# Consolidated financial statements and independent auditors' report

**Gulf Cable and Electrical Industries Company – KSC and Subsidiary**

**Kuwait**

31 December 2011

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## Gulf Cable and Electrical Industries Company – KSC and Subsidiary

## Kuwait

31 December 2011

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# Independent auditors' report

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

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Cable and Electrical Industries Company – Kuwaiti Shareholding Company and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf Cable and Electrical Industries Company and its subsidiary as at 31 December 2011, and the results of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Matters**

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

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
12 February 2012

# Consolidated statement of income

| | Notes | Year ended 31 Dec. 2011 KD | Year ended 31 Dec. 2010 KD |
|---|---|---|---|
| **Revenue** | | | |
| Sales | | **119,290,341** | 93,159,319 |
| Cost of sales | 7 | **(93,852,666)** | (79,530,539) |
| **Gross profit** | | **25,437,675** | 13,628,780 |
| Dividend income | | **26,240,643** | 23,572,745 |
| Other investment income | | **82,587** | 186,526 |
| (Loss)/gain on redemption/sale of available for sale of investments | | **(603,466)** | 6,854,679 |
| Interest income | | **21,715** | 30,768 |
| Other revenue | | **3,451** | 4,311 |
| (Loss)/gain on foreign exchange | | **(1,070,773)** | 122,137 |
| | | **50,111,832** | 44,399,946 |
| **Expenses and other charges** | | | |
| Administrative expenses | 7 | **(3,830,450)** | (6,326,662) |
| Commercial expenses | 7 | **(2,165,068)** | (2,945,976) |
| Impairment of available for sale investments | 12 | **(2,453,524)** | (3,048,294) |
| Provision for doubtful debts | | **(926,546)** | (610,547) |
| Reversal of/(charge) for provision for obsolete inventories | | **551** | (49,044) |
| Finance costs | 9 | **(3,113,001)** | (4,261,282) |
| | | **(12,488,038)** | (17,241,805) |
| **Profit for the year before income tax** | | **37,623,794** | 27,158,141 |
| Income tax | | **(14,372)** | - |
| **Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration** | | **37,609,422** | 27,158,141 |
| Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | | **(374,411)** | (271,625) |
| National Labour Support Tax (NLST) | | **(329,628)** | (129,916) |
| Zakat | | **(126,851)** | (47,967) |
| Directors' remuneration | | **(310,000)** | (310,000) |
| **Profit for the year** | | **36,468,532** | 26,398,633 |
| Attributable to: | | | |
| Owners of the parent company | | **36,300,217** | 26,403,034 |
| Non-controlling interests | | **168,315** | (4,401) |
| **Profit for the year** | | **36,468,532** | 26,398,633 |
| **Basic and diluted earnings per share attributable to the owners of the parent company** | 10 | **173 Fils** | 126 Fils |

*The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.*

# Consolidated statement of comprehensive income

| | Year ended 31 Dec. 2011 KD | Year ended 31 Dec. 2010 KD |
|---|---|---|
| Profit for the year | **36,468,532** | 26,398,633 |
| ***Other comprehensive income:*** | | |
| Exchange differences arising on translation of foreign operations | **(27,376)** | (114,746) |
| Available for sale investments: | | |
| - Net (loss)/gain arising during the year | **(89,599,084)** | 64,184,669 |
| -Transferred to consolidated statement of income on redemption/sale | **385,129** | (2,366,060) |
| -Transferred to consolidated statement of income on impairment | **2,453,524** | 3,048,294 |
| Total other comprehensive (loss)/income | **(86,787,807)** | 64,752,157 |
| Total comprehensive (loss)/income for the year | **(50,319,275)** | 91,150,790 |
| Total comprehensive (loss)/income attributable to: | | |
| Owners of the parent company | **(50,486,084)** | 91,161,502 |
| Non-controlling interests | **166,809** | (10,712) |
| | **(50,319,275)** | 91,150,790 |

*The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.*

# Consolidated statement of financial position

| | Notes | 31 Dec. 2011 KD | (Restated) 31 Dec. 2010 KD | (Restated) 1Jan. 2010 KD |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | **12,050,190** | 13,974,127 | 15,277,833 |
| Available for sale investments | 12 | **142,985,404** | 239,789,283 | 178,452,125 |
| | | **155,035,594** | 253,763,410 | 193,729,958 |
| **Current assets** | | | | |
| Inventories | 13 | **37,362,022** | 36,776,808 | 34,247,874 |
| Trade accounts receivable | 14 | **30,373,319** | 27,942,617 | 21,086,760 |
| Other receivables and prepayments | | **814,257** | 678,496 | 1,268,467 |
| Fixed deposit | 21 | **402,411** | 395,759 | 387,550 |
| Cash and bank balances | 21 | **10,429,185** | 11,504,896 | 5,591,362 |
| | | **79,381,194** | 77,298,576 | 62,582,013 |
| **Total assets** | | **234,416,788** | 331,061,986 | 256,311,971 |
| **Equity and liabilities** | | | | |
| **Equity attributable to the owners of the parent company** | | | | |
| Share capital | 15 | **20,993,131** | 20,993,131 | 20,993,131 |
| Share premium | 16 | **29,160,075** | 29,160,075 | 29,160,075 |
| Legal reserve | 17 | **20,993,131** | 18,088,033 | 15,371,779 |
| Voluntary reserve | 17 | **20,993,131** | 18,088,033 | 15,371,779 |
| General reserve | 17 | **20,532,256** | 16,788,145 | 16,788,145 |
| Other components of equity | 18 | **22,709,841** | 109,496,142 | 44,737,674 |
| Retained earnings | | **37,753,148** | 24,652,773 | 14,178,813 |
| | | **173,134,713** | 237,266,332 | 156,601,396 |
| Non-controlling interests | | **409,563** | 242,754 | 253,466 |
| **Total equity** | | **173,544,276** | 237,509,086 | 156,854,862 |
| **Non-current liabilities** | | | | |
| Provision for staff indemnity | | **1,715,052** | 1,512,196 | 1,323,976 |
| Long term loans | 19 | **1,229,140** | 7,665,135 | 10,564,252 |
| | | **2,944,192** | 9,177,331 | 11,888,228 |
| **Current liabilities** | | | | |
| Trade accounts payable | | **2,521,086** | 2,146,128 | 1,650,059 |
| Other payables and accruals | 20 | **9,744,319** | 10,142,461 | 9,238,370 |
| Current portion of long term loans | 19 | **5,507,186** | 5,008,250 | 5,131,944 |
| Short term loans | 19 | **40,000,000** | 67,000,000 | 71,500,000 |
| Due to banks | 21 | **155,729** | 78,730 | 48,508 |
| | | **57,928,320** | 84,375,569 | 87,568,881 |
| **Total liabilities** | | **60,872,512** | 93,552,900 | 99,457,109 |
| **Total equity and liabilities** | | **234,416,788** | 331,061,986 | 256,311,971 |

Bader Naser Al-Kharafi
Chairman and Managing Director

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The notes set out on pages 9 to 35 form an integral part of these consolidated financial

# Consolidated statement of changes in 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 KD | Retained earnings KD | Sub-total KD | KD | KD |
| **Balance at 31 December 2010 (as reported)** | 20,993,131 | 29,160,075 | 18,088,033 | 18,088,033 | 16,788,145 | 109,693,343 | 25,259,364 | 237,872,923 | 278,058 | 238,150,981 |
| Prior year adjustment by subsidiary (Note 11) | - | - | - | - | - | - | (606,591) | (606,591) | (35,304) | (641,895) |
| **Balance at 1 January 2011(as restated)** | 20,993,131 | 29,160,075 | 18,088,033 | 18,088,033 | 16,788,145 | 109,496,142 | 24,652,773 | 237,266,332 | 242,754 | 237,509,086 |
| Payment of cash dividends (Note 22) | - | - | - | - | - | - | (13,645,535) | (13,645,535) | - | (13,645,535) |
| Transactions with owners | - | - | - | - | - | - | (13,645,535) | (13,645,535) | - | (13,645,535) |
| Profit for the year | - | - | - | - | - | - | 36,300,217 | 36,300,217 | 168,315 | 36,468,532 |
| Total other comprehensive loss | - | - | - | - | - | (86,786,301) | - | (86,786,301) | (1,506) | (86,787,807) |
| Total comprehensive (loss)/income for the year | | | | | | (86,786,301) | 36,300,217 | (50,486,084) | 166,809 | (50,319,275) |
| Transfer to reserves | - | - | 2,905,098 | 2,905,098 | 3,744,111 | - | (9,554,307) | - | - | - |
| **Balance at 31 December 2011** | **20,993,131** | **29,160,075** | **20,993,131** | **20,993,131** | **20,532,256** | **22,709,841** | **37,753,148** | **173,134,713** | **409,563** | **173,544,276** |

*The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.*

# Consolidated statement of changes in equity (continued)

| | 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 KD | Retained earnings KD | Sub-total KD | KD | KD |
| **Balance at 1 January 2010 (as reported)** | 20,993,131 | 29,160,075 | 15,371,779 | 15,371,779 | 16,788,145 | 44,737,674 | 14,785,404 | 157,207,987 | 288,770 | 157,496,757 |
| Prior year adjustment by subsidiary (Note 11) | - | - | - | - | - | - | (606,591) | (606,591) | (35,304) | (641,895) |
| **Balance at 1 January 2010 (as restated)** | 20,993,131 | 29,160,075 | 15,371,779 | 15,371,779 | 16,788,145 | 44,737,674 | 14,178,813 | 156,601,396 | 253,466 | 156,854,862 |
| Payment of cash dividends | - | - | - | - | - | - | (10,496,566) | (10,496,566) | - | (10,496,566) |
| Transactions with owners | - | - | - | - | - | - | (10,496,566) | (10,496,566) | - | (10,496,566) |
| Profit /(loss) for the year | - | - | - | - | - | - | 26,403,034 | 26,403,034 | (4,401) | 26,398,633 |
| Other comprehensive income/(loss) | - | - | - | - | - | 64,758,468 | - | 64,758,468 | (6,311) | 64,752,157 |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | 64,758,468 | 26,403,034 | 91,161,502 | (10,712) | 91,150,790 |
| Transfer to reserves | - | - | 2,716,254 | 2,716,254 | - | - | (5,432,508) | - | - | - |
| **Balance at 31 December 2010 (as restated)** | 20,993,131 | 29,160,075 | 18,088,033 | 18,088,033 | 16,788,145 | 109,496,142 | 24,652,773 | 237,266,332 | 242,754 | 237,509,086 |

*The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.*

# Consolidated statement of cash flows

| | Note | Year ended 31 Dec. 2011 KD | Year ended 31 Dec. 2010 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit for the year** | | **36,468,532** | 26,398,633 |
| Adjustments: | | | |
| Depreciation | | **2,079,560** | 1,808,299 |
| Provision for staff indemnity | | **268,481** | 251,746 |
| Finance costs | | **3,113,001** | 4,261,282 |
| Interest income | | **(21,715)** | (30,768) |
| Dividend income | | **(26,240,643)** | (23,572,745) |
| Other investment income | | **(82,587)** | (186,526) |
| Loss/(gain) on redemption/ sale of available for sale investments | | **603,466** | (6,854,679) |
| Impairment of available for sale investments | | **2,453,524** | 3,048,294 |
| Gain on disposal of property, plant and equipment | | **(573)** | - |
| Foreign exchange gain on non-operating liabilities | | **(202,590)** | (242,073) |
| | | **18,438,456** | 4,881,463 |
| Changes in operating assets and liabilities: | | | |
| Inventories | | **(585,214)** | (2,528,934) |
| Trade accounts receivable | | **(2,430,702)** | (6,855,857) |
| Other receivables and prepayments | | **(135,142)** | 595,841 |
| Trade accounts payable | | **374,958** | 496,069 |
| Other payables and accruals | | **129,600** | 3,185,091 |
| Staff indemnity paid | | **(65,625)** | (63,526) |
| **Net cash from/(used in) operating activities** | | **15,726,331** | (289,853) |
| **INVESTING ACTIVITIES** | | | |
| Fixed deposit maturing after three months | | **-** | (395,759) |
| Proceed from fixed deposit maturing after three months | | **395,759** | - |
| Capital expenditure | | **(260,157)** | (694,410) |
| Net book value of property, plant and equipment on disposal | | **39,821** | - |
| Proceed from disposal of property, plant and equipment | | **575** | |
| Purchase of available for sale investments | | **(139,901)** | (5,503,717) |
| Proceeds from redemption / sale of available for sale investments | | **7,126,358** | 12,839,847 |
| Dividend income received | | **26,240,643** | 23,572,745 |
| Other investments income received | | **82,587** | 186,526 |
| Interest income received | | **21,097** | 24,898 |
| **Net cash from investing activities** | | **33,506,782** | 30,030,130 |
| **FINANCING ACTIVITIES** | | | |
| Payment of dividends | | **(14,225,630)** | (10,507,439) |
| Proceeds from term loans | | **17,964,520** | 19,500,000 |
| Repayment of term loans | | **(50,698,989)** | (29,144,498) |
| Finance costs paid | | **(3,060,648)** | (4,167,649) |
| **Net cash used in financing activities** | | **(50,020,747)** | (24,319,586) |
| **(Decrease)/increase in cash and cash equivalents** | | **(787,634)** | 5,420,691 |
| Foreign currency adjustment | | **37,335** | 75,071 |
| Cash and cash equivalents at beginning of the year | 21 | **11,426,166** | 5,930,404 |
| **Cash and cash equivalents at end of the year** | 21 | **10,675,867** | 11,426,166 |

*The notes set out on pages 9 to 35 form an integral part of these consolidated financial statements.*

# Notes to the consolidated financial statements
31 December 2011

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

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

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

The board of directors approved these consolidated financial statements for issue on 12 February 2012 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.

The group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and a "statement of comprehensive income".

## 3 Statement of compliance
The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

## 4 Changes in accounting polices
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except as discussed below.

The group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year:

## 4 Changes in accounting polices (continued)

### 4.1 Adoption of Improvements to IFRSs 2010

The Improvements to IFRSs 2010 made several minor amendments to a number of IFRSs. The only amendment relevant to the group relates to IAS 1 Presentation of Financial Statements. The group previously presented the reconciliations of each component of other comprehensive income in the statement of changes in equity. The group now presents these reconciliations in the notes to the financial statements, as permitted by the amendment (see note 18). This reduces duplicated disclosures and presents more clearly the overall changes in equity. Prior period comparatives have been restated accordingly.

### 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 pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's 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 financial statements.

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IAS 1 Presentation of Financial Statements – amendment | 1 July 2012 |
| IAS 12 Income Taxes – amendment | 1 January 2012 |
| IAS 27 Consolidated and Separate Financial Statements<br>- Revised as IAS 27 Separate Financial Statements | 1 January 2013 |
| IFRS 7 Financial Instruments: Disclosures – amendment | 1 July 2011 |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2015 |
| IFRS 10 Consolidated Financial Statements | 1 January 2013 |
| IFRS 13 Fair Value Measurement | 1 January 2013 |

#### *4.2.1 IAS 1 Presentation of Financial Statements*

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and

b) That will not be reclassified to consolidated statement of income subsequently.

The group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

#### *4.2.2 IAS 12 Income Taxes*

The amendment to IAS 12 provides a practical solution to the issues arising in measurement of deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that recovery of the carrying amount will, normally be, through sale. As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendment is not relevant to the operations of the group.

#### *4.2.3 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements*

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

## 4 Changes in accounting polices (continued)

### *4.2.4 IFRS 7 Financial Instruments: Disclosures*

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment is not expected to have any significant impact on the financial position or performance of the group.

### *4.2.5 IFRS 9 Financial Instruments: Classification and Measurement*

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is being used in phases and to date phase 1 has been issued. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

### *4.2.6 IFRS 10 Consolidated Financial Statements*

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

### *4.2.7 IFRS 13 Fair Value Measurement*

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The adoption of this standard is not expected to have a significant impact on the financial position and performance of the group.

## 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 financial statements consolidate those of the parent company and its subsidiary. Subsidiary is the entity over which the group has the power to control the financial and operating policies. The group obtains and exercises control through more than half of the voting rights. The subsidiary has a reporting date of 31 December.

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 subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

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

## 5 Significant accounting policies (continued)

### 5.1 Basis of consolidation (continued)

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 subsidiary between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiary is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference is recognised in the consolidated statement of income.

### 5.2 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 indentifiable component of revenue.

#### *5.2.1 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.

#### *5.2.2 Interest income*

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

#### *5.2.3 Dividend income*

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

### 5.3 Operating expenses

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

### 5.4 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.

### 5.5 Taxation

#### *5.5.1 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 should be excluded from profit for the year when determining the contribution.

#### *5.5.2 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 directors' 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 Significant accounting policies (continued)

### *5.5.3 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.

### *5.5.4 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.

### 5.6 Property, plant and equipment

### *5.6.1 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.

### *5.6.2 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. 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 income.

### 5.7 Financial instruments

### *5.7.1 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 statement of income which are measured initially at fair value.

Subsequent measurement of financial assets and financial liabilities are described below.
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.

## 5 Significant accounting policies (continued)

### 5.7 Financial instruments (continued)

#### *5.7.1 Recognition, initial measurement and derecognition (continued)*

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 income.

#### *5.7.2 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.

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 receivables*

Trade receivable 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 fixed deposit that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- ***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.

## 5 Significant accounting policies (continued)

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

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 income. 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 income. 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 income 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 income.

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 income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

### *5.7.3 Classification and subsequent measurement of financial liabilities*

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

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

*Trade payables 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.

*Borrowings*

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

### 5.8 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.

### 5.9 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.

### 5.10 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.

## 5 Significant accounting policies (continued)

### 5.10 Fair value of financial instruments (continued)

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 28.

### 5.11 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, such as market and asset-specific risks factors.

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. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

### 5.12 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.

### 5.13 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 commercial 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.

Retained earnings includes all current and prior period retained profits. 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 Significant accounting policies (continued)

### 5.14 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.

### 5.15 End of service indemnity

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.

### 5.16 Foreign currency translation

*5.16.1 Functional and presentation currency*

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*5.16.2 Foreign currency transactions and balances*

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 income. 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.

*5.16.3 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 income and are recognised as part of the gain or loss on disposal.

### 5.17 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.

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.

## 5 Significant accounting policies (continued)

### 5.17 Provisions, contingent assets and contingent liabilities (continued)

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.

### 5.18 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 income 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 income in the management accounts, they are classified as fair value through statement of income.

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.

### 6.2 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 Significant management judgements and estimation uncertainty (continued)

### 6.2 Estimates uncertainty (continued)

#### *6.2.1 Impairment of available for sale equity 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 KD33,328,506 (2010: KD29,972,323), and the provision for doubtful debts was KD2,955,187 (2010: KD2,029,706). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

#### *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 were KD35,339,679 (2010: KD34,018,023), with provision for old and obsolete inventories of KD335,598 (2010: KD336,149). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

#### *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 28).

## 7 Staff costs

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

| | Year ended 31 Dec. 2011 KD | Year ended 31 Dec. 2010 KD |
|---|---|---|
| Cost of sales | **2,751,436** | 2,725,659 |
| Administrative expenses | **2,684,478** | 3,259,024 |
| Commercial expenses | **549,631** | 477,617 |
| | **5,985,545** | 6,462,300 |

## 8 Net (loss)/gain on financial assets

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

| | Year ended 31 Dec. 2011 KD | Year ended 31 Dec. 2010 KD |
|---|---|---|
| Bank balances | **17,423** | 11,335 |
| Fixed deposit | **4,292** | 19,433 |
| Available for sale investments | **23,266,240** | 27,565,656 |
| Net realised gain | **23,287,955** | 27,596,424 |
| Net unrealised (loss)/gain recognised in equity | **(89,599,084)** | 64,184,669 |
| | **(66,311,129)** | 91,781,093 |

## 9 Finance costs

Total finance costs relate to term loans which are financial liabilities stated at amortised cost.

## 10 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to the owners of the parent company by weighted average number of shares as follows:

| | Year ended 31 Dec. 2011 | Year ended 31 Dec. 2010 |
|---|---|---|
| Profit for the year attributable to the owners of the parent company (KD) | **36,300,217** | 26,403,034 |
| Weighted average shares in issue during the year (number) | **209,931,310** | 209,931,310 |
| Basic and diluted earnings per share attributable to the owners of the parent company | **173 Fils** | 126 Fils |

## 11 Property, plant and equipment

| 31 December 2011 | 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 2011 (as reported) | 274,031 | 7,909,586 | 24,263,521 | 1,796,834 | 565,525 | 1,925,997 | **36,735,494** |
| Prior year adjustment (see below) | - | 204,752 | 1,253,548 | - | - | (1,458,300) | - |
| At 1 January 2011(restated) | 274,031 | 8,114,338 | 25,517,069 | 1,796,834 | 565,525 | 467,697 | **36,735,494** |
| Additions | - | 10,635 | 25,824 | 87,491 | 2,347 | 133,860 | **260,157** |
| Transfer | - | 83,948 | 203,916 | - | 52,431 | (340,295) | - |
| Disposal | - | - | - | (10,622) | (46,939) | - | **(57,561)** |
| Foreign currency adjustment | (2,561) | (8,378) | (72,760) | (2,281) | (5,303) | (1,804) | **(93,087)** |
| At 31 December 2011 | **271,470** | **8,200,543** | **25,674,049** | **1,871,422** | **568,061** | **259,458** | **36,845,003** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2011 (as reported) | - | 5,117,308 | 15,632,879 | 1,268,727 | 100,558 | - | **22,119,472** |
| Prior year adjustment (see below) | - | - | 641,895 | - | - | - | **641,895** |
| At 1 January 2011(restated) | - | 5,117,308 | 16,274,774 | 1,268,727 | 100,558 | - | **22,761,367** |
| Charge for the year | - | 221,382 | 1,640,355 | 194,733 | 23,090 | - | **2,079,560** |
| Relating to disposal | - | - | - | (10,620) | (7,118) | - | **(17,738)** |
| Foreign currency adjustment | - | (971) | (25,233) | (895) | (1,277) | - | **(28,376)** |
| At 31 December 2011 | - | **5,337,719** | **17,889,896** | **1,451,945** | **115,253** | - | **24,794,813** |
| **Net book value** | | | | | | | |
| **At 31 December 2011** | **271,470** | **2,862,824** | **7,784,153** | **419,477** | **452,808** | **259,458** | **12,050,190** |

## 11 Property, plant and equipment (continued)

| | 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 |
|---|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2011 (as reported) | 280,277 | 6,833,790 | 22,784,424 | 1,478,558 | 578,415 | 4,329,661 | 36,285,125 |
| Prior year adjustment (see below) | - | 204,752 | 1,253,548 | - | - | (1,458,300) | - |
| At 1 January 2010(restated) | 280,277 | 7,038,542 | 24,037,972 | 1,478,558 | 578,415 | 2,871,361 | 36,285,125 |
| Additions | - | 1,509 | 186,999 | 65,679 | - | 440,223 | 694,410 |
| Transfer | - | 1,093,313 | 1,488,140 | 257,490 | - | (2,838,943) | - |
| Foreign currency adjustment | (6,246) | (19,026) | (196,042) | (4,893) | (12,890) | (4,944) | (244,041) |
| At 31 December 2010 | 274,031 | 8,114,338 | 25,517,069 | 1,796,834 | 565,525 | 467,697 | 36,735,494 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2011 (as reported) | - | 4,897,995 | 14,308,505 | 1,079,292 | 79,605 | - | 20,365,397 |
| Prior year adjustment (see below) | - | - | 641,895 | - | - | - | 641,895 |
| At 1 January 2010(restated) | - | 4,897,995 | 14,950,400 | 1,079,292 | 79,605 | - | 21,007,292 |
| Charge for the year | - | 221,886 | 1,370,625 | 191,707 | 24,081 | - | 1,808,299 |
| Foreign currency adjustment | - | (2,573) | (46,251) | (2,272) | (3,128) | - | (54,224) |
| At 31 December 2010 | - | 5,117,308 | 16,274,774 | 1,268,727 | 100,558 | - | 22,761,367 |
| **Net book value** | | | | | | | |
| **At 31 December 2010** | 274,031 | 2,997,030 | 9,242,295 | 528,107 | 464,967 | 467,697 | 13,974,127 |

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

During the year the subsidiary capitalised certain items of property, plant and equipment having original cost of KD1,458,300 and charged depreciation from the date of acquisition. Depreciation charge of for the period upto 31 December 2010 amounted to KD641,895 which has been recognised as prior year adjustment. The effect on the profit for the year ended 31 December 2010 was not material. In accordance with the requirements of IFRS, the group has adjusted the opening balance of retained earnings as at 31 December 2010 and 2011 and restated the comparative amounts

## 12 Available for sale investments

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Managed portfolios | **120,242,791** | 206,903,490 |
| Quoted shares | **13,977,310** | 22,961,561 |
| Managed funds | **1,972,917** | 2,358,452 |
| Unquoted shares | **5,941,103** | 6,327,513 |
| Unquoted funds | **851,283** | 1,238,267 |
| | **142,985,404** | 239,789,283 |

Unquoted funds include investments in private equity funds amounting to KD851,283 (2010: KD1,238,267). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

The group recognised impairment loss of KD2,453,524 (2010: KD3,048,294) in respect of certain available for sale investments.

## 13 Inventories

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Raw materials | **15,495,085** | 14,673,564 |
| Finished goods | **11,491,646** | 9,959,105 |
| Work-in-progress | **6,662,514** | 7,857,724 |
| Spare parts | **1,690,434** | 1,527,630 |
| | **35,339,679** | 34,018,023 |
| Provision for obsolete inventories | **(335,598)** | (336,149) |
| | **35,004,081** | 33,681,874 |
| Goods in transit and prepaid letters of credit | **2,357,941** | 3,094,934 |
| | **37,362,022** | 36,776,808 |

## 14 Trade accounts receivable

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Trade accounts receivable | **33,328,506** | 29,972,323 |
| Provision for doubtful debts | **(2,955,187)** | (2,029,706) |
| | **30,373,319** | 27,942,617 |

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

Trade receivables are non-interest bearing and generally on 30 – 180 days terms.

## 14 Trade accounts receivable (continued)

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

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Neither past due nor impaired: | | |
| - less than 3 months | **16,813,841** | 12,026,703 |
| - 3 – 6 months | **9,543,848** | 7,241,559 |
| Impaired: | | |
| - over 6 months | **6,970,817** | 10,704,061 |
| Total trade accounts receivables | **33,328,506** | 29,972,323 |

## 15 Share capital

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Authorised issued and fully paid shares of 100 Kuwaiti Fils each | **20,993,131** | 20,993,131 |

## 16 Share premium

Share premium is not available for distribution.

## 17 Reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year attributable to 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 and the Commercial Companies Law, 10% of the profit for the year attributable to the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

The board of directors' decided to transfer 10% of the profit for the year attributable to the parent company before KFAS, NLST, Zakat and Directors' remuneration to the general reserve.

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

## 18 Other components of equity

| | Fair value reserve KD | Foreign currency translation reserve KD | Total KD |
|---|---|---|---|
| **Balance at 1 January 2011** | **109,693,343** | **(197,201)** | **109,496,142** |
| Exchange differences arising an translation of foreign operations | **-** | **(25,870)** | **(25,870)** |
| AFS financial assets | | | |
| - Net loss arising during the year | **(89,599,084)** | **-** | **(89,599,084)** |
| - Transferred to consolidated statement of income on redemption/sale | **385,129** | **-** | **385,129** |
| - Transferred to consolidated statement of income on impairment | **2,453,524** | **-** | **2,453,524** |
| Total other comprehensive loss for the year | **(86,760,431)** | **(25,870)** | **(86,786,301)** |
| **Balance at 31 December 2011** | **22,932,912** | **(223,071)** | **22,709,841** |
| **Balance at 1 January 2010** | 44,826,440 | (88,766) | 44,737,674 |
| Exchange differences arising an translation of foreign operations | - | (108,435) | (108,435) |
| AFS financial assets | | | |
| - Net gain arising during the year | 64,184,669 | - | 64,184,669 |
| - Transferred to consolidated statement of income on redemption/sale | (2,366,060) | - | (2,366,060) |
| - Transferred to consolidated statement of income on impairment | 3,048,294 | - | 3,048,294 |
| Total other comprehensive income/(loss) for the year | 64,866,903 | (108,435) | 64,758,468 |
| **Balance at 31 December 2010** | 109,693,343 | (197,201) | 109,496,142 |

## 19 Term loans

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| **Long term loans:** | | |
| - USD 12,500,000 facility | **-** | 1,465,625 |
| - USD 55,000,000 facility | **4,389,786** | 8,844,000 |
| - USD 20,000,000 facility | **2,346,540** | 2,363,760 |
| | **6,736,326** | 12,673,385 |
| Instalments due within next twelve months | **(5,507,186)** | (5,008,250) |
| Instalments due after next twelve months | **1,229,140** | 7,665,135 |
| **Short term loans** | | |
| - Kuwait Dinar | **40,000,000** | 67,000,000 |

- Long term loan facility amounting to US$55,000,000 was obtained from a regional bank. The loan is unsecured and carries interest of 1.5% above six months LIBOR. The loan is repayable in seven semi annual instalments of US$7,857,143 ending on 4 September 2012.

## 19 Term loans (continued)

- Long term loan facility amounting to US$20,000,000 was obtained from a local bank. The loan is unsecured and carries interest of 1.75% above three months LIBOR. The loan is repayable in twenty quarterly instalments of US$1,000,000 ending on 31 October 2016.

- Short term loans outstanding at 31 December 2011 were obtained from a local bank. The loans are unsecured and carry effective interest of 2.5% above Central Bank of Kuwait discount rate per annum. The loans are repayable within twelve months of the year end.

## 20 Other payables and accruals

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Kuwait Foundation for the Advancement of Sciences | **374,411** | 271,625 |
| National Labour Support Tax | **329,628** | 129,916 |
| Zakat | **126,851** | 47,967 |
| Directors' remuneration | **310,000** | 310,000 |
| Brokers payable | **1,557,034** | 1,245,837 |
| Uncollected dividends | **1,866,957** | 2,447,052 |
| Accrued staff dues | **4,484,876** | 4,215,544 |
| Other liabilities | **694,562** | 1,474,520 |
| | **9,744,319** | 10,142,461 |

## 21 Cash and cash equivalents

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

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Fixed deposit | **402,411** | 395,759 |
| Cash on hand | **56,072** | 252,949 |
| Cash in portfolio | **414,178** | - |
| Bank balances | **9,958,935** | 11,251,947 |
| Total cash and cash equivalents | **10,831,596** | 11,900,655 |
| Less: fixed deposit maturing after three months | **-** | (395,759) |
| Less: due to banks | **(155,729)** | (78,730) |
| Cash and cash equivalent for statement of cash flows | **10,675,867** | 11,426,166 |

## 22 Proposed dividends

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose for the year ended 31 December 2011 a cash dividend of 73 Fils per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The annual general assembly of the shareholders held on 10 March 2011 approved the consolidated financial statements of the group for the year ended 31 December 2010 and declared a cash dividend of 65 Fils per share amounting to KD13,645,535 for the year ended 31 December 2010 and was paid following that approval.

## 23 Segmental information

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 2011** | | | |
| Revenue | 119,290,341 | 23,111,339 | 142,401,680 |
| Segment profit | 17,715,268 | 19,894,154 | 37,609,422 |
| Unallocated expenses | | | (1,140,890) |
| Profit for the year | | | 36,468,532 |
| Total assets | 91,028,354 | 143,388,434 | 234,416,788 |
| Total Liabilities | (14,083,833) | (46,788,679) | (60,872,512) |
| Net assets employed | 76,944,521 | 96,599,755 | 173,544,276 |
| Capital expenditure | 260,157 | - | 260,157 |
| Depreciation | 2,079,560 | - | 2,079,560 |
| Impairment of available for sale investments | - | 2,453,524 | 2,453,524 |
| **At 31 December 2010** | | | |
| Revenue | 93,159,319 | 27,382,298 | 120,541,617 |
| Segment profit | 3,873,613 | 23,284,528 | 27,158,141 |
| Unallocated expenses | | | (759,508) |
| Profit for the year | | | 26,398,633 |
| Total assets (Restated) | 90,876,944 | 240,185,042 | 331,061,986 |
| Total Liabilities | (13,879,515) | (79,673,385) | (93,552,900) |
| Net assets employed (Restated) | 76,997,429 | 160,511,657 | 237,509,086 |
| Capital expenditure | 694,410 | - | 694,410 |
| Depreciation | 1,808,299 | - | 1,808,299 |
| Impairment of available for sale investments | - | 3,048,294 | 3,048,294 |

Geographical information:-

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| **Revenue:** | | |
| Kuwait | 125,550,985 | 106,477,281 |
| Middle East | 16,859,615 | 13,898,787 |
| International | (8,920) | 165,549 |
| | 142,401,680 | 120,541,617 |

## 24 Related party transactions

These represent transactions with certain related parties (directors and executive officers of the parent company and their related concerns) approved by management of the parent company.

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| **Amounts included in consolidated statement of financial position** | | |
| Trade accounts receivables | **2,185,689** | 2,615,006 |
| Trade accounts payables | **24,509** | 3,128 |
| **Amounts included in consolidated statement of income** | | |
| Sales | **1,138,563** | 2,505,258 |
| Industrial expenses | **133,133** | 32,019 |
| Provision for doubtful debts | **613,093** | - |
| **Key management compensation:** | | |
| Salaries and other short term benefits | **1,451,125** | 2,041,435 |
| End of service benefits | **5,556** | 3,646 |
| | **1,456,681** | 2,045,081 |

## 25 Capital commitments

At 31 December 2011, the group was committed to purchase investments amounting to KD Nil (2010: KD1,000,000) and to purchase new machinery and equipment amounting to KD130,585 (2010: KD93,830).

## 26 Contingent liabilities

Contingent liabilities at 31 December 2011 in respect of outstanding letters of guarantee amounted to KD8,546,430 (2010: 7,131,643).

## 27 Risk management objectives and policies

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

The parent company's board of directors 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.

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

### 27.1 Market risk

#### a) Foreign currency risk

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

## 27 Risk management objectives and policies (continued)

### 27.1 Market risk (continued)

#### a) Foreign currency risk (continued)

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:

| | **31 Dec. 2011 KD** | 31 Dec. 2010 KD |
|---|---|---|
| US Dollar | **1,085,729** | (6,680,271) |

The foreign currency sensitivity is determined based on 2% (2010: 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 for the year. There is no impact on the group's equity:

| | Profit for the year | |
|---|---|---|
| | **31 Dec. 2011 KD** | 31 Dec. 2010 KD |
| US Dollar | **(21,715)** | 133,605 |
| | **(21,715)** | 133,605 |

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

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

#### b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than bank balances and short term fixed deposit. The group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. The board monitors the interest rate risk by setting limits.

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

## 27 Risk management objectives and policies (continued)

### 27.1 Market risk (continued)

### b) Interest rate risk (continued)

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and –1% (2010: +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 financial position date. All other variables are held constant. There is no impact on the group's equity:

| | 31 Dec. 2011 | | 31 Dec. 2010 | |
|---|---|---|---|---|
| | +1% KD | -1% KD | +1% KD | -1% KD |
| Profit for the year | (243,289) | 243,289 | (628,781) | 628,781 |

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

If equity prices had been 2% (2010: 2%) higher/lower, the effect on the profit for the year and equity would have been as follows:

| | 31 Dec. 2011 | | 31 Dec. 2010 | |
|---|---|---|---|---|
| | Increase 2% | Decrease 2% | Increase 10% | Decrease 10% |
| Impact on equity | 2,859,708 | (1,791,708) | 4,698,627 | (4,442,473) |
| Impact on profit for the year | - | (1,068,000) | - | (256,154) |

### 27.2 Credit risk

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

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

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Available for sale investments | 122,215,708 | 209,261,942 |
| Trade accounts receivable | 29,423,319 | 27,942,617 |
| Other receivables and prepayments | 665,856 | 545,509 |
| Fixed deposit | 402,411 | 395,759 |
| Cash and bank balances | 10,373,113 | 11,504,896 |
| | 163,080,407 | 249,650,723 |

## 27 Risk management objectives and policies (continued)

### 27.2 Credit risk (continued)

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

### 27.3 Liquidity risk

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

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

Maturity profile of assets and liabilities at 31 December 2011:

| | Up to 1 month KD | 1-3 months KD | 3-12 months KD | Over 1 year KD | Total KD |
|---|---|---|---|---|---|
| **2011** | | | | | |
| **Assets** | | | | | |
| Property, plant and equipment | - | - | - | 12,050,190 | 12,050,190 |
| Available for sale investments | - | - | - | 142,985,404 | 142,985,404 |
| Inventories | 7,472,404 | 14,944,809 | 14,944,809 | - | 37,362,022 |
| Trade accounts receivable | 7,355,829 | 17,653,991 | 5,363,499 | - | 30,373,319 |
| Other receivables and prepayments | 37,719 | 171,431 | 605,107 | - | 814,257 |
| Fixed deposit | 402,411 | - | - | - | 402,411 |
| Cash and bank balances | 10,429,185 | - | - | - | 10,429,185 |
| | 25,697,548 | 32,770,231 | 20,913,415 | 155,035,594 | 234,416,788 |
| **Liabilities** | | | | | |
| Provision for staff indemnity | - | - | - | 1,715,052 | 1,715,052 |
| Term loans | 279,350 | 42,474,243 | 2,753,593 | 1,229,140 | 46,736,326 |
| Trade accounts payable | - | 2,521,086 | - | - | 2,521,086 |
| Other payables and accruals | 2,440,000 | 3,413,035 | 3,891,284 | - | 9,744,319 |
| Due to banks | 155,729 | - | - | - | 155,729 |
| | 2,875,079 | 48,408,367 | 6,644,877 | 2,944,192 | 60,872,512 |

Maturity profile of assets and liabilities at 31 December 2010:

| | Up to 1 month KD | 1-3 months KD | 3-12 months KD | Over 1 year KD | Total KD |
|---|---|---|---|---|---|
| **2010** | | | | | |
| **Assets** | | | | | |
| Property, plant and equipment | - | - | - | 14,616,022 | 14,616,022 |
| Available for sale investments | - | - | - | 239,789,283 | 239,789,283 |
| Inventories | 7,355,362 | 14,710,723 | 14,710,723 | - | 36,776,808 |
| Trade accounts receivable | 6,985,654 | 16,765,570 | 4,191,393 | - | 27,942,617 |
| Other receivables and prepayments | 56,617 | 152,911 | 468,968 | - | 678,496 |
| Fixed deposit | - | - | 395,759 | - | 395,759 |
| Cash and bank balances | 11,504,896 | - | - | - | 11,504,896 |
| | 25,902,529 | 31,629,204 | 19,766,843 | 254,405,305 | 331,703,881 |
| **Liabilities** | | | | | |
| Provision for staff indemnity | - | - | - | 1,512,196 | 1,512,196 |
| Term loans | - | 40,422,000 | 31,586,250 | 7,665,135 | 79,673,385 |
| Trade accounts payable | - | 2,146,128 | - | - | 2,146,128 |
| Other payables and accruals | 3,310,000 | 2,735,746 | 4,096,715 | - | 10,142,461 |
| Due to banks | 78,730 | - | - | - | 78,730 |
| | 3,388,730 | 45,303,874 | 35,682,965 | 9,177,331 | 93,552,900 |

## 27 Risk management objectives and policies (continued)

### 27.3 Liquidity risk (continued)

The maturity profile of financial liabilities at 31 December 2011 and 2010 based on undiscounted contractual arrangements is as follows:

| | Up to 1 month KD | 1-3 months KD | 3-12 months KD | Over 1 year KD | Total KD |
|---|---|---|---|---|---|
| **31 December 2011** | | | | | |
| Provision for staff indemnity | - | - | - | 1,715,052 | 1,715,052 |
| Term loans | 279,860 | 42,880,000 | 2,808,081 | 1,356,881 | 47,324,822 |
| Trade accounts payable | - | 2,521,086 | - | - | 2,521,086 |
| Other payables and accruals | 2,440,000 | 3,413,035 | 3,891,284 | - | 9,744,319 |
| Due to banks | 155,729 | - | - | - | 155,729 |
| Capital commitments | 7,341 | - | 123,244 | - | 130,585 |
| | 2,882,930 | 48,814,121 | 6,822,609 | 3,071,933 | 61,591,593 |
| **31 December 2010** | | | | | |
| Provision for staff indemnity | - | - | - | 1,512,196 | 1,512,196 |
| Term loans | 248,068 | 40,795,670 | 32,400,164 | 8,015,517 | 81,459,419 |
| Trade accounts payable | 3,310,000 | 2,735,746 | 4,096,715 | - | 10,142,461 |
| Other payables and accruals | - | 2,146,128 | - | - | 2,146,128 |
| Due to banks | 78,730 | - | - | - | 78,730 |
| Capital commitments | 7,550 | - | 86,280 | 1,000,000 | 1,093,830 |
| | 3,644,348 | 45,677,544 | 36,583,159 | 10,527,713 | 96,432,764 |

## 28 Summary of financial assets and liabilities by category

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

| | 31 Dec. 2011 | | 31 Dec. 2010 | |
|---|---|---|---|---|
| | Carrying amount KD | Fair value KD | Carrying amount KD | Fair value KD |
| Available for sale investments | - | 142,985,404 | - | 239,789,283 |
| Trade accounts receivable | 30,373,319 | - | 27,942,617 | - |
| Other receivable and prepayments | 665,856 | - | 545,509 | - |
| Fixed deposit | 402,411 | - | 397,759 | - |
| Cash and bank balances | 10,429,185 | - | 11,504,896 | - |
| | 41,870,771 | 142,985,404 | 40,390,781 | 239,789,283 |
| Term loans | 46,736,326 | - | 79,673,385 | - |
| Trade accounts payable | 2,521,086 | - | 2,146,128 | - |
| Other payables and accruals | 9,744,319 | - | 10,142,461 | - |
| Due to banks | 155,729 | - | 78,730 | - |
| | 59,157,460 | - | 92,040,704 | - |

**Financial instruments measured at fair value**

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

## 28 Summary of financial assets and liabilities by category (continued)

**Financial instruments measured at fair value (continued)**
This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

**31 December 2011**

| | Note | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| *Available for sale investments:* | | | | | |
| Quoted securities | a | 13,977,310 | - | - | 13,977,310 |
| Quoted fund | b | - | 1,972,917 | - | 1,972,917 |
| Managed portfolios | c | 120,242,791 | - | - | 120,242,791 |
| Unquoted securities | d | - | - | 5,941,103 | 5,941,103 |
| Unquoted funds | e | - | - | 851,283 | 851,283 |
| | | 134,220,101 | 1,972,917 | 6,792,386 | 142,985,404 |

**31 December 2010**

| | Note | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| *Available for sale investments:* | | | | | |
| Quoted securities | a | 22,961,561 | - | - | 22,961,561 |
| Quoted fund | b | - | 2,358,452 | - | 2,358,452 |
| Managed portfolios | c | 206,903,490 | - | - | 206,903,490 |
| Unquoted securities | d | - | - | 6,327,513 | 6,327,513 |
| Unquoted funds | e | - | - | 1,238,267 | 1,238,267 |
| | | 229,865,051 | 2,358,452 | 7,565,780 | 239,789,283 |

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

**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) Quoted fund**
The underlying investments of quoted fund primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

## 28 Summary of financial assets and liabilities by category (continued)

**c) Managed portfolios**
The underlying investments of managed portfolios primarily comprise of local quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

**d) Unquoted securities**
The investments in unlisted securities are measured at fair value using some assumptions that are not based on observable market prices or rates.

**e) Unquoted funds**
Unquoted funds represent investments in private equity funds, these investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

**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. 2011 | | 31 Dec.2010 | |
| | Unquoted securities KD | Unquoted funds KD | Unquoted securities KD | Unquoted funds KD |
| Opening balance | 6,327,513 | 1,238,267 | 7,561,833 | 1,761,510 |
| Purchase | - | 15,903 | - | 2,617 |
| Sold/redeemed | (2,540,000) | (238,132) | - | (452,980) |
| Gains or losses recognised in: | | | | |
| - Consolidated statement of income | (135,000) | (74,723) | (1,317,269) | - |
| - Consolidated other comprehensive income | 2,288,590 | (90,031) | 82,949 | (72,880) |
| **Closing balance** | 5,941,103 | 851,284 | 6,327,513 | 1,238,267 |

Gains or losses recognised in the consolidated statement of income (as above) for the year are included in (loss)/gain on redemption/sale of available for sale investments.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.

There have been no transfers into or out of level 3 in the reporting period under review.

## 29 Capital management objectives

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

The 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.

## 29 Capital management objectives (continued)

The capital structure of the group consists of the following:

| | 31 Dec. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Long term loans (note 19) | **6,736,326** | 12,673,385 |
| Short term loans (note 19) | **40,000,000** | 67,000,000 |
| Less: Cash and cash equivalents (note 21) | **(10,675,867)** | (11,426,166) |
| Net debt | **36,060,459** | 68,247,219 |
| Equity attributable to the owners of the parent company | **173,134,713** | 237,266,332 |

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. 2011 KD | 31 Dec. 2010 KD |
|---|---|---|
| Net debt | **36,060,459** | 68,247,219 |
| Total equity | **173,134,713** | 237,266,332 |
| Gearing ratio | **21%** | 29% |