,421,026</b>	260,077,605
<b>Current assets</b>			
Inventories	12	48,755,949	34,712,801
Trade accounts receivable	13	37,351,032	27,518,805
Other receivables and prepayments		4,912,775	3,063,895
Fixed deposit		186,425	200,614
Cash and bank balances		2,402,873	2,982,536
		<b>93,609,054</b>	68,478,651
<b>Total assets</b>		<b>237,030,080</b>	328,556,256
<b>Equity and liabilities</b>			
<b>Equity attributable to the shareholders of the parent company</b>			
Share capital	14	20,993,131	16,148,562
Share premium	15	29,160,075	29,160,075
Legal reserve	16	14,257,443	13,899,182
Voluntary reserve	16	14,257,443	13,899,182
General reserve		16,788,145	16,788,145
Fair value reserve		35,075,553	163,861,329
Foreign currency translation reserve		(293,939)	(353,687)
Retained earnings		21,185,666	31,584,259
		<b>151,423,517</b>	284,987,047
Minority interest		305,312	311,743
<b>Total equity</b>		<b>151,728,829</b>	285,298,790
<b>Non-current liabilities</b>			
Long term provisions	17	1,229,465	1,376,202
Long term loans	18	12,925,223	2,573,906
		<b>14,154,688</b>	3,950,108
<b>Current liabilities</b>			
Trade accounts payable		1,089,259	1,018,834
Other payables and accruals	19	5,770,730	5,634,751
Current portion of long term loans	18	4,938,839	571,979
Short term loans	18	56,411,537	27,398,658
Due to banks		2,936,198	4,683,136
		<b>71,146,563</b>	39,307,358
<b>Total liabilities</b>		<b>85,301,251</b>	43,257,466
<b>Total equity and liabilities</b>		<b>237,030,080</b>	328,556,256



**Bader Naser Al-Kharafi**  
Chairman and Managing Director

The notes set out on pages 8 to 25 form an integral part of these consolidated financial statements.



# Consolidated statement of changes in equity

	Attributable to shareholders of the parent company									Minority interest	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance at 31 December 2007</b>	16,148,562	29,160,075	13,899,182	13,899,182	16,788,145	163,861,329	(353,687)	31,584,259	284,987,047	311,743	285,298,790
Change in fair value	-	-	-	-	-	(149,728,570)	-	-	(149,728,570)	-	(149,728,570)
Realised gain on sale of available for sale investments transferred to consolidated statement of income	-	-	-	-	-	(246,620)	-	-	(246,620)	-	(246,620)
Impairment in value of available for sale investments transferred to consolidated statement of income	-	-	-	-	-	21,189,414	-	-	21,189,414	-	21,189,414
Movement in foreign currency translation reserve	-	-	-	-	-	-	59,748	-	59,748	3,476	63,224
Net (loss)/ income recognised directly in equity	-	-	-	-	-	(128,785,776)	59,748	-	(128,726,028)	3,476	(128,722,552)
Profit/(loss) for the year	-	-	-	-	-	-	-	3,236,779	3,236,779	(9,907)	3,226,872
Total recognised expense and income for the year	-	-	-	-	-	(128,785,776)	59,748	3,236,779	(125,489,249)	(6,431)	(125,495,680)
Payment of cash dividend (Note 21)	-	-	-	-	-	-	-	(8,074,281)	(8,074,281)	-	(8,074,281)
Issue of bonus shares (Note 21)	4,844,569	-	-	-	-	-	-	(4,844,569)	-	-	-
Transfer to reserves	-	-	358,261	358,261	-	-	-	(716,522)	-	-	-
<b>Balance at 31 December 2008</b>	<b>20,993,131</b>	<b>29,160,075</b>	<b>14,257,443</b>	<b>14,257,443</b>	<b>16,788,145</b>	<b>35,075,553</b>	<b>(293,939)</b>	<b>21,185,666</b>	<b>151,423,517</b>	<b>305,312</b>	<b>151,728,829</b>



	Attributable to shareholders of the parent company									Minority interest	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance at 31 December 2006</b>	13,921,913	26,443,807	11,084,902	11,084,902	16,788,145	90,735,973	15,705	21,534,789	191,610,136	513,871	192,124,007
Change in fair value	-	-	-	-	-	77,263,373	-	-	77,263,373	-	77,263,373
Realised gain on sale of available for sale investments transferred to consolidated statement of income	-	-	-	-	-	(4,138,017)	-	-	(4,138,017)	-	(4,138,017)
Movement in foreign currency translation reserve	-	-	-	-	-	-	(369,392)	-	(369,392)	(21,858)	(391,250)
Net income/(loss) recognised directly in equity	-	-	-	-	-	73,125,356	(369,392)	-	72,755,964	(21,858)	72,734,106
Profit/(loss) for the year	-	-	-	-	-	-	-	26,911,812	26,911,812	(43,578)	26,868,234
Total recognised income and expense for the year	-	-	-	-	-	73,125,356	(369,392)	26,911,812	99,667,776	(65,436)	99,602,340
Payment of cash dividend	-	-	-	-	-	-	-	(9,127,448)	(9,127,448)	-	(9,127,448)
Issue of bonus shares	2,106,334	-	-	-	-	-	-	(2,106,334)	-	-	-
Issue of share capital	120,315	2,716,268	-	-	-	-	-	-	2,836,583	-	2,836,583
Transfer to reserves	-	-	2,814,280	2,814,280	-	-	-	(5,628,560)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(136,692)	(136,692)
<b>Balance at 31 December 2007</b>	16,148,562	29,160,075	13,899,182	13,899,182	16,788,145	163,861,329	(353,687)	31,584,259	284,987,047	311,743	285,298,790

The notes set out on pages 8 to 25 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
		KD	KD
<b>OPERATING ACTIVITIES</b>			
<b>Profit for the year</b>		<b>3,226,872</b>	26,868,234
Adjustments:			
Depreciation		<b>1,287,618</b>	913,596
Provision for staff indemnity		<b>369,352</b>	201,811
Reversal of warranty provision		<b>(493,721)</b>	-
Interest expense		<b>3,275,776</b>	911,181
Interest income		<b>(112,588)</b>	(200,588)
Dividend income		<b>(7,366,726)</b>	(3,730,277)
Investment income		<b>(533,873)</b>	(358,605)
Realised gain on sale of available for sale investments		<b>(246,620)</b>	(4,138,017)
Impairment in value of available for sale investments		<b>21,189,414</b>	-
Foreign exchange loss on non-operating liabilities		<b>477,848</b>	-
Impairment of goodwill		-	759,684
		<b>21,073,352</b>	21,227,019
<b>Changes in operating assets and liabilities:</b>			
Inventories		<b>(14,043,148)</b>	(8,658,112)
Trade accounts receivable		<b>(9,832,227)</b>	(8,982,343)
Other receivables and prepayments		<b>(1,848,880)</b>	(2,938,158)
Trade accounts payable		<b>70,425</b>	352,048
Other payables and accruals		<b>169,858</b>	831,209
Staff indemnity paid		<b>(19,818)</b>	(29,026)
Warranty provision paid		<b>(2,550)</b>	-
<b>Net cash (used in)/ from operating activities</b>		<b>(4,432,988)</b>	1,802,637

## Consolidated statement of cash flows (continued)

INVESTING ACTIVITIES	Note	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
		KD	KD
Fixed deposit maturing after three month		(186,425)	-
Capital expenditure		(4,563,006)	(1,141,311)
Net book value of property, plant and equipment disposed		-	3,364
Purchase of available for sale investments		(30,970,748)	(40,063,375)
Proceeds from redemption / sale of available for sale investments		1,246,900	10,915,367
Acquisition of subsidiary		-	(136,692)
Dividend income received		7,366,726	3,730,277
Investment income received		533,873	358,605
Interest income received		112,588	200,588
<b>Net cash used in investing activities</b>		<b>(26,460,092)</b>	<b>(26,133,177)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share capital		-	2,836,583
Payment of dividends		(8,108,160)	(9,055,466)
Proceeds from term loans		54,885,250	27,398,658
Repayment of term loans		(11,632,040)	(446,690)
Interest expense paid		(3,275,776)	(911,181)
<b>Net cash from financing activities</b>		<b>31,869,274</b>	<b>19,821,904</b>
Increase (decrease) in cash and cash equivalents		<b>976,194</b>	<b>(4,508,636)</b>
Foreign currency translation adjustment		(9,533)	49,706
Cash and cash equivalents at beginning of the year	20	(1,499,986)	2,958,944
<b>Cash and cash equivalents at end of the year</b>	<b>20</b>	<b>(533,325)</b>	<b>(1,499,986)</b>

The notes set out on pages 8 to 25 form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## for the year ending in 31 December 2008

### 1. Incorporation and activities

Gulf Cable and Electrical Industries Company – KSC (“the parent company”) is a registered Kuwaiti shareholding company, which was established on 15 March 1975. Its shares are listed on the Kuwait Stock Exchange.

The address of the parent company's registered office is PO Box 1196, Safat 13012, State of Kuwait.

The group comprises the parent company and its 94.5% subsidiary Gulf Cable and Multi Industries Company – JSC, Jordan. The principal activities of the group are the manufacture and supply of cables and related products and the holding of investments

The board of directors approved these consolidated financial statements for issue on 24 February 2009 and are subject to the approval of the general assembly of the shareholders.

### 2. Adoption of new and revised International Financial Reporting Standards

The following standards, amendments and interpretations are mandatory for reporting periods beginning on or after 1 January 2008 but they are not relevant to the group's operations:

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations which are yet to become effective have not been adopted:

- IFRS 2 Share Based Payments (Revised) (effective for annual periods on or after 1 January 2009)
- IFRS 3 Business Combinations (Revised) (effective for annual periods on or after 1 July 2009)
- IFRS 5 Non Current Assets Held for Sale and Discontinued Operations (effective for annual periods on or after 1 July 2009)
- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)
- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009)
- IAS 16 Property, Plant and Equipment (effective for annual periods on or after 1 January 2009)



- IAS 19 Employee Benefits (effective for annual periods on or after 1 January 2009)
- IAS 23 Borrowing costs (Revised) (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 28 Investments in Associates (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods on or after 1 January 2009)
- IAS 31 Interests in Joint Ventures (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 32 Financial Instruments: Presentation (effective for annual periods on or after 1 January 2009)
- IAS 36 Impairment of Assets (effective for annual periods on or after 1 January 2009)
- IAS 38 Intangible Assets (effective for annual periods on or after 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 40 Investment Property (effective for annual periods on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programs (effective for annual periods on or after 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods on or after 1 January 2009)
- IFRIC 16 Hedges of Net Investment in Foreign Operation (effective for annual periods on or after 1 October 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners (effective for annual periods on or after 1 July 2009)

The adoption of IAS 1 and IFRS 8 will result in amendments to the presentation of the consolidated financial statements of the group.

Based on the group's current business model and accounting policies, management does not expect material impact on the group's financial statements in the period of initial applications of the above standards and interpretations.

The group does not intend to apply any of the above pronouncements early.

### 3. Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

#### **Basis of preparation**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under historical cost convention, modified to include measurement at fair value of available for sale investments.

The consolidated financial statements have been presented in Kuwaiti Dinar which is the functional currency of the parent company.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2008, and the financial statements of its subsidiary prepared to that date using consistent accounting policies.

Subsidiaries are those enterprises controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter company balances and transactions, including inter company profits and unrealised profits and losses are eliminated on consolidation. Adjustments are made for non-uniform accounting policies..

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:



### *Sale of goods*

Sales represent the invoiced value of goods, net of discounts, supplied by the group during the year.

### *Interest income*

Interest income is recognised on a time proportion basis taking account of the principal outstanding and the rate applicable.

### *Dividend income*

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

## **Taxation and Zakat**

The parent company calculates the National Labour Support Tax (NLST) in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

The parent company calculates the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) at 1% of taxable profit after deducting directors' fees in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Contribution to Zakat is calculated at 1% of the profit of the parent company in accordance with the Ministry of Finance resolution No. 58/2007.

## **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment is depreciated with effect from the date of purchase by equal annual instalments over the estimated useful lives of the assets.

Capital expenditure on assets in the course of construction are carried under "assets under construction" and are capitalised and transferred to the appropriate asset category once completed, from which time depreciation is applied using the rate applicable to the category concerned.

## **Available for sale investments**

Available for sale investments are initially recognised at cost, being the fair value of the consideration given including all acquisition costs associated with the investments.

After initial recognition, available for sale investments are remeasured at fair value. For investments traded in organised financial markets, fair value is determined based on the closing bid prices on the balance sheet date.

For investments where there is no quoted market price, reasonable estimate of the fair value is determined by reference to an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company. Fair value estimates take into account liquidity constraints and assessments for any permanent impairment. Investments whose fair value can not be reliably measured are carried at cost.



Any gain or loss arising from remeasurement to fair value for available for sale investments is recognized in the equity under fair value reserve account until the investment is sold, collected, or otherwise disposed of or the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in the equity is included in the consolidated statement of income.

### **Trade date and settlement date accounting**

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the assets. Regular way purchases or sales are transactions that require the delivery of asset within the time frame generally established by regulation or convention in the market place concerned.

### **Fair values**

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment. Investments for which there is no reliable measure of fair value are carried at cost less impairment.

The determination of fair value is done for each investment individually.

### **Impairment and uncollectability of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value; and
- b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for equity instruments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognised in the fair value reserve.



## **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 such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

## **Inventories**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis. In the case of finished goods and work-in-progress, cost comprises direct materials, direct labour and an appropriate allocation of manufacturing fixed and variable overheads.

## **Provision for doubtful receivables**

Specific provision is made at the balance sheet date for those balances where recovery is considered to be doubtful.

## **Provision for staff indemnity**

Provision is made for amounts payable under the Kuwait labour law applicable to employees' accumulated periods of service as at the balance sheet date.

## **Provisions**

Provisions are recognised where the group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

## **Cash and cash equivalents**

Cash and cash equivalents as presented in the consolidated statement of cash flows consist of fixed deposit maturing within three months, cash and bank balances and due to banks. Those fixed deposits which are due to mature after three months are considered as operating assets.



## Foreign currencies

Foreign currency transactions are converted into functional currency of each company at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the rates of exchange ruling at the balance sheet date. All exchange differences arising are reflected in the consolidated statement of income.

As at the reporting date, the assets and liabilities of foreign subsidiary are translated into the parent company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the balance sheet date, and the statement of income items are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

## Derivative financial instruments

The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

## Segmental information

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

## Contingencies

Contingent liabilities are not recognised in the consolidated balance sheet, but 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 are disclosed when an inflow of economic benefits is probable.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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



## **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### *Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same; or
- other valuation models.

### *Impairment of account receivables*

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were KD38,683,122 (2007: KD28,850,895), and the provision for doubtful debts was KD 1,332,090 (2007: KD1,332,090). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

### *Impairment of inventories*

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

At the balance sheet date, gross inventories were KD45,945,377 (2007: KD30,881,364), with provision for old and obsolete inventories of KD235,023 (2007: KD1,080,327). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

## **Critical judgement in applying accounting policies**

In the process of applying the group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investment at fair value through income statement depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily

available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

#### *Impairment of available for sale investments*

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The group recognised impairment loss of KD18,678,211 (2007: KD Nil) with respect to available for sale investments.

## 5. Staff costs

Costs relating to the salaries and benefit entitlements of the group's employees are included in the following accounts:

	2008 KD	2007 KD
Cost of sales	1,925,661	1,653,139
Administrative expenses	1,919,764	1,306,146
Commercial expenses	254,149	271,473
	<b>4,099,574</b>	<b>3,230,758</b>

## 6. Interest income

	2008 KD	2007 KD
Bank balances	34,830	48,479
Fixed deposit	77,758	152,109
Interest income on financial assets not at fair value	112,588	200,588

## 7. Net (loss)/gain on financial assets

Net (loss)/gain on financial assets, analysed by category, is as follows:

	2008 KD	2007 KD
Bank balances	34,830	48,479
Fixed deposit	77,758	152,109
Available for sale investments	(13,042,195)	8,226,899
Net realised (loss)/gain	(12,929,607)	8,427,487
Net unrealised (loss) gain recognised in equity	(128,785,776)	73,125,356
	<b>(141,715,383)</b>	<b>81,552,843</b>



## 8. Interest expense

Total interest expense relates to term loans which are financial liabilities stated at amortised cost.

## 9. Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the parent company by weighted average number of shares as follows:

	2008	2007
Profit for the year attributable to the shareholders of the parent company (KD)	<b>3,236,779</b>	26,911,812
Weighted average shares in issue during the year (number)	<b>209,931,310</b>	209,720,350
Earnings per share	<b>15 Fils</b>	128 Fils

The weighted average number of shares for the calculation of earnings per share has been adjusted to reflect the bonus issue in April 2008 (Note 21).

## 10. Property, plant and equipment

	Land	Buildings	Plant and machinery	Vehicles, furniture and equipment	Agriculture farm and related facilities	Assets under construction	Total
2008	KD	KD	KD	KD	KD	KD	KD
<b>Cost</b>							
At 1 January 2008	266,951	5,838,064	18,893,401	1,042,310	548,511	2,629,429	29,218,666
Additions	-	57,595	614,785	197,865	2,433	3,690,328	4,563,006
Transfer	-	884,357	161,511	-	-	(1,045,868)	-
Foreign currency adjustment	3,082	6,824	44,391	645	6,331	19,958	81,231
At 31 December 2008	<b>270,033</b>	<b>6,786,840</b>	<b>19,714,088</b>	<b>1,240,820</b>	<b>557,275</b>	<b>5,293,847</b>	<b>33,862,903</b>
<b>Accumulated depreciation</b>							
At 1 January 2008	-	4,563,342	12,138,862	849,541	39,809	-	17,591,554
Charge for the year	-	165,384	1,011,228	81,562	29,444	-	1,287,618
Foreign currency adjustment	-	613	6,641	303	919	-	8,476
At 31 December 2008	-	<b>4,729,339</b>	<b>13,156,731</b>	<b>931,406</b>	<b>70,172</b>	-	<b>18,887,648</b>
<b>Net book value</b>							
At 31 December 2008	<b>270,033</b>	<b>2,057,501</b>	<b>6,557,357</b>	<b>309,414</b>	<b>487,103</b>	<b>5,293,847</b>	<b>14,975,255</b>

## 10. Property, plant and equipment (continued)

	Land	Buildings	Plant and machinery	Vehicles, furniture and equipment	Agriculture farm and related facilities	Assets under construction	Total
2007	KD	KD	KD	KD	KD	KD	KD
<b>Cost</b>							
At 1 January 2007	284,947	5,505,523	14,973,616	942,435	585,487	6,248,896	28,540,904
Additions	-	-	81,046	102,500	-	957,765	1,141,311
Transfer	-	372,396	4,100,438	-	-	(4,472,834)	-
Disposals	-	-	(4,270)	(500)	-	-	(4,770)
Foreign currency adjustment	(17,996)	(39,855)	(257,429)	(2,125)	(36,976)	(104,398)	(458,779)
At 31 December 2007	266,951	5,838,064	18,893,401	1,042,310	548,511	2,629,429	29,218,666
<b>Accumulated depreciation</b>							
At 1 January 2007	-	4,450,373	11,423,459	796,521	21,162	-	16,691,515
Charge for the year	-	113,650	716,684	53,145	30,117	-	913,596
Relating to disposals	-	-	(1,281)	(125)	-	-	(1,406)
Foreign currency adjustment	-	(681)	-	-	(11,470)	-	(12,151)
At 31 December 2007	-	4,563,342	12,138,862	849,541	39,809	-	17,591,554
<b>Net book value</b>							
<b>At 31 December 2007</b>	266,951	1,274,722	6,754,539	192,769	508,702	2,629,429	11,627,112

The estimated useful lives for the calculation of depreciation are as follows:

Buildings	20 to 25 years
Plant and machinery	10 years
Vehicles, furniture and equipment	4 to 10 years
Agriculture farm and related facilities	5 to 10 years

The buildings are situated on land leased from the Ministry of Finance and Public Authority for Industry on long-term leases, commencing from 1977 and for periods of either 5 or 25 years. The five year leases are renewed periodically and the 25 year lease was renewed in 2007 for five years.

## 11. Available for sale investments

	2008 KD	2007 KD
Managed portfolios	<b>102,622,903</b>	212,191,444
Quoted shares	<b>12,725,253</b>	21,238,716
Quoted funds	<b>2,519,856</b>	5,339,594
Unquoted shares	<b>8,691,734</b>	7,085,575
Unquoted funds	<b>1,886,025</b>	2,595,164
	<b>128,445,771</b>	248,450,493

Unquoted investments include investments in private equity funds amounting to KD 1,886,025 (2007: KD2,595,164).

Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

The group recognised impairment loss by KD21,189,414 in respect of certain available for sale investments.

## 12. Inventories

	2008 KD	2007 KD
Raw materials	<b>20,367,137</b>	10,001,005
Finished goods	<b>13,757,365</b>	12,338,840
Work-in-progress	<b>10,503,107</b>	7,324,003
Spare parts	<b>1,317,768</b>	1,217,516
	<b>45,945,377</b>	30,881,364
Provision for obsolete stock	<b>(235,023)</b>	(1,080,327)
	<b>45,710,354</b>	29,801,037
Goods in transit and prepaid letters of credit	<b>3,045,595</b>	4,911,764
	<b>48,755,949</b>	34,712,801



### 13. Trade accounts receivable

	2008	2007
	KD	KD
Trade accounts receivable	<b>38,683,122</b>	28,850,895
Provision for doubtful debts	<b>(1,332,090)</b>	(1,332,090)
	<b>37,351,032</b>	27,518,805

1.2 The carrying values of the financial assets included above approximate their fair values and all of them are due within one year.

Trade receivables are non-interest bearing and generally on 30 – 90 days terms.

As at 31 December the aging analysis of trade receivables is as follows;

	2008	2007
	KD	KD
Neither past due nor impaired:		
- less than 3 months	<b>29,465,244</b>	25,396,322
- 3 – 6 months	<b>7,566,922</b>	928,874
Impaired:		
- over 6 months	<b>1,650,956</b>	2,525,699
Total trade accounts receivables	<b>38,683,122</b>	28,850,895

### 14. Share capital

	2008	2007
	KD	KD
Authorised: shares of 100 Kuwaiti Fils each	<b>20,993,131</b>	16,148,562
Issued and fully paid: shares of 100 Kuwaiti Fils each	<b>20,993,131</b>	16,148,562

The annual general meeting of the shareholders held on 13 April 2008 approved the increase in the authorised capital from KD16,148,562 to KD20,993,131 by issue of 48,445,690 bonus shares.

### 15. Share premium

Share premium is not available for distribution.

## 16. Reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit of the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve. The shareholders of parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the parent company's articles of association and the Commercial Companies Law 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

## 17. Long term provisions

	2008	2007
	KD	KD
Provision for staff indemnity	1,229,465	879,931
Warranty provision	-	496,271
	1,229,465	1,376,202

## 18. Term loans

	Balances outstanding at 31 December	
	2008	2007
	KD	KD
<b>Long term loans:</b>		
- USD 12,500,000	2,601,562	3,145,885
- USD 55,000,000	15,262,500	-
	17,864,062	3,145,885
Instalments due within next twelve months	(4,938,839)	(571,979)
Instalments due after next twelve months	12,925,223	2,573,906
<b>Short term loans</b>		
- Kuwait Dinar	56,411,537	27,398,658

Long term loan facility amounting to US\$12,500,000 was obtained from a regional bank. The loan is unsecured and carries interest of 1.25% above 6 months LIBOR. The loan is repayable in twelve semi-annual instalments of US\$1,041,667 ending on 1 May 2013.

Long term loan amounting to US\$55,000,000 was obtained from a regional bank. The loan is unsecured and carries interest of 1.5% above six months LIBOR. The loan is repayable in seven semi annual instalments of US7,857,143 ending on 1 March 2012.

Short term loans outstanding at 31 December 2008 were obtained from local banks. The loans are unsecured and carry effective average interest of 1.25% and 1.5% above Central Bank of Kuwait discount rate (31 December 2007: 6.42%) per annum. The loans are repayable within twelve months of the balance sheet date.

## 19. Other payables and accruals

	2008	2007
	KD	KD
Kuwait Foundation for the Advancement of Sciences	317,254	281,428
Provision for National Labour Support Tax	-	624,113
Zakat	-	15,447
Directors' remuneration	370,000	370,000
Uncollected dividends	1,445,718	1,479,597
Accrued staff dues	1,269,247	1,882,987
Other liabilities	2,368,511	981,179
	<b>5,770,730</b>	<b>5,634,751</b>

## 20. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise the following consolidated balance sheet accounts:

	2008	2007
	KD	KD
Fixed deposit maturing within three months	-	200,614
Cash and bank balances	2,402,873	2,982,536
Due to banks	(2,936,198)	(4,683,136)
	<b>(533,325)</b>	<b>(1,499,986)</b>

## 21. Proposed dividends and bonus shares

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose a cash dividend of 70 Fils per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The proposed cash dividend of 50 Fils per share amounting to KD8,074,281 and bonus shares of 30% paid up capital for the year ended 31 December 2007 were approved by the general assembly of the shareholders held on 13 April 2008 and paid following that approval.



## 22. Segmental information

The group's primary basis of segment reporting is by business segments, which consist of cable manufacture and investment activities.

An analysis of gross income, profit, total assets, total liabilities and net assets employed in respect of each of these segments is as follows:

	Cable manufacture	Investment	Total
	KD	KD	KD
<b>At 31 December 2008</b>			
Gross income /(loss)	22,623,133	(13,086,352)	9,536,781
Segment profit/(loss)	19,740,382	(16,167,684)	3,572,698
<b>Unallocated expenses</b>			(345,826)
<b>Profit for the year</b>			3,226,872
Total assets	108,397,853	128,632,227	237,030,080
Total liabilities	(11,025,652)	(74,275,599)	(85,301,251)
Net assets employed	97,372,201	54,356,628	151,728,829
Capital expenditure	4,563,006	-	4,563,006
Depreciation	1,287,618	-	1,287,618
Impairment in value of available for sale investments	-	21,189,414	21,189,414
<b>At 31 December 2007</b>			
Gross income	25,499,221	8,047,939	33,547,160
Segment profit	21,553,152	6,546,070	28,099,222
<b>Unallocated expenses</b>			(1,230,988)
<b>Profit for the year</b>			26,868,234
Total assets	79,905,111	248,651,145	328,556,256
Total liabilities	(12,712,923)	(30,544,543)	(43,257,466)
Net assets employed	67,192,188	218,106,602	285,298,790
Capital expenditure	1,141,311	-	1,141,311
Depreciation	913,596	-	913,596
<b>Impairment in value of goodwill</b>	759,684	-	759,684

The group reports its secondary segmental information according to geographical location of its customers and assets, as follows:

	Kuwait and Middle East	International	Total
	KD	KD	KD
<b>At 31 December 2008</b>			
Gross income	<b>9,002,908</b>	<b>533,873</b>	<b>9,536,781</b>
Net assets employed	<b>132,444,485</b>	<b>19,284,344</b>	<b>151,728,829</b>
Capital expenditure	<b>4,563,006</b>	-	<b>4,563,006</b>
<b>At 31 December 2007</b>			
Gross income	33,188,555	358,605	33,547,160
Net assets employed	244,123,386	41,175,404	285,298,790
Capital expenditure	1,141,311	-	1,141,311

## 23. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the parent company and their related concerns) entered into by the group in the ordinary course of business.

	2008 KD	2007 KD
<b>Amounts included in the consolidated balance sheet:</b>		
Purchase of property, plant and equipment	<b>239,760</b>	724,683
<b>Amounts included in the consolidated statement of income:</b>		
Sales	<b>1,794,905</b>	1,475,839
Industrial expenses	<b>63,867</b>	250,065
<b>Key management compensation:</b>		
Salaries and other short term benefits	<b>452,885</b>	500,000
Terminal benefits	<b>4,077</b>	3,357
	<b>456,962</b>	503,357

## **24. Capital commitments**

At the balance sheet date the group was committed to purchase investments amounting to KD1,039,851 (2007: KD2,550,713) and purchase new machinery and equipment amounting to KD1,266,452 (2007: KD2,769,091).

## **25. Contingent liabilities**

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD5,831,409 (2007: KD5,679,889).

## **26. Derivative financial instruments**

During the year the parent company entered into a 5 year interest rate swap with a local financial institution with a notional principal amounts of KD3,431,875 which merely represents amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments. The swap was terminated during the year.

## **27. Risk management objectives and policies**

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed to are described below.

### **27.1 Market risk**

#### **a) Foreign currency risk**

The group mainly operates in the GCC and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchange contracts, if required, are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2008	2007
	KD	KD
US Dollar	(8,804,204)	1,977,680

The foreign currency sensitivity is determined based on 5% (2007: 5%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year. There is no impact on the group's equity:

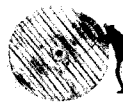
	Profit for the year	
	2008	2007
	KD	KD
US Dollar	440,210	(98,884)
	440,210	(98,884)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the group's profit for the year would have been equal and opposite as disclosed above.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than fixed deposits. The group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. The board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Positions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.



The following table illustrates the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2007: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each balance sheet date. All other variables are held constant. There is no impact on the group's equity:

	2008		2007	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit for the year	(2,067,376)	2,067,376	(608,885)	608,885

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as available for sale.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 10% (2007: 5%) higher/lower, the effect on the equity would have been as follows:

	2008		2007	
	Increase	Decrease	Increase	Decrease
	10%	10%	5%	5%
Impact on equity	12,655,923	(11,112,089)	12,277,775	(12,227,775)
Impact on profit for the year	-	(1,543,834)	-	-

There is no impact on the group's profit for the year.





## 27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as summarized below:

	2008	2007
	KD	KD
Available for sale investments	105,142,759	217,531,038
Trade accounts receivable	37,351,032	27,518,805
Other receivables and prepayments	4,912,775	3,063,895
Fixed deposit	186,425	200,614
Bank balances	2,390,473	2,736,052
	149,983,464	251,050,404

Bank balances and fixed deposit are maintained with high credit quality financial institutions. Trade accounts receivable are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Information on other significant concentrations of credit risk is set out in note 22.

## 27.3 Liquidity risk

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

The table below summarises the maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2008 and 2007:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
	KD	KD	KD	KD	KD
<b>2008</b>					
<b>Assets</b>					
Property, plant and equipment	-	-	-	14,975,255	14,975,255
Available for sale investments	-	-	-	128,445,771	128,445,771
Inventories	6,965,136	13,930,271	27,860,542	-	48,755,949
Trade accounts receivable	9,337,758	22,410,619	5,602,655	-	37,351,032
Other receivables and prepayments	1,228,193	1,965,110	1,719,472	-	4,912,775
Fixed deposit	-	-	186,425	-	186,425
Cash and bank balances	2,402,873	-	-	-	2,402,873
	<b>19,933,960</b>	<b>38,306,000</b>	<b>35,369,094</b>	<b>143,421,026</b>	<b>237,030,080</b>
<b>Liabilities</b>					
Long term provisions	-	-	-	1,229,465	1,229,465
Term loans	-	2,180,357	59,170,019	12,925,223	74,275,599
Trade accounts payable	-	1,089,259	-	-	1,089,259
Other payables and accruals	604,802	3,290,479	1,875,449	-	5,770,730
Due to banks	2,936,198	-	-	-	2,936,198
	<b>3,541,000</b>	<b>6,560,095</b>	<b>61,045,468</b>	<b>14,154,688</b>	<b>85,301,251</b>
<b>2007</b>					
<b>Assets</b>					
Property, plant and equipment	-	-	-	11,627,112	11,627,112
Available for sale investments	-	-	-	248,450,493	248,450,493
Inventories	4,339,100	8,678,200	21,695,501	-	34,712,801
Trade accounts receivable	6,879,701	11,007,522	9,631,582	-	27,518,805
Other receivables and prepayments	765,965	1,225,558	1,072,372	-	3,063,895
Fixed deposit	200,614	-	-	-	200,614
Cash and bank balances	2,982,536	-	-	-	2,982,536
	<b>15,167,916</b>	<b>20,911,280</b>	<b>32,399,455</b>	<b>260,077,605</b>	<b>328,556,256</b>
<b>Liabilities</b>					
Long term provisions	-	-	-	1,376,202	1,376,202
Term loans	-	22,970,637	5,000,000	2,573,906	30,544,543
Trade accounts payable	-	1,018,834	-	-	1,018,834
Other payables and accruals	1,145,666	1,718,500	2,770,585	-	5,634,751
Due to banks	4,683,136	-	-	-	4,683,136
	<b>5,828,802</b>	<b>25,707,971</b>	<b>7,770,585</b>	<b>3,950,108</b>	<b>43,257,466</b>

## 28. Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated balance sheet may also be categorized as follows:

	2008 KD	2007 KD
Available for sale investments	128,445,771	248,450,493
Trade accounts receivable	37,351,032	27,518,805
Other receivables and prepayments	4,912,775	3,063,895
Fixed deposit	186,425	200,614
Cash and banks balances	2,402,873	2,982,536
	<b>173,298,876</b>	<b>282,216,343</b>
Financial liabilities at amortised cost:		
• Term loans	74,275,559	30,544,543
• Due to banks	2,936,198	4,683,136
Trade accounts payable	1,089,259	1,018,834
Other payables and accruals	5,770,730	5,634,751
	<b>84,071,746</b>	<b>41,881,264</b>

## 29. Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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



The capital structure of the group consists of the following:

	2008	2007
	KD	KD
Long term loans (note 18)	17,864,062	3,145,885
Short term loans (note 18)	56,411,537	27,398,658
Add: Cash and cash equivalents (note 20)	533,325	1,499,986
Net debt	74,808,924	32,044,529
Equity attributable to the shareholders of the parent company	151,423,517	284,987,047

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital as follows:

	2008	2007
	KD	KD
Net debt	74,808,924	32,044,529
Total capital	151,423,517	284,987,047
Gearing ratio	49.4	11.2