Consolidated financial statements and independent auditors' report

Gulf Cable and Electrical Industries Company – KSC and Subsidiary

Kuwait

31 December 2010

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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 2010, 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 auditor's 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 2010, and their 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)
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of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
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Kuwait
2 February 2011

Consolidated statement of income

	Notes	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Sales		**93,159,319**	71,124,553
Cost of sales	6	**(79,530,539)**	(55,246,458)
Gross profit		**13,628,780**	15,878,095
Dividend income		**23,572,745**	6,679,481
Realised gain on sale of available for sale of investments		**6,854,679**	183,838
Impairment in value of available for sale investments	12	**(3,048,294)**	(2,883,966)
Other investments income		**186,526**	325,463
Interest income	7	**30,768**	76,724
Other revenue		**4,311**	119,178
Gain on foreign exchange		**122,137**	1,267,258
		41,351,652	21,646,071
Expenses and other charges			
Administrative expenses	6	**(6,326,662)**	(3,827,384)
Commercial expenses	6	**(2,945,976)**	(2,115,613)
Provision for doubtful debts		**(610,547)**	(90,977)
Provision for obsolete inventories		**(49,044)**	(52,081)
Finance costs	9	**(4,261,282)**	(4,445,143)
		(14,193,511)	(10,531,198)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		**27,158,141**	11,114,873
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(271,625)**	(111,434)
National Labour Support Tax (NLST)		**(129,916)**	(148,086)
Zakat		**(47,967)**	(50,235)
Directors' remuneration		**(310,000)**	(310,000)
Profit for the year		**26,398,633**	10,495,118
Attributable to:			
Owners of the parent company		**26,403,034**	10,523,602
Non-controlling interests		**(4,401)**	(28,484)
Profit for the year		**26,398,633**	10,495,118
Basic and diluted earnings per share attributable to owners of the parent company	10	**126 Fils**	50 Fils

The notes set out on pages 9 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Profit for the year	**26,398,633**	10,495,118
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**(114,746)**	217,115
Available for sale investments:		
- Net gain arising during the year	**64,184,669**	6,637,328
-Transferred to consolidated statement of income on sale	**(2,366,060)**	229,593
-Transferred to consolidated statement of income on impairment	**3,048,294**	2,883,966
Total other comprehensive income	**64,752,157**	9,968,002
Total comprehensive income for the year	**91,150,790**	20,463,120
Total comprehensive income/(loss) attributable to:		
Owners of the parent company	**91,161,502**	20,479,662
Non-controlling interests	**(10,712)**	(16,542)
	91,150,790	20,463,120

Consolidated statement of financial position

	Notes	31 Dec. 2010 KD	31 Dec. 2009 KD
Assets			
Non-current assets			
Property, plant and equipment	11	**14,616,022**	15,919,728
Available for sale investments	12	**239,789,283**	178,452,125
		254,405,305	194,371,853
Current assets			
Inventories	13	**36,776,808**	34,247,874
Trade accounts receivable	14	**27,942,617**	21,086,760
Other receivables and prepayments		**678,496**	1,268,467
Fixed deposit		**395,759**	387,550
Cash and bank balances		**11,504,896**	5,591,362
		77,298,576	62,582,013
Total assets		**331,703,881**	256,953,866
Equity and liabilities			
Equity attributable to the owners of the parent company			
Share capital	15	**20,993,131**	20,993,131
Share premium	16	**29,160,075**	29,160,075
Legal reserve	17	**18,088,033**	15,371,779
Voluntary reserve	17	**18,088,033**	15,371,779
General reserve		**16,788,145**	16,788,145
Fair value reserve		**109,693,343**	44,826,440
Foreign currency translation reserve		**(197,201)**	(88,766)
Retained earnings		**25,259,364**	14,785,404
		237,872,923	157,207,987
Non-controlling interests		**278,058**	288,770
Total equity		**238,150,981**	157,496,757
Non-current liabilities			
Provision for staff indemnity		**1,512,196**	1,323,976
Long term loans	18	**7,665,135**	10,564,252
		9,177,331	11,888,228
Current liabilities			
Trade accounts payable		**2,146,128**	1,650,059
Other payables and accruals	19	**10,142,461**	9,238,370
Current portion of long term loans	18	**5,008,250**	5,131,944
Short term loans	18	**67,000,000**	71,500,000
Due to banks		**78,730**	48,508
		84,375,569	87,568,881
Total liabilities		**93,552,900**	99,457,109
Total equity and liabilities		**331,703,881**	256,953,866

Bader Naser Al-Kharafi
Chairman and Managing Director

The notes set out on pages 9 to 29 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 interests	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 1 January 2010	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
Payment of cash dividends (Note 21)	-	-	-	-	-	-	-	(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)	-	-	-	-	-	64,866,903	(108,435)	-	64,758,468	(6,311)	64,752,157
Total comprehensive income/(loss) for the year	-	-	-	-	-	64,866,903	(108,435)	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	**20,993,131**	**29,160,075**	**18,088,033**	**18,088,033**	**16,788,145**	**109,693,343**	**(197,201)**	**25,259,364**	**237,872,923**	**278,058**	**238,150,981**

The notes set out on pages 9 to 29 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	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2009	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	-	-	-	-	-	-	-	(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	-	-	-	-	-	9,750,887	205,173	-	9,956,060	11,942	9,968,002
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 29 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
OPERATING ACTIVITIES			
Profit for the year		**26,398,633**	10,495,118
Adjustments:			
Depreciation		**1,808,299**	1,459,289
Provision for staff indemnity		**251,746**	197,996
Finance costs		**4,261,282**	4,445,143
Interest income		**(30,768)**	(76,724)
Dividend income		**(23,572,745)**	(6,679,481)
Other investments income		**(186,526)**	(325,463)
Realised gain on sale of available for sale investments		**(6,854,679)**	(183,838)
Impairment in value of available for sale investments		**3,048,294**	2,883,966
Foreign exchange (loss)/gain on non-operating liabilities		**(242,073)**	762,749
		4,881,463	12,978,755
Changes in operating assets and liabilities:			
Inventories		**(2,528,934)**	14,508,075
Trade accounts receivable		**(6,855,857)**	16,264,272
Other receivables and prepayments		**595,841**	3,653,494
Trade accounts payable		**496,069**	560,800
Other payables and accruals		**3,185,091**	2,241,501
Staff indemnity paid		**(63,526)**	(103,485)
Net cash (used in)/from operating activities		**(289,853)**	50,103,412
INVESTING ACTIVITIES			
Fixed deposit maturing after three months		**(395,759)**	186,425
Capital expenditure		**(694,410)**	(2,057,661)
Net book value of property, plant and equipment on disposal		**-**	27,208
Purchase of available for sale investments		**(5,503,717)**	(47,551,083)
Proceeds from redemption / sale of available for sale investments		**12,839,847**	4,595,488
Dividend income received		**23,572,745**	6,679,481
Other investments income received		**186,526**	325,463
Interest income received		**24,898**	67,538
Net cash from/(used in) investing activities		**30,030,130**	(37,727,141)
FINANCING ACTIVITIES			
Payment of dividends		**(10,507,439)**	(13,682,985)
Proceeds from term loans		**19,500,000**	40,500,000
Repayment of term loans		**(29,144,498)**	(28,342,152)
Finance costs paid		**(4,167,649)**	(4,231,211)
Net cash used in financing activities		**(24,319,586)**	(5,756,348)
Increase in cash and cash equivalents		**5,420,691**	6,619,923
Foreign currency adjustment		**75,071**	(156,194)
Cash and cash equivalents at beginning of the year	20	**5,930,404**	(533,325)
Cash and cash equivalents at end of the year	20	**11,426,166**	5,930,404

The notes set out on pages 9 to 29 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
31 December 2010

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 2 February 2011 and are subject to the approval of the general assembly of the shareholders.

2 Statement of compliance
These consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3 Adoption of new and revised standards
The group has adopted all 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 consolidated financial statements for the annual period beginning 1 January 2010. 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 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- 2009 Improvements to IFRSs

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.

Adoption of IFRS 3 Business Combinations (Revised 2008)
The revised standard on business combinations introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. 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.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
The adoption of IFRS 3 required that the revised IAS 27 is adopted at the same time. IAS 27 introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively.

3 Adoption of new and revised standards (continued)

Adoption of 2009 Improvements to IFRSs (Issued in April 2009)
The IASB issued *Improvements for International Financial Reporting Standards 2009* to certain standards. Most of these amendments became effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 and have been adopted by the group that largely clarify the required accounting treatment where previous practice had varied some of which are substantive but have not resulted in any significant changes in the group's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group
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 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 consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Annual Improvements 2010 (effective from 1 July 2010 and later)
The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the group's consolidated financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

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.

IAS 24 Related Party Disclosures
The amendments to the standard revised the definition of a related party. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements.

IAS 32 Financial Instruments: Presentation
The amendment to the standard clarifies classification right issues in foreign currency. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The Interpretation provides guidance on the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is required to be applied retrospectively. However, management does not expect to have any significant effect on the consolidated financial statements on the date of initial application of the interpretation.

4 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 2009. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The consolidated financial statements have been prepared under historical cost convention, modified to include measurement at fair value of available for sale investments.

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

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 2010, and the financial statements of its subsidiary prepared to that date using consistent accounting policies.

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 interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated 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 fair value of the share of the net assets acquired is recognised as goodwill.

Revenue recognition

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

Sale of goods

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

Interest income

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

Dividend income

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

Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its indented use or sale. Other finance costs are expensed in the period in which these are incurred.

4 Significant accounting policies (continued)

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.

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 other comprehensive income and 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.

4 Significant accounting policies (continued)

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.

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.

4 Significant accounting policies (continued)

Inventories
Inventories are stated 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.

Borrowings
Borrowings, which are financial liabilities, are measured at amortised cost using the effective interest method.

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.

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.

5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting polices, which are described in note 4, 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.

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

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:

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 KD29,972,323 (2009: KD22,509,827), and the provision for doubtful debts was KD2,029,706(2009: KD1,423,067). 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 KD34,018,023 (2009: KD31,970,230), with provision for old and obsolete inventories of KD336,149 (2009: KD287,104). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

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 KD3,048,294 (2009: KD2,883,966) with respect to available for sale investments.

Useful lives of depreciable assets
Management reviews the useful lives of depreciable assets at each financial position date, based on expected utility of the assets to the group. The carrying amounts are presented in note 11. Actual results however, may vary due to technical obsolescence, or other factors.

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:

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

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.

6 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. 2010 KD	Year ended 31 Dec. 2009 KD
Cost of sales	2,725,659	2,255,920
Administrative expenses	3,259,024	2,351,798
Commercial expenses	477,617	391,121
	6,462,300	4,998,839

7 Interest income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Bank balances	11,335	16,893
Fixed deposit	19,433	59,831
Interest income on financial assets not at fair value	30,768	76,724

8 Net gain on financial assets

Net gain on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Bank balances	11,335	16,893
Fixed deposit	19,433	59,831
Available for sale investments	27,565,656	4,304,816
Net realised gain	27,596,424	4,381,540
Net unrealised gain recognised in equity	64,866,903	9,750,887
	92,463,327	14,132,427

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

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. 2010	Year ended 31 Dec. 2009
Profit for the year attributable to the owners of the parent company (KD)	**26,403,034**	10,523,602
Weighted average shares in issue during the year (number)	**209,931,310**	209,931,310
Basic and diluted earnings per share	**126 Fils**	50 Fils

11 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
31 December 2010							
Cost							
At 1 January 2010	280,277	6,833,790	22,784,424	1,478,558	578,415	4,329,661	**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**	**7,909,586**	**24,263,521**	**1,796,834**	**565,525**	**1,925,997**	**36,735,494**
Accumulated depreciation							
At 1 January 2010	-	4,897,995	14,308,505	1,079,292	79,605	-	**20,365,397**
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**	**15,632,879**	**1,268,727**	**100,558**	**-**	**22,119,472**
Net book value							
At 31 December 2010	**274,031**	**2,792,278**	**8,630,642**	**528,107**	**464,967**	**1,925,997**	**14,616,022**
31 December 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 2010	-	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

11 Property, plant and equipment (continued)

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.

12 Available for sale investments

	31 Dec. 2010 KD	31 Dec. 2009 KD
Managed portfolios	**206,903,490**	145,641,750
Quoted shares	**22,961,561**	21,406,007
Quoted funds	**2,358,452**	2,081,025
Unquoted shares	**6,327,513**	7,561,833
Unquoted funds	**1,238,267**	1,761,510
	239,789,283	178,452,125

Unquoted investments include investments in private equity funds amounting to KD1,238,267 (2009: KD1,761,510). 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 KD3,048,294 (2009: KD2,883,966) in respect of certain available for sale investments.

13 Inventories

	31 Dec. 2010 KD	31 Dec. 2009 KD
Raw materials	**14,673,564**	10,911,290
Finished goods	**9,959,105**	10,866,634
Work-in-progress	**7,857,724**	8,771,874
Spare parts	**1,527,630**	1,420,432
	34,018,023	31,970,230
Provision for obsolete inventories	**(336,149)**	(287,104)
	33,681,874	31,683,126
Goods in transit and prepaid letters of credit	**3,094,934**	2,564,748
	36,776,808	34,247,874

14 Trade accounts receivable

	31 Dec. 2010 KD	31 Dec. 2009 KD
Trade accounts receivable	**29,972,323**	22,509,827
Provision for doubtful debts	**(2,029,706)**	(1,423,067)
	27,942,617	21,086,760

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.

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

	31 Dec. 2010 KD	31 Dec. 2009 KD
Neither past due nor impaired:		
- less than 3 months	**20,701,058**	13,697,529
- 3 – 6 months	**7,241,559**	7,219,907
Impaired:		
- over 6 months	**2,029,706**	1,592,391
Total trade accounts receivables	**29,972,323**	22,509,827

15 Share capital

	31 Dec. 2010 KD	31 Dec. 2009 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.

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

18 Term loans

	Balances outstanding at 31 December	
	2010	2009
	KD	KD
Long term loans:		
- USD 12,500,000 facility	**1,465,625**	2,102,553
- USD 55,000,000 facility	**8,844,000**	13,593,643
- USD 20,000,000 facility	**2,363,760**	-
	12,673,385	15,696,196
Instalments due within next twelve months	**(5,008,250)**	(5,131,944)
Instalments due after next twelve months	**7,665,135**	10,564,252
Short term loans		
- Kuwait Dinar	**67,000,000**	71,500,000

- 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 six 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.
- 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.At the financial position date, the group has drawn US$8,400,000 from the facility.
- Short term loans outstanding at 31 December 2010 were obtained from local bank. The loans are unsecured and carry effective interest of 2.5% above Central Bank of Kuwait discount rate (31 December 2009: 1.25% and 1.5%) per annum. The loans are repayable within twelve months from the financial position date.

19 Other payables and accruals

	31 Dec. 2010 KD	31 Dec. 2009 KD
Kuwait Foundation for the Advancement of Sciences	**271,625**	111,434
Provision for National Labour Support Tax	**129,916**	148,086
Zakat	**47,967**	50,235
Directors' remuneration	**310,000**	310,000
Uncollected dividends	**2,447,052**	2,457,925
Accrued staff dues	**4,215,544**	2,062,728
Other liabilities	**2,720,357**	4,097,962
	10,142,461	9,238,370

20 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. 2010 KD	31 Dec. 2009 KD
Fixed deposit maturing within three months	**-**	387,550
Cash and bank balances	**11,504,896**	5,591,362
Due to banks	**(78,730)**	(48,508)
	11,426,166	5,930,404

21 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 2010 a cash dividend of 65 Fils per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The proposed cash dividend of 50 Fils per share amounting to KD10,496,566 for the year ended 31 December 2009 was approved by the general assembly of the shareholders held on 5 April 2010 and paid following that approval.

22 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 2010			
Revenue	**93,499,893**	**27,382,298**	**120,882,191**
Segment profit	**3,873,613**	**23,284,528**	**27,158,141**
Unallocated expenses			**(759,508)**
Profit for the year			**26,398,633**
Total assets	**91,518,839**	**240,185,042**	**331,703,881**
Total Liabilities	**(13,879,515)**	**(79,673,385)**	**(93,552,900)**
Net assets employed	**77,639,324**	**160,511,657**	**238,150,981**
Capital expenditure	**694,410**	**-**	**694,410**
Depreciation	**1,808,299**	**-**	**1,808,299**
Impairment in value of available for sale investments	**-**	**3,048,294**	**3,048,294**
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

22 Segmental information (continued)

Geographical information:-

	31 Dec. 2010 KD	31 Dec. 2009 KD
Revenue:		
Kuwait	**106,477,281**	68,479,112
Middle East	**14,239,361**	8,318,132
International	**165,549**	95,285
	120,882,191	76,892,529

23 Related party transactions

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

	31 Dec. 2010 KD	31 Dec. 2009 KD
Amounts included in the consolidated statement of income:		
Sales	**2,505,258**	1,245,523
Industrial expenses	**32,019**	163,967
Key management compensation:		
Salaries and other short term benefits	**2,041,435**	1,191,435
Terminal benefits	**3,646**	21,697
	2,045,081	1,213,132

24 Capital commitments

At 31 December 2010, the group was committed to purchase investments amounting to KD1,000,000 (2009: KD1,000,000) and to purchase new machinery and equipment amounting to KD93,830 (2009: KD476,146).

25 Contingent liabilities

Contingent liabilities at 31 December 2010 in respect of outstanding letters of guarantee amounted to KD7,131,643 (2009: KD6,728,829).

26 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.

26 Risk management objectives and policies (continued)

26.1 Market risk

a) Foreign currency risk

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

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

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

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

	31 Dec. 2010 KD	31 Dec. 2009 KD
US Dollar	**(6,680,271)**	(8,690,590)

The foreign currency sensitivity is determined based on 2% (2009:5%) 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. 2010 KD	31 Dec. 2009 KD
US Dollar	**133,605**	434,530
	133,605	434,530

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 monitors the interest rate risk by setting limits.

26 Risk management objectives and policies (continued)

26.1 Market risk (continued)

b) Interest rate risk (continued)

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

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and –1% (2009: +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. 2010		31 Dec. 2009	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit for the year	(628,781)	628,781	(678,921)	678,921

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% (2009: 10%) higher/lower, the effect on the profit for the year and equity would have been as follows:

	31 Dec. 2010		31 Dec. 2009	
	Increase 2%	Decrease 2%	Increase 10%	Decrease 10%
Impact on equity	4,698,627	(4,442,473)	17,670,921	(14,638,094)
Impact on profit for the year	-	(256,154)	-	(3,032,827)

26.2 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. 2010 KD	31 Dec. 2009 KD
Available for sale investments	209,261,942	147,722,775
Trade accounts receivable	27,942,617	21,086,760
Other receivables and prepayments	678,496	1,268,467
Fixed deposit	395,759	387,550
Bank balances	11,504,896	5,590,882
	249,783,710	176,056,434

26 Risk management objectives and policies (continued)

26.2 Credit risk (continued)

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.

26.3 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 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

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

26 Risk management objectives and policies (continued)

26.3 Liquidity risk (continued)

The maturity profile of financial liabilities at 31 December 2010 and 2009 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 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
31 December 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

27 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. 2010		31 Dec. 2009	
	Carrying amount KD	Fair value KD	Carrying amount KD	Fair value KD
Available for sale investments	-	239,789,283	-	178,452,125
Trade accounts receivable	27,942,617	-	21,086,760	-
Other receivable and prepayments	678,496	-	1,268,467	-
Fixed deposit	397,759	-	387,550	-
Cash and bank balances	11,504,896	-	5,591,362	-
	40,523,768	239,789,283	28,334,139	178,452,125
Term loans	79,673,385	-	87,196,196	-
Trade accounts payable	2,146,128	-	1,650,059	-
Other payables and accruals	10,142,461	-	9,238,370	-
Due to banks	78,730	-	48,508	-
	92,040,704	-	98,133,133	-

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.

27 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 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

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.

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

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. 2010		31 Dec.2009	
	Unquoted securities KD	Unquoted funds KD	Unquoted securities KD	Unquoted funds KD
Opening balance	7,561,833	1,761,510	8,691,734	1,886,025
Purchase	-	2,617	-	58,939
Sold/redeemed	-	(452,980)	-	(166,255)
Gains or losses recognised in:				
- Consolidated statement of income	(1,317,269)	-	-	(229,593)
- Consolidated other comprehensive income	82,949	(72,880)	(1,129,901)	212,394
Closing balance	6,327,513	1,238,267	7,561,833	1,761,510

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

28 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. 2010 KD	31 Dec. 2009 KD
Long term loans (note 18)	12,673,385	15,696,196
Short term loans (note 18)	67,000,000	71,500,000
Less: Cash and cash equivalents (note 20)	(11,426,166)	(5,930,404)
Net debt	68,247,219	81,265,792
Equity attributable to the owners of the parent company	237,872,923	157,207,987

28 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. 2010 KD	31 Dec. 2009 KD
Net debt	**68,247,219**	81,265,792
Total equity	**237,872,923**	157,207,987
Gearing ratio	**28.7%**	51.7%