Consolidated financial statements and independent auditors' report

Gulf Cable and Electrical Industries Company – KSC and Subsidiary

Kuwait

31 December 2009

Contents

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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 (A Kuwaiti Shareholding Company) (the parent company) and its Subsidiary (the group), which comprise the consolidated financial position as at 31 December 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and the explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, nor of the articles of association of the parent company, as amended, have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the group or on its financial position.

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

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

Kuwait
4 March 2010

Consolidated statement of income

	Notes	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Sales		**71,124,553**	109,858,045
Cost of sales	5	**(55,246,458)**	(87,817,090)
Gross profit		**15,878,095**	22,040,955
Dividend income		**6,679,481**	7,366,726
Investment income		**325,463**	533,873
Realised gain on sale of available for sale of investments		**183,838**	246,620
Impairment in value of available for sale investments	11	**(2,883,966)**	(21,189,414)
Interest income	6	**76,724**	112,588
Other revenue		**119,178**	97,078
Gain on foreign exchange		**1,267,258**	328,355
		21,646,071	9,536,781
Expenses and other charges			
Administrative expenses	5	**(3,827,384)**	(2,489,035)
Commercial expenses	5	**(2,115,613)**	(1,538,297)
Provision for doubtful debts		**(90,977)**	-
(Provision) /reversal of provision for obsolete stock		**(52,081)**	845,304
Reversal of warranty provision		**-**	493,721
Interest expense	8	**(4,445,143)**	(3,275,776)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		**11,114,873**	3,572,698
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(111,434)**	(35,826)
National Labour Support Tax (NLST)		**(148,086)**	-
Zakat		**(50,235)**	-
Directors' remuneration		**(310,000)**	(310,000)
Profit for the year		**10,495,118**	3,226,872
Attributable to:			
Owners of the parent company		**10,523,602**	3,236,779
Non-controlling interest		**(28,484)**	(9,907)
Profit for the year		**10,495,118**	3,226,872
Basic and diluted earnings per share	9	**50 Fils**	15 Fils

The notes set out on pages 9 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Profit for the year	**10,495,118**	3,226,872
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**217,115**	63,224
Available for sale investments:		
- Net gain/(loss) arising during the year	**6,637,328**	(149,728,570)
-Transferred to consolidated statement of income on sale	**229,593**	(246,620)
-Transferred to consolidated statement of income on impairment	**2,883,966**	21,189,414
Total other comprehensive income/(loss)	**9,968,002**	(128,722,552)
Total comprehensive income/(loss) for the year	**20,463,120**	(125,495,680)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**20,479,662**	(125,489,249)
Non-controlling interest	**(16,542)**	(6,431)
	20,463,120	(125,495,680)

The notes set out on pages 9 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2009 KD	31 Dec. 2008 KD
Assets			
Non-current assets			
Property, plant and equipment	10	**15,919,728**	14,975,255
Available for sale investments	11	**178,452,125**	128,445,771
		194,371,853	143,421,026
Current assets			
Inventories	12	**34,247,874**	48,755,949
Trade accounts receivable	13	**21,086,760**	37,351,032
Other receivables and prepayments		**1,268,467**	4,912,775
Fixed deposit		**387,550**	186,425
Cash and bank balances		**5,591,362**	2,402,873
		62,582,013	93,609,054
Total assets		**256,953,866**	237,030,080
Equity and liabilities			
Equity attributable to the owners of the parent company			
Share capital	14	**20,993,131**	20,993,131
Share premium	15	**29,160,075**	29,160,075
Legal reserve	16	**15,371,779**	14,257,443
Voluntary reserve	16	**15,371,779**	14,257,443
General reserve		**16,788,145**	16,788,145
Fair value reserve		**44,826,440**	35,075,553
Foreign currency translation reserve		**(88,766)**	(293,939)
Retained earnings		**14,785,404**	21,185,666
		157,207,987	151,423,517
Non-controlling interest		**288,770**	305,312
Total equity		**157,496,757**	151,728,829
Non-current liabilities			
Provision for staff indemnity		**1,323,976**	1,229,465
Long term loans	17	**10,564,252**	12,925,223
		11,888,228	14,154,688
Current liabilities			
Trade accounts payable		**1,650,059**	1,089,259
Other payables and accruals	18	**9,238,370**	5,770,730
Current portion of long term loans	17	**5,131,944**	4,938,839
Short term loans	17	**71,500,000**	56,411,537
Due to banks		**48,508**	2,936,198
		87,568,881	71,146,563
Total liabilities		**99,457,109**	85,301,251
Total equity and liabilities		**256,953,866**	237,030,080

Bader Naser Al-Kharafi
Chairman and Managing Director

The notes set out on pages 9 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the owners of the parent company									Non-controlling interest	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 31 December 2008	20,993,131	29,160,075	14,257,443	14,257,443	16,788,145	35,075,553	(293,939)	21,185,666	151,423,517	305,312	151,728,829
Payment of cash dividends (Note 20)	-	-	-	-	-	-	-	(14,695,192)	(14,695,192)	-	(14,695,192)
Transactions with owners	-	-	-	-	-	-	-	(14,695,192)	(14,695,192)	-	(14,695,192)
Profit /(loss) for the year	-	-	-	-	-	-	-	10,523,602	10,523,602	(28,484)	10,495,118
***Other comprehensive income*:**											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	205,173	-	205,173	11,942	217,115
Available for sale investments:											
- Net gain arising during the period	-	-	-	-	-	6,637,328	-	-	6,637,328	-	6,637,328
- Transferred to consolidated statement of income on sale	-	-	-	-	-	229,593	-	-	229,593	-	229,593
-Transferred to consolidated statement of income on impairment	-	-	-	-	-	2,883,966	-	-	2,883,966	-	2,883,966
Total comprehensive income/(loss) for the year	-	-	-	-	-	9,750,887	205,173	10,523,602	20,479,662	(16,542)	20,463,120
Transfer to reserves	-	-	1,114,336	1,114,336	-	-	-	(2,228,672)	-	-	-
Balance at 31 December 2009	**20,993,131**	**29,160,075**	**15,371,779**	**15,371,779**	**16,788,145**	**44,826,440**	**(88,766)**	**14,785,404**	**157,207,987**	**288,770**	**157,496,757**

The notes set out on pages 9 to 30 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 interest	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 31 December 2007	16,148,562	29,160,075	13,899,182	13,899,182	16,788,145	163,861,329	(353,687)	31,584,259	284,987,047	311,743	285,298,790
Payment of cash dividends	-	-	-	-	-	-	-	(8,074,281)	(8,074,281)	-	(8,074,281)
Issue of bonus shares	4,844,569	-	-	-	-	-	-	(4,844,569)	-	-	-
Transactions with owners	4,844,569	-	-	-	-	-	-	(12,918,850)	(8,074,281)	-	(8,074,281)
Profit/(loss) for the year	-	-	-	-	-	-	-	3,236,779	3,236,779	(9,907)	3,226,872
***Other comprehensive income*:**											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	59,748	-	59,748	3,476	63,224
Available for sale investments:											
- Net loss arising during the period	-	-	-	-	-	(149,728,570)	-		(149,728,570)	-	(149,728,570)
- Transferred to consolidated statement of income on sale	-	-	-	-	-	(246,620)	-	-	(246,620)		(246,620)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	21,189,414	-	-	21,189,414	-	21,189,414
Total comprehensive (loss)/income for the year	-	-	-	-	-	(128,785,776)	59,748	3,236,779	(125,489,249)	(6,431)	(125,495,680)
Transfer to reserves	-	-	358,261	358,261	-	-	-	(716,522)	-	-	-
Balance at 31 December 2008	20,993,131	29,160,075	14,257,443	14,257,443	16,788,145	35,075,553	(293,939)	21,185,666	151,423,517	305,312	151,728,829

The notes set out on pages 9 to 30 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
OPERATING ACTIVITIES			
Profit for the year		**10,495,118**	3,226,872
Adjustments:			
Depreciation		**1,459,289**	1,287,618
Provision for staff indemnity		**197,996**	369,352
Reversal of warranty provision		**-**	(493,721)
Interest expense		**4,445,143**	3,275,776
Interest income		**(76,724)**	(112,588)
Dividend income		**(6,679,481)**	(7,366,726)
Investment income		**(325,463)**	(533,873)
Realised gain on sale of available for sale investments		**(183,838)**	(246,620)
Impairment in value of available for sale investments		**2,883,966**	21,189,414
Foreign exchange loss on non-operating liabilities		**762,749**	477,848
		12,978,755	21,073,352
Changes in operating assets and liabilities:			
Inventories		**14,508,075**	(14,043,148)
Trade accounts receivable		**16,264,272**	(9,832,227)
Other receivables and prepayments		**3,653,494**	(1,848,880)
Trade accounts payable		**560,800**	70,425
Other payables and accruals		**2,241,501**	169,858
Staff indemnity paid		**(103,485)**	(19,818)
Warranty provision paid		**-**	(2,550)
Net cash from/(used in) operating activities		**50,103,412**	(4,432,988)
INVESTING ACTIVITIES			
Fixed deposit maturing after three month		**186,425**	(186,425)
Capital expenditure		**(2,057,661)**	(4,563,006)
Net book value of property, plant and equipment on disposal		**27,208**	-
Purchase of available for sale investments		**(47,551,083)**	(30,970,748)
Proceeds from redemption / sale of available for sale investments		**4,595,488**	1,246,900
Dividend income received		**6,679,481**	7,366,726
Investment income received		**325,463**	533,873
Interest income received		**67,538**	112,588
Net cash used in investing activities		**(37,727,141)**	(26,460,092)
FINANCING ACTIVITIES			
Payment of dividends		**(13,682,985)**	(8,108,160)
Proceeds from term loans		**40,500,000**	54,885,250
Repayment of term loans		**(28,342,152)**	(11,632,040)
Interest expense paid		**(4,231,211)**	(3,275,776)
Net cash (used in)/from financing activities		**(5,756,348)**	31,869,274
Increase in cash and cash equivalents		**6,619,923**	976,194
Foreign currency adjustment		**(156,194)**	(9,533)
Cash and cash equivalents at beginning of the year	19	**(533,325)**	(1,499,986)
Cash and cash equivalents at end of the year	19	**5,930,404**	(533,325)

The notes set out on pages 9 to 30 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2009

1 Incorporation and activities

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

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

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

The board of directors approved these consolidated financial statements for issue on 4 March 2010 and are subject to the approval of the general assembly of the shareholders.

2 Adoption of new and revised International Financial Reporting Standards

2.1 The group has adopted the following new standards, interpretations, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning 1 January 2009. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's consolidated financial statements.

- Amendments to IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Borrowing Costs (Revised)
- Annual Improvements 2008

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

2.1.1 Amendment to IFRS 7: Financial Instruments: Disclosures
The amendments require additional disclosures for financial instruments that are measured at fair value in the consolidated statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.1.2 IFRS 8 Operating Segments
The adoption of IFRS 8 has not resulted in a redesignation of the group's reportable segments and has had no impact on the reported results or consolidated financial position of the group. Reported segment results are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim consolidated financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns.

2.1.3 IAS 1 Presentation of Financial Statements (Revised)
The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary consolidated financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'statement of comprehensive income'.

The revised standard also requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because 31 December 2007 statement of financial position is the same as that previously reported.

2.1.4 IAS 23 Borrowing Costs (Revised)
IAS 23 Borrowing Costs (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

2.1.5 Annual Improvements 2008
In addition to the changes affecting amounts reported in the consolidated financial statements described above, the Improvements have led to a number of changes in the detail of the group's accounting policies some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

2.2 At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted.

Management anticipates that all of the 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 consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's consolidated financial statements.

- IFRS 3 Business Combinations (Revised)
- IFRS 9 Financial Instruments
- IAS 27 Consolidated and Separate Financial Statements (Revised)
- Annual Improvements 2009

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.2.1 IFRS 3 Business Combinations (Revised) (effective from 1 July 2009)
The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

2.2.2 IFRS 9 Financial Instruments (effective from 1 January 2013 earlier application is permitted)
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 2013. IFRS 9 is the first part of Phase 1 of this project. 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.

2.2.3 IAS 27 Consolidated and Separate Financial Statements (Revised) (effective from 1 July 2009)
The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's consolidated financial statements.

2.2.4 Annual Improvements 2009
The IASB has issued *Improvements for International Financial Reporting Standards 2009* which have led to a number of changes in the detail of the group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010.

3 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2008. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

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

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2009, and the financial statements of its subsidiary prepared to that date using consistent accounting policies.

3 Significant accounting policies (continued)

Basis of consolidation (continued)
Subsidiaries are consolidated from the date on which control is transferred to the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

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

Non-controlling interest represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill. Disposals to the non-controlling interests result in gains and losses for the group that are recorded in the statement of income.

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from the disposal is recognised in the consolidated statement of income.

The useful life and depreciation methods 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 cost of property, plant and equipment is depreciated with effect from the date of purchase by equal annual instalments over the estimated useful lives of the assets.

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

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

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

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

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

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

Impairment of non-financial assets
The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

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

Provision for doubtful receivables
Specific provision is made at the financial position date for those balances where recovery is considered to be doubtful.

Provision for staff indemnity
Provision is made for amounts payable under the Kuwait labour law applicable to employees' accumulated periods of service as at the financial position date. This liability , which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

3 Significant accounting policies (continued)

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

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

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

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

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

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

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same; or
- other valuation models.

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

At the financial position date, gross trade accounts receivable were KD22,509,827 (2008: KD38,683,122), and the provision for doubtful debts was KD1,423,067(2008: KD1,332,090). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

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

At the financial position date, gross inventories were KD31,970,230 (2008: KD45,945,377), with provision for old and obsolete inventories of KD287,104 (2008: KD235,023). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

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

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.
The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investments at fair value through statement of income depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

Impairment of available for sale investments
The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The group recongised impairment loss of KD2,883,966 (2008: KD21,189,414) with respect to available for sale investments.

5 Staff costs

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

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Cost of sales	2,255,920	1,925,661
Administrative expenses	2,351,798	1,919,764
Commercial expenses	391,121	254,149
	4,998,839	4,099,574

6 Interest income

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Bank balances	16,893	34,830
Fixed deposit	59,831	77,758
Interest income on financial assets not at fair value	76,724	112,588

7 Net gain/(loss) on financial assets

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

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Bank balances	16,893	34,830
Fixed deposit	59,831	77,758
Available for sale investments	4,304,816	(13,042,195)
Net realised gain/(loss)	4,381,540	(12,929,607)
Net unrealised gain/(loss) recognised in equity	9,750,887	(128,785,776)
	14,132,427	(141,715,383)

8 Interest expense

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

9 Basic and diluted earnings per share

Earnings per share is 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. 2009	Year ended 31 Dec. 2008
Profit for the year attributable to the owners of the parent company (KD)	10,523,602	3,236,779
Weighted average shares in issue during the year (number)	209,931,310	209,931,310
Basic and diluted earnings per share	50 Fils	15 Fils

10 Property, plant and equipment

	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
2009							
Cost							
At 1 January 2009	270,033	6,786,840	19,714,088	1,240,820	557,275	5,293,847	**33,862,903**
Additions	-	-	82,066	125,900	-	1,849,695	**2,057,661**
Transfer	-	24,112	2,841,206	109,513	-	(2,974,831)	**-**
Disposals	-	-	(23,891)	(4,240)	-	-	**(28,131)**
Foreign currency adjustment	10,244	22,838	170,955	6,565	21,140	160,950	**392,692**
At 31 December 2009	**280,277**	**6,833,790**	**22,784,424**	**1,478,558**	**578,415**	**4,329,661**	**36,285,125**
Accumulated depreciation							
At 1 January 2009	-	4,729,339	13,156,731	931,406	70,172	-	**18,887,648**
Charge for the year	-	166,991	1,137,762	147,765	6,771	-	**1,459,289**
Relating to disposals	-	-	(75)	(848)	-	-	**(923)**
Foreign currency adjustment	-	1,665	14,087	969	2,662	-	**19,383**
At 31 December 2009	**-**	**4,897,995**	**14,308,505**	**1,079,292**	**79,605**	**-**	**20,365,397**
Net book value						-	
At 31 December 2009	**280,277**	**1,935,795**	**8,475,919**	**399,266**	**498,810**	**4,329,661**	**15,919,728**
2008							
Cost							
At 1 January 2008	266,951	5,838,064	18,893,401	1,042,310	548,511	2,629,429	29,218,666
Additions	-	57,595	614,785	197,865	2,433	3,690,328	4,563,006
Transfer	-	884,357	161,511	-	-	(1,045,868)	-
Foreign currency adjustment	3,082	6,824	44,391	645	6,331	19,958	81,231
At 31 December 2008	270,033	6,786,840	19,714,088	1,240,820	557,275	5,293,847	33,862,903
Accumulated depreciation							
At 1 January 2008	-	4,563,342	12,138,862	849,541	39,809	-	17,591,554
Charge for the year	-	165,384	1,011,228	81,562	29,444	-	1,287,618
Foreign currency adjustment	-	613	6,641	303	919	-	8,476
At 31 December 2008	-	4,729,339	13,156,731	931,406	70,172	-	18,887,648
Net book value							
At 31 December 2008	270,033	2,057,501	6,557,357	309,414	487,103	5,293,847	14,975,255

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

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

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

11 Available for sale investments

	31 Dec. 2009 KD	31 Dec. 2008 KD
Managed portfolios	**145,641,750**	102,622,903
Quoted shares	**21,406,007**	12,725,253
Quoted funds	**2,081,025**	2,519,856
Unquoted shares	**7,561,833**	8,691,734
Unquoted funds	**1,761,510**	1,886,025
	178,452,125	128,445,771

Unquoted investments include investments in private equity funds amounting to KD1,761,510 (2008: KD1,886,025). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

The group recognised impairment loss by KD2,883,966 (2008: KD21,189,414) in respect of certain available for sale investments.

12 Inventories

	31 Dec. 2009 KD	31 Dec. 2008 KD
Raw materials	**10,911,290**	20,367,137
Finished goods	**10,866,634**	13,757,365
Work-in-progress	**8,771,874**	10,503,107
Spare parts	**1,420,432**	1,317,768
	31,970,230	45,945,377
Provision for obsolete stock	**(287,104)**	(235,023)
	31,683,126	45,710,354
Goods in transit and prepaid letters of credit	**2,564,748**	3,045,595
	34,247,874	48,755,949

13 Trade accounts receivable

	31 Dec. 2009 KD	31 Dec. 2008 KD
Trade accounts receivable	**22,509,827**	38,683,122
Provision for doubtful debts	**(1,423,067)**	(1,332,090)
	21,086,760	37,351,032

13.1 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 – 90 days terms.

13 Trade accounts receivable (continued)

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

	31 Dec. 2009 KD	31 Dec. 2008 KD
Neither past due nor impaired:		
- less than 3 months	**13,697,529**	29,465,244
- 3 – 6 months	**7,219,907**	7,566,922
Impaired:		
- over 6 months	**1,592,391**	1,650,956
Total trade accounts receivables	**22,509,827**	38,683,122

14 Share capital

	31 Dec. 2009 KD	31 Dec. 2008 KD
Authorised: shares of 100 Kuwaiti Fils each	**20,993,131**	20,993,131
Issued and fully paid: shares of 100 Kuwaiti Fils each	**20,993,131**	20,993,131

15 Share premium

Share premium is not available for distribution.

16 Reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit 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.

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

17 Term loans

	Balances outstanding at 31 December	
	2009 KD	2008 KD
Long term loans:		
- USD 12,500,000 facility	**2,102,553**	2,601,562
- USD 55,000,000 facility	**13,593,643**	15,262,500
	15,696,196	17,864,062
Instalments due within next twelve months	**(5,131,944)**	(4,938,839)
Instalments due after next twelve months	**10,564,252**	12,925,223
Short term loans		
- Kuwait Dinar	**71,500,000**	56,411,537

17 Term loans (continued)

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

Long term loan 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 1 March 2012.

Short term loans outstanding at 31 December 2009 were obtained from local banks. The loans are unsecured and carry effective interest range of 2.5% above Central Bank of Kuwait discount rate (31 December 2008: 1.25% and 1.5%) per annum. The loans are repayable within twelve months from the financial position date.

18 Other payables and accruals

	31 Dec. 2009 KD	31 Dec. 2008 KD
Kuwait Foundation for the Advancement of Sciences	**111,434**	317,254
Provision for National Labour Support Tax	**148,086**	-
Zakat	**50,235**	-
Directors' remuneration	**310,000**	370,000
Uncollected dividends	**2,457,925**	1,445,718
Accrued staff dues	**2,062,728**	1,269,247
Brokers payable	**1,718,761**	-
Other liabilities	**2,379,201**	2,368,511
	9,238,370	5,770,730

19 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. 2009 KD	31 Dec. 2008 KD
Fixed deposit maturing within three months	**387,550**	-
Cash and bank balances	**5,591,362**	2,402,873
Due to banks	**(48,508)**	(2,936,198)
	5,930,404	(533,325)

20 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 2009 a cash dividend of 50 Fils per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The proposed cash dividend of 70 Fils per share amounting to KD14,695,192 for the year ended 31 December 2008 were approved by the general assembly of the shareholders held on 29 March 2009 and paid following that approval.

21 Segmental information

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. Under IFRS 8, reported segment profits are 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. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). Following the adoption of IFRS 8, the identification of the group's reportable segments has not changed. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

	Cable manufacture KD	Investment KD	Total KD
At 31 December 2009			
Revenue	**72,502,006**	**4,390,523**	**76,892,529**
Segment profit	**11,006,075**	**108,798**	**11,114,873**
Unallocated expenses			**(619,755)**
Profit for the year			**10,495,118**
Total assets	**78,114,191**	**178,839,675**	**256,953,866**
Total Liabilities	**(12,260,913)**	**(87,196,196)**	**(99,457,109)**
Net assets employed	**65,853,278**	**91,643,479**	**157,496,757**
Capital expenditure	**2,057,661**	**-**	**2,057,661**
Depreciation	**1,459,289**	**-**	**1,459,289**
Impairment in value of available for sale investments	**-**	**2,883,966**	**2,883,966**
At 31 December 2008			
Revenue	110,440,224	(13,086,352)	97,353,872
Segment profit/(loss)	19,740,382	(16,167,684)	3,572,698
Unallocated expenses			(345,826)
Profit for the year			3,226,872
Total assets	108,397,853	128,632,227	237,030,080
Total Liabilities	(11,025,652)	(74,275,599)	(85,301,251)
Net assets employed	97,372,201	54,356,628	151,728,829
Capital expenditure	4,563,006	-	4,563,006
Depreciation	1,287,618	-	1,287,618
Impairment in value of available for sale investments	-	21,189,414	21,189,414

Geographical information:-

	31 Dec. 2009 KD	31 Dec. 2008 KD
Revenue:		
Kuwait	**68,479,112**	86,902,719
Middle East	**8,027,481**	9,482,544
International	**385,936**	968,609
	76,892,529	97,353,872

22 Related party transactions

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

	31 Dec. 2009 KD	31 Dec. 2008 KD
Amounts included in the consolidated statement of financial position:		
Purchase of property, plant and equipment	-	239,760
Amounts included in the consolidated statement of income:		
Sales	**1,245,523**	1,794,905
Industrial expenses	**163,967**	63,867
Key management compensation:		
Salaries and other short term benefits	**1,191,435**	452,885
Terminal benefits	**21,697**	4,077
	1,213,132	456,962

23 Capital commitments

At 31 December 2009 the group was committed to purchase investments amounting to KD1,000,000 (2008: KD1,039,851) and to purchase new machinery and equipment amounting to KD476,146 (2008: KD1,266,452).

24 Contingent liabilities

Contingent liabilities at 31 December 2009 in respect of outstanding letters of guarantee amounted to KD6,728,829 (2008: KD5,831,409).

25 Risk management objectives and policies

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

The parent company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. 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.

25.1 Market risk

a) Foreign currency risk

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

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

25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

a) Foreign currency risk (continued)

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

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

	31 Dec. 2009 KD	31 Dec. 2008 KD
US Dollar	**(8,690,590)**	(8,804,204)

The foreign currency sensitivity is determined based on 5 % (2008:5%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

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

	Profit for the year	
	31 Dec. 2009 KD	31 Dec. 2008 KD
US Dollar	**434,530**	440,210
	434,530	440,210

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 short term fixed deposits. The group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. The board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

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

The following table illustrates the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +1% and –1% (2008: +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.

25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

b) Interest rate risk (continued)

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. 2009		31 Dec. 2008	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit for the year	**(678,921)**	**678,921**	(481,322)	481,322

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 10% (2008: 10%) higher/lower, the effect on the profit for the year and equity would have been as follows:

	31 Dec. 2009		31 Dec. 2008	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Impact on equity	**17,670,921**	**(14,638,094)**	12,655,923	(11,112,089)
Impact on profit for the year	**-**	**(3,032,827)**	-	(1,543,834)

25.2 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. 2009 KD	31 Dec. 2008 KD
Available for sale investments	**147,722,775**	105,142,759
Trade accounts receivable	**21,086,760**	37,351,032
Other receivables and prepayments	**1,268,467**	4,912,775
Fixed deposit	**387,550**	186,425
Bank balances	**5,590,882**	2,390,473
	176,056,434	149,983,464

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.

25 Risk management objectives and policies (continued)

25.3 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 2009:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2009					
Assets					
Property, plant and equipment	-	-	-	15,919,728	15,919,728
Available for sale investments	-	-	-	178,452,125	178,452,125
Inventories	4,892,553	9,785,107	19,570,214	-	34,247,874
Trade accounts receivable	5,271,691	12,652,055	3,163,014	-	21,086,760
Other receivables and prepayments	177,789	198,305	892,373	-	1,268,467
Fixed deposit	387,550	-	-	-	387,550
Cash and bank balances	5,591,362	-	-	-	5,591,362
	16,320,945	22,635,467	23,625,601	194,371,853	256,953,866
Liabilities					
Provision for staff indemnity	-	-	-	1,323,976	1,323,976
Term loans	-	2,565,972	74,065,972	10,564,252	87,196,196
Trade accounts payable	-	1,650,059	-	-	1,650,059
Other payables and accruals	2,170,920	2,998,014	4,069,436	-	9,238,370
Due to banks	48,508	-	-	-	48,508
	2,219,428	7,214,045	78,135,408	11,888,228	99,457,109

Maturity profile of assets and liabilities at 31 December 2008:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2008					
Assets					
Property, plant and equipment	-	-	-	14,975,255	14,975,255
Available for sale investments	-	-	-	128,445,771	128,445,771
Inventories	6,965,136	13,930,271	27,860,542	-	48,755,949
Trade accounts receivable	9,337,758	22,410,619	5,602,655		37,351,032
Other receivables and prepayments	1,228,193	1,965,110	1,719,472	-	4,912,775
Fixed deposit	-	-	186,425	-	186,425
Cash and bank balances	2,402,873	-	-	-	2,402,873
	19,933,960	38,306,000	35,369,094	143,421,026	237,030,080
Liabilities					
Provision for staff indemnity	-	-	-	1,229,465	1,229,465
Term loans	-	2,180,357	59,170,019	12,925,223	74,275,599
Trade accounts payable	-	1,089,259	-	-	1,089,259
Other payables and accruals	604,802	3,290,479	1,875,449	-	5,770,730
Due to banks	2,936,198	-	-	-	2,936,198
	3,541,000	6,560,095	61,045,468	14,154,688	85,301,251

25 Risk management objectives and policies (continued)

25.4 Liquidity risk (continued)

The maturity profile of financial liabilities at 31 December 2009 and 2008 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
2009					
Provision for staff indemnity	-	-	-	1,323,976	1,323,976
Term loans	-	3,734,262	77,464,997	11,173,523	92,372,782
Trade accounts payable	-	1,650,059	-	-	1,650,059
Other payables and accruals	2,170,920	2,998,014	4,069,436	-	9,238,370
Due to banks	48,791	-	-	-	48,791
Capital commitments	-	171,781	304,365	1,000,000	1,476,146
	2,219,711	8,554,116	81,838,798	13,497,499	106,110,124
2008					
Provision for staff indemnity	-	-	-	1,229,465	1,229,465
Term loans	-	2,180,709	62,360,294	13,924,480	78,465,483
Trade accounts payable	-	1,089,259	-	-	1,089,259
Other payables and accruals	604,802	3,290,479	1,875,449	-	5,770,730
Due to banks	2,988,385	-	-	-	2,988,385
Capital commitments	48,741	283,278	727,299	1,246,985	2,306,303
	3,641,928	6,843,725	64,963,042	16,400,930	91,849,625

26 Summary of financial assets and liabilities by category

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

	31 Dec. 2009		31 Dec. 2008	
	Carrying amount KD	Fair value KD	Carrying amount KD	Fair value KD
Available for sale investments	-	178,452,125	-	128,445,771
Trade accounts receivable	21,086,760	-	37,351,032	-
Other receivable and prepayments	1,268,467	-	4,912,775	-
Fixed deposit	387,550	-	186,425	-
Cash and bank balances	5,591,362	-	2,402,873	-
	28,334,139	178,452,125	44,853,105	128,445,771
Term loans	87,196,196	-	74,275,599	-
Trade accounts payable	1,650,059	-	1,089,259	-
Other payables and accruals	9,238,370	-	5,770,730	-
Due to banks	48,508	-	2,936,198	-
	98,133,133	-	84,071,786	-

Financial instruments measured at fair value

The group adopted the amendments to IFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

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.

26 Summary of financial assets and liabilities by category (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 2009

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Assets					
Available for sale investments:					
Quoted securities	a	21,406,007	-	-	21,406,007
Quoted fund	b	-	2,081,025	-	2,081,025
Managed portfolios	c	145,641,750	-	-	145,641,750
Unquoted securities	d	-	-	7,561,833	7,561,833
Unquoted funds	e	-	-	1,761,510	1,761,510
		167,047,757	2,081,025	9,323,343	178,452,125

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.

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 financial statements include holdings in unlisted securities which are measured at fair value. Using some assumptions that are not supportable by 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.

26 Summary of financial assets and liabilities by category (continued)

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
	Unquoted securities KD	Unquoted funds KD
Opening balance	8,691,734	1,886,025
Purchased	-	58,939
Sold/redeemed	-	(166,255)
Gains or losses recognised in:	-	
- Consolidated statement of income	-	(229,593)
- Consolidated other comprehensive income	(1,129,901)	212,394
Closing balance	**7,561,833**	**1,761,510**

Gains or losses recognised in the consolidated statement of income (as above) for the year are included in realized gain on 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.

27 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. 2009 KD	31 Dec. 2008 KD
Long term loans (note 17)	**15,696,196**	17,864,062
Short term loans (note 17)	**71,500,000**	56,411,537
(Less)/add: Cash and cash equivalents (note 19)	**(5,930,404)**	533,325
Net debt	**81,265,792**	74,808,924
Equity attributable to the owners of the parent company	**157,207,987**	151,423,517

27 Capital management objectives (continued)

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 as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Net debt	**81,265,792**	74,808,924
Total equity	**157,207,987**	151,423,517
Gearing ratio	**51.7%**	49.4%