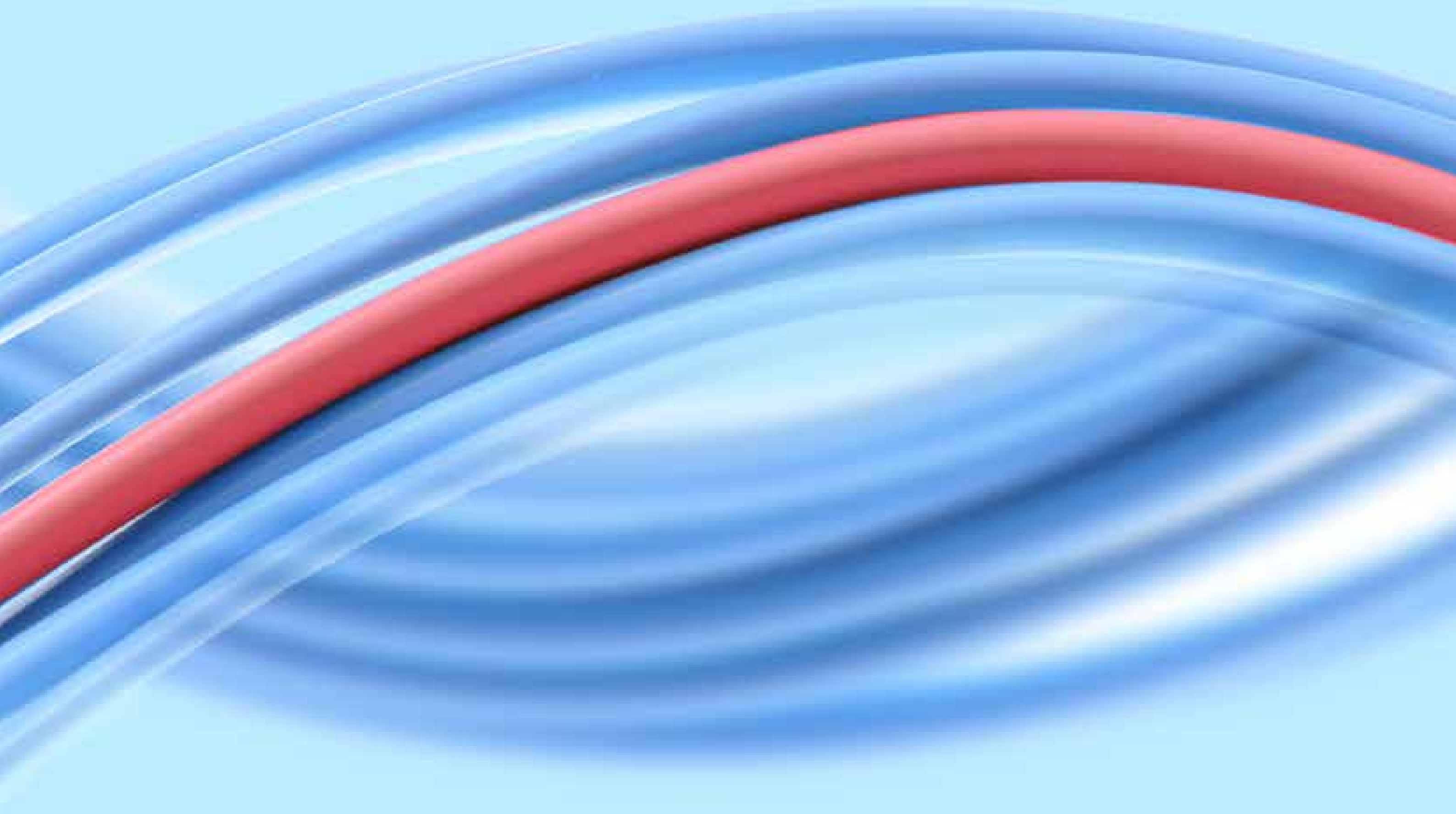
شركة الخليج للكابلات والصناعات الكهربائية - ش.م.ك.ع

Gulf Cable & Electrical Industries Co. K.S.C.P



ANNUAL REPORT

2016

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

Gulf Cable and Electrical Industries Company K.S.C.P

Commercial Registration No. : 23213
Telephones : 24675244 (7 Lines)
24645500
Fax : 24675305 - 24675850
P.O. Box : 1196 Al-Safat 13012 Kuwait
Website : www.gulfcable.com
E-mail : info@gulfcable.com

Address

Al-Sulaibiya - Fifth Street - Area 11A

Main Banks

National Bank of Kuwait
Gulf Bank
Ahli United Bank
Burgan Bank
Commercial Bank of Kuwait
Boubyan Bank

External Auditors

Grant Thornton - Al-Qatami, Al-Aiban & Partners
Hend Abdullah Al Surayea & Co. - Member of MAZARS

Members of the Board of Directors
Gulf Cable and Electrical Industries Company K.S.C.P

Mr. Bader Naser Mohammad Al-Kharafi
Chairman

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. Yousuf Ibrahim Yusuf Al-Raqm
Member

Mr. Mohammad Saad Mohammad Al-Saad
Member

Mr. Naser Omran Abdullah Kanaan
Secretary of the board

Consolidated financial statements and independent auditors' report

Gulf Cable and Electrical Industries Company - KSCP and Subsidiaries

Kuwait

31 December 2016

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Grant Thornton | An instinct for growth
Al-Qatami, Al-Aiban & Partners

Auditors & Consultants
Souq Al Kabeer Building, Block A, 9th Floor
P.O.Box 2986, Safat 13030, Kuwait
Tel: (965)2244 3900-9
Fax: (965) 2243 8451
E-mail: gt@kw.gt.com
www.grantthornton.com.kw

MAZARS
Hend Abdulla Al Surayea & Co.- Chartered Accountants

P.O. Box 23105
Safat 13092
Kuwait
Tel: +965 22470462/4
Fax: +965 22470463
Web: www.mazars.com.kw

Independent auditors' report

To the Shareholders of
Gulf Cable and Electrical Industries Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Cable and Electrical Industries Company KPSC ("Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 31 December 2016, 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our 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. We have determined the matters described below as the key audit matters.

Revenue recognition

As stated on the consolidated financial statements, The Group recognizes sales revenue amounted to KD87,488,491 during the year ended 31 December 2016 (31 December 2015:KD86,476,182). This revenue is considered material to the Group's revenue as a whole. This revenue includes sale contracts concluded with the Group's clients, which include sale prices and supply date and other terms and conditions that must be adhered thereto by both partitas. Based on those terms and conditions, the Group's management recognizes those sales and achieves revenue for each of the revenue items agreed upon. Revenue recognition policy has been disclosed within Note No. (5.3) to the consolidated financial statements.

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Independent Auditor's Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)

Inventories and cost of inventories

Inventories are a significant balance of the Group's total assets which comprise raw materials, finished goods, Work in progress and spare parts. Recognition of the value of Inventories is subject to global price fluctuations, particularly those associated with copper prices and, consequently, prices of finished goods. This may lead to potential assumptions on full recoverability of the value of those inventories.

Our audit procedures include testing of the Group's internal over the movement of the incoming and outgoing inventories and the period end balances; agreeing the cost of inventories on a sample basis to documentation such as purchase invoices; considering and testing the calculation of the other overhead costs absorbed into inventory; reviewing the relationship between the carrying value of inventory and the cost of production during the period in which the inventory was produced. We are also considering the provisioning levels recorded in the light of net sales values actually achieved at the year end and those that will likely be achieved later and comparing that with the quoted prices of materials. We also considered the appropriateness of disclosures in relation to inventories in the consolidated financial statements. The Group's disclosures about its inventories are included in Note (13).

Trade accounts receivables

The group has significant trade accounts receivable from forward sale transactions with customers and under the current economic conditions and due to the profile and nature of the Group's customers, the risk of customers' failure to pay their remaining debts remains significant risk that requires judgmental estimates.

Our audit procedures included testing the Group's controls over the receivables' collection processes; considering the receipt of cash after the year end; and testing the adequacy of the Group's provisions against the doubtful trade receivables and assessing the relevant assumptions, taking into account our own knowledge of the Group's experience in the collections of this industry's receivables and also historical data from the Group's previous collections experience. We have also considered the adequacy of the Group's disclosures in this area. The Group's disclosures about its accounts receivable and other assets are included in Note (14).

Valuation of Unquoted Available for Sale Financial Assets

The Group's investments in unquoted available for sale financial assets represent 19.48% (31 December 2015: 20.23%) of the total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. This led to the existence of judgmental assumptions about the fair value measurement of these investments. Accordingly, estimation of the fair value of these investments had a great importance in our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its available for sale financial assets are included in Note (12).

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's annual report for the year ended 31 December 2016, other than the consolidated financial statements and our auditors' report thereon.

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Independent Auditor's Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)

Other information (continued)

Our opinion on the consolidated financial statements does not cover the other accompanying information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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.

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

As part of an audit in accordance with ISAs, we exercise professional 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent Auditor's Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)

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

- 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Hend Abdullah Al Surayea
(Licence No. 141-A)
Hend Abdullah Al Surayea & Co.
Member of MAZARS

Kuwait
26 March 2017

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Revenue			
Sales		**87,488,491**	86,476,182
Cost of sales		**(75,602,142)**	(79,700,741)
Gross profit		**11,886,349**	6,775,441
Investment income	9	**3,980,181**	5,075,481
Interest income		**14,336**	6,828
Other income		**80,715**	23,001
Foreign currency exchange gain		**470,510**	380,515
		16,432,091	12,261,266
Expenses and other charges			
General and administrative expenses		**(2,891,163)**	(2,788,151)
Commercial expenses		**(1,832,673)**	(1,493,045)
Impairment of available for sale investments	12	**(1,792,860)**	(36,154,937)
Provision for doubtful debts	14	**(823,729)**	(1,743,325)
Provision for obsolete and slow moving inventories		**(587,892)**	(184,630)
Finance costs		**(1,123,891)**	(1,571,460)
		(9,052,208)	(43,935,548)
Profit/(loss) before provisions of contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**7,379,883**	(31,674,282)
Provision for contribution to KFAS		**(57,054)**	-
Provision for NLST		**(121,642)**	-
Provision for Zakat		**(47,657)**	-
Provision for directors' remuneration		**(310,000)**	-
Profit/(loss) for the year	8	**6,843,530**	(31,674,282)
Profit/(loss) for the year attributable to:			
Owners of the parent company		**6,862,871**	(31,571,700)
Non-controlling interests		**(19,341)**	(102,582)
Profit/(loss) for the year		**6,843,530**	(31,674,282)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	10	**33 Fils**	(150) Fils

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Profit/(loss) for the year		**6,843,530**	(31,674,282)
Other comprehensive income/(loss):			
Items that will be reclassified subsequently to statement of profit or loss:			
Exchange differences arising on translation of foreign operations		**69,428**	364,852
Available for sale investments:			
- Net change in fair value arising during the year	12	**7,414,080**	(18,822,851)
-Transferred to consolidated statement of profit or loss on sale		**439,568**	986,831
-Transferred to consolidated statement of profit or loss on impairment		**1,792,860**	36,154,937
Total other comprehensive income		**9,715,936**	18,683,769
Total comprehensive income/(loss) for the year		**16,559,466**	(12,990,513)
Total comprehensive income/(loss) attributable to:			
Owners of the parent company		**16,574,989**	(12,907,998)
Non-controlling interests		**(15,523)**	(82,515)
		16,559,466	(12,990,513)

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2016 KD	31 Dec. 2015 KD
Assets			
Non-current assets			
Property, plant and equipment	11	**6,225,700**	7,544,044
Available for sale investments	12	**103,234,598**	96,014,996
		109,460,298	103,559,040
Current assets			
Inventories	13	**34,986,114**	45,439,553
Trade accounts receivable	14	**26,310,869**	18,627,575
Other receivables and prepayments		**818,751**	1,473,347
Cash and bank balances	15	**5,618,100**	2,965,995
		67,733,834	68,506,470
Total assets		**177,194,132**	172,065,510
Equity and liabilities			
Equity			
Share capital	16	**20,993,131**	20,993,131
Share premium	17	**29,160,075**	29,160,075
Legal reserve	18	**20,993,131**	20,993,131
Voluntary reserve	18	**20,993,131**	20,993,131
General reserve	18	**23,841,483**	23,270,944
Other components of equity	19	**10,472,130**	760,012
Retained earnings/(accumulated losses)		**4,598,499**	(1,693,833)
Total equity attributable to the owners of the parent company		**131,051,580**	114,476,591
Non-controlling interests		**441,172**	456,695
Total equity		**131,492,752**	114,933,286
Non-current liabilities			
Provision for employees' end of service benefits		**2,494,655**	2,492,544
Long term loan	20	**-**	3,660,600
		2,494,655	6,153,144
Current liabilities			
Trade accounts payable		**1,711,734**	3,387,458
Other payables and accruals	21	**7,462,225**	6,015,145
Current portion of long term loan	20	**3,691,200**	3,660,600
Short term loans	22	**17,728,000**	25,460,234
Murabaha payables	23	**12,601,410**	12,444,014
Due to banks	15	**12,156**	11,629
		43,206,725	50,979,080
Total liabilities		**45,701,380**	57,132,224
Total equity and liabilities		**177,194,132**	172,065,510

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company								Non-controlling interests	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	General reserve	Other components of equity (Note 19)	(accumulated losses) / Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2016	20,993,131	29,160,075	20,993,131	20,993,131	23,270,944	760,012	(1,693,833)	114,476,591	456,695	114,933,286
Profit/(loss) for the year	-	-	-	-	-	-	6,862,871	6,862,871	(19,341)	6,843,530
Other comprehensive income	-	-	-	-	-	9,712,118	-	9,712,118	3,818	9,715,936
Total comprehensive income/(loss) for the year	-	-	-	-	-	9,712,118	6,862,871	16,574,989	(15,523)	16,559,466
Transfers to general reserve	-	-	-	-	570,539	-	(570,539)	-	-	-
Balance at 31 December 2016	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**23,841,483**	**10,472,130**	**4,598,499**	**131,051,580**	**441,172**	**131,492,752**

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company								Non-controlling interests	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 19) KD	Retained earnings/ (accumulated losses) KD	Sub-total KD	KD	KD
Balance at 1 January 2015	20,993,131	29,160,075	20,993,131	20,993,131	23,270,944	(17,903,690)	34,076,493	131,583,215	539,210	132,122,425
Cash dividends (note 24)	-	-	-	-	-	-	(4,198,626)	(4,198,626)	-	(4,198,626)
Transactions with owners	-	-	-	-	-	-	(4,198,626)	(4,198,626)	-	(4,198,626)
Loss for the year	-	-	-	-	-	-	(31,571,700)	(31,571,700)	(102,582)	(31,674,282)
Other comprehensive income	-	-	-	-	-	18,663,702	-	18,663,702	20,067	18,683,769
Total comprehensive income/(loss) for the year	-	-	-	-	-	18,663,702	(31,571,700)	(12,907,998)	(82,515)	(12,990,513)
Balance at 31 December 2015	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**23,270,944**	**760,012**	**(1,693,833)**	**114,476,591**	**456,695**	**114,933,286**

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
OPERATING ACTIVITIES			
Profit / (loss) for the year		**6,843,530**	(31,674,282)
Adjustments:			
Depreciation		**1,589,733**	1,629,870
Provision for employees' end of service benefits		**265,821**	322,442
Finance costs		**1,123,891**	1,571,460
Interest income		**(14,336)**	(6,828)
Dividend income		**(4,493,366)**	(5,919,747)
Other investment income		**(42,804)**	(50,819)
Loss on sale of available for sale of investments		**570,973**	913,122
Impairment of available for sale investments		**1,792,860**	36,154,937
Gain on sale of property, plant and equipment		**(699)**	(2,897)
Provision for doubtful debts		**823,729**	1,743,325
Provision for obsolete and slow moving inventories		**587,892**	184,630
Foreign exchange loss on non-operating liabilities		**166,271**	1,160,298
		9,213,495	6,025,511
Changes in operating assets and liabilities:			
Inventories		**9,865,547**	6,188,940
Trade accounts receivable		**(8,471,807)**	8,439,996
Other receivables and prepayments		**659,664**	(62,105)
Trade accounts payable		**(1,675,724)**	(147,904)
Other payables and accruals		**1,471,479**	(1,315,496)
Employees' end of service benefits paid		**(263,710)**	(316,921)
Net cash from operating activities		**10,798,944**	18,812,021
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(234,660)**	(503,794)
Proceeds from sale of property, plant and equipment		**700**	2,900
Purchase of available for sale investments		**(1,195,608)**	(3,870,484)
Proceeds from sale of available for sale investments		**1,332,462**	4,340,853
Dividend income received		**4,419,585**	5,915,130
Other investment income received		**38,791**	48,239
Interest income received		**13,281**	6,828
Net cash from investing activities		**4,374,551**	5,939,672
FINANCING ACTIVITIES			
Payment of cash dividend		**(80,451)**	(4,232,392)
Proceeds from term loans		**14,500,000**	21,824,302
Repayment of term loans		**(25,913,863)**	(43,200,646)
Receipt of murabaha payables		**2,505,329**	17,163,928
Repayment of murabaha payables		**(2,462,575)**	(15,651,304)
Finance costs paid		**(1,103,055)**	(1,478,271)
Net cash used in financing activities		**(12,554,615)**	(25,574,383)
Increase/(decrease) in cash and cash equivalents		**2,618,880**	(822,690)
Foreign currency adjustment		**32,698**	167,598
Cash and cash equivalents at beginning of the year	15	**2,954,366**	3,609,458
Cash and cash equivalents at end of the year	15	**5,605,944**	2,954,366
Non cash transactions			
Available for sale investments		**(73,781)**	-
Dividend income		**73,781**	-

The notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Incorporation and activities

Gulf Cable and Electrical Industries Company – KPSC ("the parent company") is a registered Kuwaiti Public Shareholding Company, which was established on 15 March 1975. Its shares are listed on the Boursa Kuwait. The group comprises the parent company and its subsidiaries (see note 7)
Objectives for which the company was incorporated:

1- Produce all kinds of electrical and telephone cables of various sizes and varieties.
2- Produce all kinds of electric and telephone wires of various sizes and varieties.
3- Produce the wires necessary for the production of light bulbs.
4- Produce light bulbs of all varieties and sizes after obtaining the necessary license from the Public Authority for Industry.
5- Manufacture electrical transformers, switches and distribution panels after obtaining the necessary license from the Public Authority for Industry.
6- Various industries belonging to power equipment and tools for industrial or household purposes after obtaining the necessary license from the Public Authority for Industry.
7- Produce all kinds of aluminum chips and nylon covering rolls of various sizes and varieties after obtaining the necessary license from the Public Authority for Industry.
8- Produce copper bars which are used in the production of electrical and telephone cables after obtaining the necessary license from the Public Authority for Industry.
9- Trade in all kinds of these products.
10- Import machinery, plant, equipment and tools necessary to achieve the company's objectives.
11- Import the raw materials for this industry.
12- Invest the surplus funds in investment portfolios in order to serve the company's objectives.

The company may have interest or participate in any aspect in the entities which practice similar activities or which may assist it in the achievement of its objectives in Kuwait and abroad. The company may also purchase these entities or affiliate them therewith.

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

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012.The executive regulations of Law No. 1 of 2016 issued on 12 July 2016.

The board of directors of the parent company approved these consolidated financial statements for issue on 26 March 2017 and are subject to the approval of the General Assembly of the Shareholders.

2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets available for sale that have been measured at fair value.
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

3. Statement of compliance

These 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) and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies

4.1. New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016 which have been adopted by the group but did not have any significant impact on the financial position or the results for the year. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 'Disclosure Initiative – Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016

4.1.1. IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

4.1.2. IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

4.1.3. IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2. IASB Standards issued but not yet effective
At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IFRS 9 – Amendments	1 January 2018

4.2.1. IAS 7 Statement of Cash Flows- Amendments
The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes).

The Amendments:
- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement.
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
    - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
    - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

4.2.2. IFRS 9 Financial Instruments
The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:
- the classification and measurement of the financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2. IASB Standards issued but not yet effective (continued)

4.2.2. IFRS 9 Financial Instruments (continued)

- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income. This will affect the group's investments amounting to KD1,826,866 (see note 12) if still held on 1 January 2018.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

5. Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1. Basis of consolidation

The group controls subsidiaries if it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a non-controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.1. Basis of consolidation (continued)
Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2. Business combinations
The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses.

5.3. Revenue
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, regardless of when payment is made.

Revenue arises from the sale of goods and is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.3.1. Sale of goods
Sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

5.3.2. Interest income
Interest income is reported on an accrual basis using the effective interest method.

5.3.3. Dividend income
Dividend income are recognised at the time the right to receive payment is established.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.4. Operating expenses
Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.5. Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.6. Taxation

5.6.1. Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the group 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 and any accumulated losses should be excluded from profit for the year when determining the contribution.

5.6.2. National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting management fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.6.3. Zakat
Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.6.4. 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.

5.7. Property, plant and equipment

5.7.1. Land
Land held for use in production or administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

5.7.2. Buildings, vehicles and other equipment
Buildings, vehicles and other equipment (comprising fittings, furniture and agriculture farm and related facilities) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Buildings, vehicles other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, vehicles and other equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.7. Property, plant and equipment (continued)

5.7.2. Buildings, vehicles and other equipment (continued)
The following useful lives are applied:

- 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.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.8. Financial instruments

5.8.1. Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- 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 risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

5.8.2. Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- available-for-sale (AFS) financial assets.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.8. Financial instruments (continued)

5.8.2. Classification and subsequent measurement of financial assets (continued)

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.
The group categorises loans and receivables into following categories:

Trade account receivables

Trade account receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with cash in portfolios and term deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to banks.

- ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.8. Financial instruments (continued)

5.8.2. Classification and subsequent measurement of financial assets (continued)

- ***AFS financial assets (continued)***

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.8.3. Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, murabaha payables, trade payables, other payables and accruals.

The subsequent measurement of financial liabilities depends on their classification as follows:

Borrowings

All borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Murabaha payables

Murabaha payables represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha payables are stated at the total amount payable, less deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking account of the borrowing rate attributable and the balance outstanding.

Trade payables and other liabilities and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

5.9. Trade 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 entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.10. Offsetting of financial instruments

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

5.11. Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.12. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

5.13. Impairment testing of non financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. This impairment is subsequently reversed until the asset returns to its carrying value.

5.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.15. Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.
Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent company's articles of association.
General reserve comprises appropriations of current and prior period profits.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwait Dinars.
- fair value reserve – comprises gains and losses relating to available for sale financial assets.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.15. Equity, reserves and dividend payments (continued)
Retained earnings/(accumulated losses) includes all current and prior period retained profits/(losses). All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.16. Related party transactions
Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

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

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

5.18. Foreign currency translation

5.18.1. Foreign currency transactions
Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.18.2. Foreign operations
In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.19. Provisions, contingent assets and contingent liabilities
Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Notes to the consolidated financial statements (continued)

5. Significant accounting policies (continued)

5.19. Provisions, contingent assets and contingent liabilities (contiuned)
Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.20. Segment reporting
The group has two operating segments: the manufacturing and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

6. Significant management judgements and estimation uncertainty

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1. Significant management judgments
In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1. Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through statement of profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are classified as fair value through statement of profit or loss.

Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.1. Classification of financial instruments

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2. Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2. Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1. 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.

6.2.2. Impairment of trade 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 financial position date, gross trade accounts receivable were KD31,775,867 (31 December 2015: KD23,264,900), and the provision for doubtful debts was KD5,464,998 (31 December 2015: KD4,637,325). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

6.2.3. 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.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

At the financial position date, gross inventories in stores were KD34,226,264 (31 December 2015: KD44,699,874), with provision for old and obsolete inventories of KD1,328,241 (31 December 2015: KD738,763). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty (continued)

6.2. Estimates uncertainty (continued)

6.2.4. Useful lives of depreciable assets

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

6.2.5. Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 29).

7. Subsidiary companies

Details of group's consolidated subsidiaries at the end of the reporting period are as follows:

Name	Country of incorporation	Percentage Ownership		Activity
		31 Dec. 2016	31 Dec. 2015	
Gulf Cable and Multi Industries Company – JSC	Jordan	**94.5%**	94.5%	Manufacture and supply of electrical cables and related products and holding investments.
Hawraa Regional General Trading & Contracting Co. W.L.L ("Hawra")	Kuwait	**97.3%**	97.3%	General Trading and Contracting

- The group subsidiary "Hawra" has not comments the activities as of the date of these consolidated financial statements.
- No controlling interest of the above subsidiaries are not individually material to the group.
- The group has no interests in unconsolidated structural entities.

8. Profit/(loss) for the year

Profit/(loss) for the year is stated after charging:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Staff costs (note 8 - a)	**6,623,822**	5,633,044
Depreciation (note 8 - b)	**1,589,733**	1,629,870

Notes to the consolidated financial statements (continued)

8. Profit/(loss) for the year (continued)

a. Staff costs for the year have been allocated as follows:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Cost of sales	**3,782,892**	3,265,523
General and administrative expenses	**2,033,326**	1,722,157
Commercial expenses	**807,604**	645,364
	6,623,822	5,633,044

b. Depreciation for the year has been allocated as follows:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Cost of sales	**1,448,959**	1,470,577
General and administrative expenses	**131,192**	152,561
Commercial expenses	**9,582**	6,732
	1,589,733	1,629,870

9. Investment income

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Dividend income from available for sale investments	**4,493,366**	5,919,747
Other investment income	**42,804**	50,819
Loss on sale of available for sale investments	**(570,973)**	(913,122)
Foreign currency exchange gain	**14,984**	18,037
	3,980,181	5,075,481

10. Basic and diluted earnings/(loss) per share attributable to the owners of the parent company

Basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to the owners of the parent company by weighted average number of shares outstanding during the year, attributable to the owners of the parent company as follows:

	Year ended 31 Dec. 2016	Year ended 31 Dec. 2015
Profit/(loss) for the year attributable to the owners of the parent company (KD)	**6,862,871**	(31,571,700)
Weighted average shares in issue during the year (number)	**209,931,309**	209,931,309
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	**33 Fils**	(150) Fils

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment

31 December 2016	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
Cost							
At 1 January 2016	295,711	8,348,266	26,770,639	2,957,252	385,543	731,098	**39,488,509**
Additions	-	14,300	17,733	162,510	2,921	37,196	**234,660**
Transfers from assets under construction	-	-	643,810	16,711	-	(660,521)	**-**
Disposals	-	-	-	(4,125)	-	-	**(4,125)**
Foreign currency adjustment	2,491	9,057	82,504	5,659	3,248	4,200	**107,159**
At 31 December 2016	298,202	8,371,623	27,514,686	3,138,007	391,712	111,973	**39,826,203**
Accumulated depreciation							
At 1 January 2016	-	6,141,009	23,475,273	2,315,100	13,083	-	**31,944,465**
Charge for the year	-	178,602	1,190,956	218,615	1,560	-	**1,589,733**
Relating to disposals	-	-	-	(4,124)	-	-	**(4,124)**
Foreign currency adjustment	-	3,149	64,203	2,964	113	-	**70,429**
At 31 December 2016	-	6,322,760	24,730,432	2,532,555	14,756	-	**33,600,503**
Net book value							
At 31 December 2016	**298,202**	**2,048,863**	**2,784,254**	**605,452**	**376,956**	**111,973**	**6,225,700**

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment (continued)

31 December 2015	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
Cost							
At 1 January 2015	285,266	8,254,838	26,367,588	2,687,605	371,925	589,140	38,556,362
Additions	-	-	27,870	237,228	-	238,696	503,794
Transfers from assets under construction	-	55,457	28,053	30,715	-	(114,225)	-
Disposals	-	-	-	(17,156)	-	-	(17,156)
Foreign currency adjustment	10,445	37,971	347,128	18,860	13,618	17,487	445,509
At 31 December 2015	295,711	8,348,266	26,770,639	2,957,252	385,543	731,098	39,488,509
Accumulated depreciation							
At 1 January 2015	-	5,953,850	22,014,857	2,103,518	11,268	-	30,083,493
Charge for the year	-	175,890	1,233,222	219,351	1,407	-	1,629,870
Relating to disposals	-	-	-	(17,153)	-	-	(17,153)
Foreign currency adjustment	-	11,269	227,194	9,384	408	-	248,255
At 31 December 2015	-	6,141,009	23,475,273	2,315,100	13,083	-	31,944,465
Net book value							
At 31 December 2015	295,711	2,207,257	3,295,366	642,152	372,460	731,098	7,544,044

The parent company's buildings are erected on lands leased from the Public Authority for Industry on long-term leases for periods of 5 years renewable for similar period.

Assets under construction represent the cost incurred on construction of facilities, property and equipments. During the year portion of manufacturing line which were completed and ready for intended use were capitalized in the appropriate categories.

Notes to the consolidated financial statements (continued)

12. Available for sale investments

The components of available for sale investments are as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Local quoted securities held through managed portfolios	**59,104,579**	52,900,128
Local unquoted securities held through managed portfolios	**6,295,164**	6,551,443
Foreign quoted securities held through managed portfolios	**9,613,806**	8,307,261
Foreign unquoted securities held through managed portfolios	**446,397**	446,397
Foreign unquoted securities	**25,527,867**	25,527,867
Local unquoted securities	**44,414**	44,244
Local managed fund	**1,895,193**	1,809,188
Foreign managed funds	**307,178**	428,468
	103,234,598	96,014,996

The movement on the available for sale investment during the year is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Opening balance	**96,014,996**	115,234,507
Additions	**1,269,389**	3,870,484
Disposal	**(1,463,867)**	(4,267,144)
Net change in fair value arising during the year	**7,414,080**	(18,822,851)
	103,234,598	96,014,996

- During the year the group recognised impairment loss of KD1,792,860 (31 December 2015: KD36,154,937) in respect of certain available for sale investments.

- Local and foreign unquoted securities held through managed portfolios managed by other and unquoted securities, include investments amounting to KD1,826,866 (31 December 2015: KD2,115,449) stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of other financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no impairment.

- Managed funds include investments in units of private equity funds amounting to KD2,202,371 (31 December 2015: KD2,237,656). Fair value of these investments are determined using net asset values reported by the investment managers and the management believes that these represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

13. Inventories

	31 Dec. 2016 KD	31 Dec. 2015 KD
Raw materials	**15,185,142**	15,491,965
Finished goods	**11,549,849**	19,123,726
Work in progress	**5,548,379**	8,138,870
Spare parts	**1,942,894**	1,945,313
	34,226,264	44,699,874
Provision for obsolete and slow moving inventories	**(1,328,241)**	(738,763)
	32,898,023	43,961,111
Goods in transit and prepaid letters of credit	**2,088,091**	1,478,442
	34,986,114	45,439,553

14. Trade accounts receivable

	31 Dec. 2016 KD	31 Dec. 2015 KD
Trade accounts receivable	**31,775,867**	23,264,900
Provision for doubtful debts	**(5,464,998)**	(4,637,325)
	26,310,869	18,627,575

The carrying values of the financial assets included above approximate their fair values and all of these are due within one year, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.
Trade receivables are non-interest bearing and generally due on 30 – 180 days terms.

As at 31 December, the movement in the provision for doubtful debts is as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Balance at 1 January	**4,637,325**	2,886,302
Charged for the year	**959,537**	2,507,107
Reversal of provision no longer required	**(135,808)**	(763,782)
Foreign currency adjustment	**3,944**	7,698
Balance at 31 December	**5,464,998**	4,637,325

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Neither past due nor impaired		
- Less than three months	**12,788,706**	11,797,157
- Three – six months	**7,407,261**	4,070,468
Impaired:		
- Over six months	**11,579,900**	7,397,275
Total trade accounts receivable	**31,775,867**	23,264,900

Notes to the consolidated financial statements (continued)

15. Cash and cash equivalents

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

	31 Dec. 2016 KD	31 Dec. 2015 KD
Cash in hand	9,906	46,382
Cash held in managed portfolios	257,132	610,821
Bank balances	1,851,062	2,308,792
Total cash and cash equivalents	2,118,100	2,965,995
Time deposit against letters of guarantees issued	3,500,000	-
Less: due to banks	(12,156)	(11,629)
Cash and cash equivalents as per consolidated statement of cash flows	5,605,944	2,954,366

Time deposit of the group carry an effective interest of 1% (2015: Nil%) per annum. They are pledged against letter of guarantee issued (Note 27).

16. Share capital

	31 Dec. 2016 KD	31 Dec. 2015 KD
Authorised, issued and fully paid in cash for 209,931,309 shares of 100 Kuwaiti Fils each	20,993,131	20,993,131

17. Share premium

Share premium is not available for distribution.

18. Reserves

The Companies Law and the parent company's articles of association require 10% of the profit for the year attributable to the owners of the parent company 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, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.
No transfer is required in a year when losses are made or where cumulative losses exist.

The board of directors' decided to transfer amounted of KD570,539 to the general reserve.

There are no restrictions on distribution of voluntary and general reserves.

Notes to the consolidated financial statements (continued)

19. Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2016	**235,473**	**524,539**	**760,012**
Exchange differences arising on translation of foreign operations	**-**	**65,610**	**65,610**
Available for sale investments:			
- Net change in fair value arising during the year	**7,414,080**	**-**	**7,414,080**
- Transferred to consolidated statement of profit or loss on sale	**439,568**	**-**	**439,568**
- Transferred to consolidated statement of profit or loss on impairment	**1,792,860**	**-**	**1,792,860**
Total other comprehensive income for the year	**9,646,508**	**65,610**	**9,712,118**
Balance at 31 December 2016	**9,881,981**	**590,149**	**10,472,130**
Balance at 1 January 2015	(18,083,444)	179,754	(17,903,690)
Exchange differences arising on translation of foreign operations	-	344,785	344,785
Available for sale investments:			
- Net change in fair value arising during the year	(18,822,851)	-	(18,822,851)
- Transferred to consolidated statement of profit or loss on sale	986,831	-	986,831
- Transferred to consolidated statement of profit or loss on impairment	36,154,937	-	36,154,937
Total other comprehensive income for the year	18,318,917	344,785	18,663,702
Balance at 31 December 2015	235,473	524,539	760,012

20. Long term loan

	31 Dec. 2016 KD	31 Dec. 2015 KD
- USD 50,000,000 facility	**3,691,200**	7,321,200
	3,691,200	7,321,200
Installments due within next twelve months	**(3,691,200)**	(3,660,600)
Installments due after next twelve months	**-**	3,660,600

Long term loan is banking facilities amounting to US$50,000,000 was obtained from a regional bank. The loan is unsecured and carries floating interest of 2.15% (31 December 2015: 2.15%) per annum above six months LIBOR. The loan is repayable in four semi-annual instalments of US$5,000,000 each and five semi-annual installments of US$6,000,000 each ending on 18 September 2017 which reclassified to current portion of long term loan.

Notes to the consolidated financial statements (continued)

21. Other payables and accruals

	31 Dec. 2016 KD	31 Dec. 2015 KD
Kuwait Foundation for the Advancement of Sciences	**57,054**	-
National Labor Support Tax	**121,642**	-
Zakat	**47,657**	-
Directors' remuneration	**310,000**	-
Uncollected dividends	**2,020,142**	2,100,593
Accrued staff dues	**3,394,651**	2,975,464
Other liabilities	**1,511,079**	939,088
	7,462,225	6,015,145

22. Short term loans

	31 Dec. 2016 KD	31 Dec. 2015 KD
Kuwaiti Dinar facility	**8,500,000**	14,500,000
USD facility	**9,228,000**	10,960,234
	17,728,000	25,460,234

The short term loans are unsecured and carry interest rate of 1% (31 December 2015: 1% to 1.65%) per annum above Central Bank of Kuwait discount rate and interest rate of 1.75% (31 December 2015: 1.75% to 3%) per annum above three months LIBOR. The loans mature on various dates ending on 15 March 2017.

23. Murabaha payables

	31 Dec. 2016 KD	31 Dec. 2015 KD
USD Murabaha facilities	**12,601,410**	12,444,014
	12,601,410	12,444,014

The murabaha facilities granted to the group by a local Islamic Bank and it carries profit rate of 2.69% (31 December 2015: 2.37%). The murabaha payables mature on various dates ending on 29 March 2017 renewable.

24. Proposed dividends

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors of parent company propose for the year ended 31 December 2016 a cash dividend parentage of 20%, equal 20 Fils per share of paid up share capital.

The Annual General Assembly of the Shareholders held on 27 April 2016 approved the consolidated financial statements of the group for the year ended 31 December 2015 and approved the directors' proposal not to distribute any dividend for the year ended 31 December 2015 (cash dividend of 20% which equivelant to KD4,198,626 for 2014).

Notes to the consolidated financial statements (continued)

25. Segmental information

Reported operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its annual consolidated financial statements.

The group's reportable segments are cable manufacture and investment. The information relating to these segments are as follows:

	Cable manufacture KD	Investment KD	Total KD
At 31 December 2016			
Revenue	**87,488,491**	**3,980,181**	**91,468,672**
Segment profit	**5,659,429**	**1,720,454**	**7,379,883**
Unallocated expenses			**(536,353)**
Profit for the year			**6,843,530**
Total assets	**69,855,515**	**107,338,617**	**177,194,132**
Total Liabilities	**36,745,162**	**8,956,218**	**45,701,380**
Additions to property, plant and equipment	**234,660**	**-**	**234,660**
Depreciation	**1,589,733**	**-**	**1,589,733**
Impairment of available for sale investments	**-**	**1,792,860**	**1,792,860**
Finance costs	**774,610**	**349,281**	**1,123,891**
Dividend income	**-**	**4,493,366**	**4,493,366**
At 31 December 2015			
Revenue	86,476,182	5,075,481	91,551,663
Profit/(loss) for the year	427,586	(32,101,868)	(31,674,282)
Total assets	75,093,228	96,972,282	172,065,510
Total Liabilities	38,057,111	19,075,113	57,132,224
Additions to property, plant and equipment	503,794	-	503,794
Depreciation	1,629,870	-	1,629,870
Impairment of available for sale investments	-	36,154,937	36,154,937
Finance costs	726,636	844,824	1,571,460
Dividend income	-	5,919,747	5,919,747

Geographical information:-

	31 Dec. 2016 KD	31 Dec. 2015 KD
Revenue:		
Kuwait	**79,006,309**	75,415,930
Middle East	**12,913,687**	16,208,366
International	**(451,324)**	(72,633)
	91,468,672	91,551,663

Notes to the consolidated financial statements (continued)

26. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the group, 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. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the period, the group entities entered into the following transactions with related parties that are not members of the group:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Amounts included in consolidated statement of financial position		
Trade accounts receivables (after provision for doubtful debts)	**915,210**	1,522,177
Other receivables and prepayments	**305,500**	302,950
Trade accounts payables	**7,001**	6,095

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Amounts included in consolidated statement of profit or loss		
Sales	**149,261**	943,647
Industrial expenses	**(4,977)**	(54,085)
Provision for doubtful debts	**(552,910)**	(2,308,989)
Key management compensation:		
Salaries and other short term benefits	**457,252**	450,202
End of service benefits	**24,344**	29,646
Provision for directors' remuneration	**310,000**	-
	791,596	479,848

27. Contingent liabilities

Contingent liabilities at 31 December 2016 in respect of exported letters of guarantee amounted to KD11,404,356 (31 December 2015: KD6,134,535). Issued letters of guarantee include letter of guarantee amounting to KD5,000,000 issued against term deposit amounting to KD3,500,000 (Note 15).

28. 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 are 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. 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.

Notes to the consolidated financial statements (continued)

28. Risk management objectives and policies (continued)

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

28.1. 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 Bahrain Dinar and 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 net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Bahrani Dinar	1,469,575	1,970,916
US Dollar	(22,340,877)	(28,104,508)

The foreign currency sensitivity is determined based on 2% (31 December 2015: 2%) 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/(loss) for the year. There is no impact on the group's equity:

	Profit/(loss) for the year	
	31 Dec. 2016 KD	31 Dec. 2015 KD
Bahrain Dinar	(29,392)	(39,418)
US Dollar	446,818	562,090
	417,426	522,672

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

Notes to the consolidated financial statements (continued)

28. Risk management objectives and policies (continued)

28.1. Market risk (continued)

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than bank balances and fixed deposits. The group is exposed to interest rate risk with respect to its borrowings and murabaha payables 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 and murabaha payables. The board monitors the interest rate risk by setting limits.

Positions are monitored on a regular basis and hedging strategies are used, if required, to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit/(loss) for the year to a reasonably possible change in interest rates of +1% and –1% (31 December 2015: +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 consolidated financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2016		31 Dec. 2015	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit/(loss) for the year	(229,135)	229,135	(348,226)	348,226

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.

The sensitivity analysis below has been determined based on the exposure to equity price risks individually 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 individually been 2% (31 December 2015: 2%) higher/lower, the effect on the profit/(loss) for the year and fair value reserve would have been as follows:

	31 Dec. 2016		31 Dec. 2015	
	Increase 2% KD	Decrease 2% KD	Increase 2% KD	Decrease 2% KD
Available for sale investments				
Impact on fair value reserve	2,028,155	3,866,881	1,877,991	11,582,214
Impact on profit/(loss) for the year	-	(5,895,036)	-	(13,460,205)

Notes to the consolidated financial statements (continued)

28. Risk management objectives and policies (continued)

28.2. 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 consolidated financial position date, as summarized below:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Available for sale investments	**77,662,317**	70,442,885
Trade accounts receivable	**26,310,869**	18,627,575
Other receivables (excluding prepayments)	**488,877**	1,121,152
Cash and bank balances	**5,608,194**	2,919,613
	110,070,257	93,111,225

Cash and bank balances are maintained with high credit quality financial institutions. Trade accounts receivable were presented after deducting provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

28.3. 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 discounted maturity profile of the group's liabilities. The maturities of liabilities have been determined on the basis of the remaining period from the consolidated financial position date to the contractual maturity date.

The group maturity profile of financial liabilities based on undiscounted contractual arrangement is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2016					
Liabilities					
Provision for employees' end of service benefits	-	-	-	2,494,655	2,494,655
Term loans	8,501,913	11,135,055	1,886,277	-	21,523,245
Trade accounts payable	-	1,711,734	-	-	1,711,734
Other payables and accruals	530,361	2,429,252	4,502,612	-	7,462,225
Murabaha payables	-	12,667,014	-	-	12,667,014
Due to banks	12,156	-	-	-	12,156
	9,044,430	**27,943,055**	**6,388,889**	**2,494,655**	**45,871,029**

Notes to the consolidated financial statements (continued)

28. Risk management objectives and policies (continued)

28.3. Liquidity risk (continued)

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2015					
Liabilities					
Provision for employees' end of service benefits	-	-	-	2,492,544	2,492,544
Term loans	4,001,425	23,411,726	1,870,640	3,854,417	33,138,208
Trade accounts payable	-	3,387,458	-	-	3,387,458
Other payables and accruals	206,566	892,031	4,916,548	-	6,015,145
Murabaha payables	1,502,940	8,241,636	2,770,037	-	12,514,613
Due to banks	11,629	-	-	-	11,629
	5,722,560	35,932,851	9,557,225	6,346,961	57,559,597

29. Fair value measurement

29.1. Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec 2016 KD	31 Dec 2015 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Trade accounts receivable	**26,310,869**	18,627,575
- Other receivables (excluding prepayments)	**488,877**	1,121,152
- Cash and bank balances	**5,608,194**	2,919,613
Available for sale investments		
-At fair value	**101,407,732**	93,899,547
-At cost less impairment	**1,826,866**	2,115,449
	135,642,538	118,683,336

Notes to the consolidated financial statements (continued)

29. Fair value measurement (continued)

29.1. Fair value hierarchy (continued)

Financial liabilities:	31 Dec 2016 KD	31 Dec 2015 KD
Financial liabilities at amortised cost:		
-Long term loan	**3,691,200**	7,321,200
-Trade accounts payable	**1,711,734**	3,387,458
-Other payables and accruals	**7,462,225**	6,015,145
-Short term loans	**17,728,000**	25,460,234
-Murabaha payables	**12,601,410**	12,444,014
-Due to banks	**12,156**	11,629
	43,206,725	54,639,680

Management considers that the carrying amounts of loans and receivables and all financial liabilities, which are stated at amortised cost, approximate their fair values. Certain available for sale investment is carried at cost for reason specified in note 12.
The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

29.2. Fair value measurement of financial instruments

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2016	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale investments:				
Local quoted securities held through managed portfolios	**59,104,579**	**-**	**-**	**59,104,579**
Local unquoted securities held through managed portfolios	**-**	**-**	**4,929,856**	**4,929,856**
Foreign quoted securities held through managed portfolios	**9,613,806**	**-**	**-**	**9,613,806**
Foreign unquoted securities	**-**	**-**	**25,527,867**	**25,527,867**
Local unquoted securities	**-**	**-**	**29,253**	**29,253**
Local managed fund	**-**	**1,895,193**	**-**	**1,895,193**
Foreign managed funds	**-**	**307,178**	**-**	**307,178**
	68,718,385	**2,202,371**	**30,486,976**	**101,407,732**
31 December 2015				
Available for sale investments:				
Local quoted securities held through managed portfolios	52,900,128	-	-	52,900,128
Local unquoted securities held through managed portfolios	-	-	4,897,551	4,897,551
Foreign quoted securities held through managed portfolios	8,307,261	-	-	8,307,261
Foreign unquoted securities	-	-	25,527,867	25,527,867
Local unquoted securities	-	-	29,084	29,084
Local managed fund	-	1,809,188	-	1,809,188
Foreign managed funds	-	428,468	-	428,468
	61,207,389	2,237,656	30,454,502	93,899,547

There have been no significant transfers between levels 1 and 2 during the reporting period.

Notes to the consolidated financial statements (continued)

29. Fair value measurement (continued)

29.2. Fair value measurement of financial instruments (continued)

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

a) Quoted securities
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds
Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Level 3 fair value measurements
The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Available for sale investments	
	31 Dec. 2016 KD	31 Dec. 2015 KD
Opening balance	**30,454,502**	5,169,397
Transferred to level three previously measured at cost	**-**	15,911,271
Gains or losses recognised in:		
- Additions	**73,781**	-
- Other comprehensive (loss)/income	**(41,307)**	9,373,834
Closing balance	**30,486,976**	30,454,502

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Notes to the consolidated financial statements (continued)

30. 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 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:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Long term loan (note 20)	**3,691,200**	7,321,200
Short term loans (note 22)	**17,728,000**	25,460,234
Murabaha payable (note 23)	**12,601,410**	12,444,014
Less: Cash and cash equivalents (note 15)	**(5,605,944)**	(2,954,366)
Net debt	**28,414,666**	42,271,082
Equity attributable to the owners of the parent company	**131,051,580**	114,476,591

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 equity attributable to the owners of the parent company as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Net debt	**28,414,666**	42,271,082
Total equity attributable to the owners of the parent company	**131,051,580**	114,476,591
Gearing ratio	**22%**	37%

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

P.O.Box: 1196, Safat 13012 Kuwait
Tel. (+965) 2464 5500 - (+965) 2467 5244
Fax. (+965) 2467 5850 - (+965) 2467 5305
www.gulfcable.com