Consolidated financial statements and independent auditors' report

Gulf Cable and Electrical Industries Company – KPSC

and Subsidiary

Kuwait

31 December 2013

Contents

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Independent auditors' report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Cable and Electrical Industries Company – Kuwaiti Public Shareholding Company ("Parent Company") and its subsidiary ("Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf Cable and Electrical Industries Company and its subsidiary as at 31 December 2013, 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 Companies Law No. 25 of 2012, as amended, and by the Company's articles and memorandum of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, nor of the Company's articles and memorandum of association, have occurred during the year that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations, during the year, of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2013.

Abdullatif M. Al-Aiban (CPA)	Fawzia Mubarak Al-Hassawi
(Licence No. 94-A)	(Licence No. 80-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners	of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
5 March 2014

Consolidated statement of income

	Notes	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue			
Sales		97,872,275	90,469,078
Cost of sales	8	(88,755,426)	(79,003,975)
Gross profit		9,116,849	11,465,103
Dividend income		7,951,495	8,459,386
Other investment income		147,749	51,638
Gain/(loss) on sale/redemption of available for sale of investments		1,192,429	(375,390)
Interest income		5,584	11,769
Other revenue		29,136	14,153
Gain on foreign exchange		834,582	804,576
		19,277,824	20,431,235
Expenses and other charges			
Administrative expenses	8	3,198,746	2,693,567
Commercial expenses	8	2,655,004	2,555,588
Impairment of available for sale investments	13	687,289	998,762
(Reversal of provision)/ provision for doubtful debts		(276,255)	41,185
Provision/ (reversal of provision) for obsolete and slow moving inventories		20,601	(80,177)
Finance costs	10	2,425,656	2,176,070
		8,711,041	8,384,995
Profit for the year before income tax for overseas subsidiary		10,566,783	12,046,240
Income tax for overseas subsidiary		(10,954)	(6,576)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		10,555,829	12,039,664
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(105,181)	(119,959)
National Labour Support Tax (NLST)		(108,174)	(105,230)
Contribution to Zakat		(29,270)	(42,092)
Directors' remuneration		(310,000)	(310,000)
Profit for the year		10,003,204	11,462,383
Attributable to:			
Owners of the parent company		9,965,482	11,418,560
Non-controlling interests		37,722	43,823
Profit for the year		10,003,204	11,462,383
Basic and diluted earnings per share attributable to the owners of the parent company	11	47 Fils	54 Fils

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Profit for the year	**10,003,204**	11,462,383
Other comprehensive income		
Items that will be reclassified subsequently into the consolidated statement of income:		
Exchange differences arising on translation of foreign operations	**(173)**	75,018
Available for sale investments:		
- Net loss arising during the year	**(16,611,421)**	(10,325,307)
-Transferred to consolidated statement of income on sale/redemption	**(133,601)**	(172,082)
-Transferred to consolidated statement of income on impairment	**687,289**	998,762
Total other comprehensive loss	**(16,057,906)**	(9,423,609)
Total comprehensive (loss)/income for the year	**(6,054,702)**	2,038,774
Total comprehensive (loss)/income attributable to:		
Owners of the parent company	**(6,092,415)**	1,990,825
Non-controlling interests	**37,713**	47,949
	(6,054,702)	2,038,774

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2013 KD	31 Dec. 2012 KD
Assets			
Non-current assets			
Property, plant and equipment	12	9,152,430	10,632,418
Available for sale investments	13	135,440,233	147,926,012
		144,592,663	158,558,430
Current assets			
Inventories	14	44,984,064	42,143,127
Trade accounts receivable	15	25,602,852	25,043,088
Other receivables and prepayments		627,767	448,120
Cash and bank balances	16	10,154,696	4,612,043
		81,369,379	72,246,378
Total assets		225,962,042	230,804,808
Equity and liabilities			
Equity attributable to the owners of the parent company			
Share capital	17	20,993,131	20,993,131
Share premium	18	29,160,075	29,160,075
Legal reserve	19	20,993,131	20,993,131
Voluntary reserve	19	20,993,131	20,993,131
General reserve	19	22,783,650	21,731,840
Other components of equity	20	(2,775,791)	13,282,106
Retained earnings		36,312,527	32,647,137
		148,459,854	159,800,551
Non-controlling interests		495,225	457,512
Total equity		148,955,079	160,258,063
Non-current liabilities			
Provision for staff indemnity		2,145,342	1,938,851
Long term loans	21	19,943,500	32,839,120
		22,088,842	34,777,971
Current liabilities			
Trade accounts payable		3,772,828	2,498,607
Other payables and accruals	22	7,775,845	8,258,135
Current portion of long term loans	21	12,954,640	12,545,200
Short term loans	21	30,276,648	11,000,000
Due to banks	16	138,160	1,466,832
		54,918,121	35,768,774
Total liabilities		77,006,963	70,546,745
Total equity and liabilities		225,962,042	230,804,808

Bader Naser Al-Kharafi
Chairman

The notes set out on pages 9 to 40 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	Other components of equity (Note 20) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2013	20,993,131	29,160,075	20,993,131	20,993,131	21,731,840	13,282,106	32,647,137	159,800,551	457,512	160,258,063
Payment of cash dividends (Note 23)	-	-	-	-	-	-	(5,248,282)	(5,248,282)	-	(5,248,282)
Transactions with owners	-	-	-	-	-	-	(5,248,282)	(5,248,282)	-	(5,248,282)
Profit for the year	-	-	-	-	-	-	9,965,482	9,965,482	37,722	10,003,204
Total other comprehensive loss	-	-	-	-	-	(16,057,897)	-	(16,057,897)	(9)	(16,057,906)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(16,057,897)	9,965,482	(6,092,415)	37,713	(6,054,702)
Transfer to general reserve	-	-	-	-	1,051,810	-	(1,051,810)	-	-	-
Balance at 31 December 2013	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**22,783,650**	**(2,775,791)**	**36,312,527**	**148,459,854**	**495,225**	**148,955,079**

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Attributable to the owners of the parent company								Non-controlling interests	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 20) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2012	20,993,131	29,160,075	20,993,131	20,993,131	20,532,256	22,709,841	37,753,148	173,134,713	409,563	173,544,276
Payment of cash dividends (Note 23)	-	-	-	-	-	-	(15,324,987)	(15,324,987)	-	(15,324,987)
Transactions with owners	-	-	-	-	-	-	(15,324,987)	(15,324,987)	-	(15,324,987)
Profit for the year	-	-	-	-	-	-	11,418,560	11,418,560	43,823	11,462,383
Total other comprehensive (loss)/income	-	-	-	-	-	(9,427,735)	-	(9,427,735)	4,126	(9,423,609)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(9,427,735)	11,418,560	1,990,825	47,949	2,038,774
Transfer to general reserve	-	-	-	-	1,199,584	-	(1,199,584)	-	-	-
Balance at 31 December 2012	20,993,131	29,160,075	20,993,131	20,993,131	21,731,840	13,282,106	32,647,137	159,800,551	457,512	160,258,063

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
OPERATING ACTIVITIES			
Profit for the year		10,003,204	11,462,383
Adjustments:			
Depreciation		1,783,879	1,803,105
Provision for staff indemnity		355,010	405,493
Finance costs		2,425,656	2,176,070
Interest income		(5,584)	(11,769)
Dividend income		(7,951,495)	(8,459,386)
Other investment income		(147,749)	(51,638)
(Gain)/loss on sale/redemption of available for sale investments		(1,192,429)	375,390
Impairment of available for sale investments		687,289	998,762
(Reversal of provision)/provision for doubtful debits		(276,255)	41,185
Provision/(Reversal of provision) for obsolete and slow moving inventories		20,601	(80,177)
Foreign exchange gain on non-operating liabilities		36,922	94,265
		5,739,049	8,753,683
Changes in operating assets and liabilities:			
Inventories		(2,861,538)	(4,626,262)
Trade accounts receivable		(283,509)	5,289,046
Other receivables and prepayments		(179,647)	(119,383)
Trade accounts payable		1,274,221	(22,479)
Other payables and accruals		(574,265)	(1,819,610)
Staff indemnity paid		(148,519)	(181,694)
Net cash from operating activities		2,965,792	7,273,301
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(373,332)	(431,520)
Net book value of property, plant and equipment on disposal		96,559	55,292
Purchase of available for sale investments		(15,023,187)	(28,245,447)
Proceeds from sale /redemption of available for sale investments		11,956,373	12,932,061
Dividend income received		7,951,495	8,459,386
Other investment income received		147,749	37,158
Interest income received		5,584	11,769
Net cash from/(used in) investing activities		4,761,241	(7,181,301)
FINANCING ACTIVITIES			
Payment of dividends		(5,290,750)	(15,118,084)
Proceeds from term loans		25,220,585	29,092,500
Repayment of term loans		(18,467,039)	(19,538,771)
Finance costs paid		(2,291,213)	(2,049,547)
Net cash used in financing activities		(828,417)	(7,613,902)
Increase/(decrease) in cash and cash equivalents		6,898,616	(7,521,902)
Foreign currency adjustment		(27,291)	(8,754)
Cash and cash equivalents at beginning of the year	16	3,145,211	10,675,867
Cash and cash equivalents at end of the year	16	10,016,536	3,145,211

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

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

Objectives for which the company was incorporated:

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

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

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013.

On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

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 5 March 2014 and are subject to the approval of the general assembly of the shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

3 Statement of compliance

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except for adoption of new and amended standards discussed below:

4.1 New and amended standards adopted by the group

The group has adopted the following new and amended IFRS during the period:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

4.1.1 IAS 1 Presentation of Financial Statements- amendment

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

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

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

The group has made this disclosure in the consolidated statement of comprehensive income.

4.1.2 IAS 27 Consolidated and Separate Financial statements - Revised as IAS 27 Separate Financial Statements

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

The adoption of this amendment did not have any significant impact on the consolidated financial position or performance of the group.

4.1.3 IFRS 7 Financial Instruments: Disclosures - Amendments

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The required disclosures are required to be provided retrospectively.

The adoption of this amendment did not have any significant impact on the consolidated financial position or performance of the group.

4.1.4 IFRS 10 Consolidated Financial Statements

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

The adoption of this standard did not have any significant impact on the consolidated financial position or performance of the group.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

4.1.5 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.
The adoption of this standard did not have any significant impact on the consolidated financial position or performance of the group.

4.1.6 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

The group has applied IFRS 13 for the first time in the current year (see Note 29).

4.1.7 Annual Improvements 2009-2011

The Annual Improvements made several minor amendments to a number of IFRSs. The amendments relevant to the group are summarised below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

The adoption of the above amendments did not have any significant impact on the consolidated financial position or performance of the group.

4.2 IASB Standards issued but not yet effective

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

4.2.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

4.2.3 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

4.2.4 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

Management does not anticipate a material impact on the group's consolidated financial statements.

4.2.5 Annual Improvements to IFRSs 2010–2012 Cycle (Effective date 1 July 2014, with earlier application permitted):

(i) Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

(ii) Amendments to IFRS 13- the addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(iv) Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.6 Annual Improvements to IFRSs 2011–2013 Cycle (Effective date 1 July 2014, with earlier application permitted):

(i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective

- IFRSs that have been issued but are not yet effective, that permit early adoption

The same version of each IFRS must be applied to all periods presented.

(ii) Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

(iv) *Amendments to IAS 40*- the amendment emphasises that whether the acquisition of an investment property is a business combination requires judgement of the specific requirements of IFRS 3, independently from the requirements of IAS 40, including whether the investment property is owner occupied.

5 Significant accounting policies

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

5.1 Basis of consolidation

The group financial statements consolidate those of the parent company and its subsidiary (see note 7).

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

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.
Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.
Revenue arises from the sale of goods and is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.
The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Sale of goods

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

5.2.2 Interest income

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

5.2.3 Dividend income

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

5.3 Operating expenses

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

5.4 Borrowing costs

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

5.5 Taxation

5.5.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.5.2 National Labour Support Tax (NLST)

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.5 Taxation (continued)

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

5.5.4 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.6 Property, plant and equipment

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

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

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

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

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

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

5.7 Financial instruments

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

Subsequent measurement of financial assets and financial liabilities are described below.
A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.1 Recognition, initial measurement and derecognition (continued)

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.
  - (a) the group has transferred substantially all the risks and rewards of the asset or
  - (b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

5.7.2 Classification and subsequent measurement of financial assets

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

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

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

- *Loans and receivables*

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

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

The group categorises loans and receivables into following categories:

Trade receivables

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.2 Classification and subsequent measurement of financial assets (continued)

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

- *AFS financial assets*

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

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

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

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

5.7.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, trade payables, other payables and accruals and derivatives financial instruments.
The subsequent measurement of financial liabilities depends on their classification as follows:

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

Trade payables and other liabilities and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.3 Classification and subsequent measurement of financial liabilities (continued)

Derivative financial instruments
Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period in the consolidated statement of financial position. The resulting gain or loss is recognised in the consolidated statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset while a derivative with a negative fair value is recognised as a financial liability.

Note 30 sets out details of the fair values of the derivative instruments.

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

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

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

5.11 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Impairment testing of non financial assets (continued)

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

5.13 Inventories

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

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

5.14 Equity, reserves and dividend payments

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent company's articles of association.

General reserve comprises appropriations of current and prior period profits.

Other components of equity include the following:

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

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

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

5.15 Related party transactions

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

5.16 End of service indemnity

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.17 Foreign currency translation

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.19 Segment reporting (continued)

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

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

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

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

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

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

All other financial assets are classified as available for sale.

6.1.2 Control assessment

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

6.2 Estimates uncertainty

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

6.2.1 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.2 Impairment of trade receivables

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

At the financial position date, gross trade accounts receivable were KD28,324,289 (31 December 2012: KD28,040,600), and the provision for doubtful debts was KD2,721,437 (31 December 2012: KD2,997,512). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

6.2.3 Impairment of inventories

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

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

At the financial position date, gross inventories in stores were KD40,228,783 (31 December 2012: KD29,838,563), with provision for old and obsolete inventories of KD276,021(31 December 2012: KD255,420). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

6.2.4 Useful lives of depreciable assets

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

6.2.5 Fair value of financial instruments

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

Notes to the consolidated financial statements (continued)

7 Subsidiary company

The financial statements of the following subsidiary were consolidated with the financial statements of the parent company up to 31 December 2013:

Name	Country of incorporation	Percentage Ownership		Activity
		31 Dec. 2013	31 Dec. 2012	
Gulf Cable and Multi Industries Company – JSC	Jordan	**94.5%**	94.5%	Manufacture and supply of electrical cables and related products and the holding of investments.

The following is the summary of subsidiary's financial statements:

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Total assets	**25,657,295**	21,191,733
Total liabilities	**16,653,209**	12,873,333
Net equity	**9,004,086**	8,318,400

The non-controlling interests have been not disclosed into the note above because it is immaterial, the movement of non-controlling interests has been disclosed into the consolidated statement of income, consolidated statement of financial position and consolidated statement of changes in equity for the year.

8 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. 2013 KD	Year ended 31 Dec. 2012 KD
Cost of sales	**3,008,909**	2,587,090
Administrative expenses	**2,023,193**	1,733,770
Commercial expenses	**628,890**	514,808
	5,660,992	4,835,668

Notes to the consolidated financial statements (continued)

9 Net loss on financial assets

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

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Receivables:		
- Bank balances and fixed deposit	5,584	11,769
Available for sale investments:		
- Recognised directly in consolidated statement of comprehensive income	(16,057,733)	(9,498,627)
- Recycled from other comprehensive income to consolidated statement of income:		
• on impairment	(687,289)	(998,762)
• on sale/redemption	133,601	172,082
- Recognised directly in consolidated statement of income	9,158,072	7,963,552
	(7,447,765)	(2,349,986)
Distributed as follows:		
Net gain recognised in the consolidated statement of income	8,609,968	7,148,641
Net loss recognised in the consolidated statement of comprehensive income	(16,057,733)	(9,498,627)
	(7,447,765)	(2,349,986)

10 Finance costs

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

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

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

	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012
Profit for the year attributable to the owners of the parent company (KD)	9,965,482	11,418,560
Weighted average shares in issue during the year (number)	209,931,310	209,931,310
Basic and diluted earnings per share attributable to the owners of the parent company	47 Fils	54 Fils

Notes to the consolidated financial statements (continued)

12 Property, plant and equipment

31 December 2013	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
Cost							
At 1 January 2013	274,378	8,211,071	25,906,372	2,184,144	357,226	180,189	37,113,380
Additions	-	-	34,803	271,120	503	66,906	373,332
Transfer	-	-	-	39,920	-	(39,920)	-
Disposal	-	-	(3,745)	(14,309)	-	(92,947)	(111,001)
Foreign currency adjustment	395	1,432	13,188	443	515	-	15,973
At 31 December 2013	**274,773**	**8,212,503**	**25,950,618**	**2,481,318**	**358,244**	**114,228**	**37,391,684**
Accumulated depreciation							
At 1 January 2013	-	5,597,444	19,204,401	1,672,316	6,801	-	26,480,962
Charge for the year	-	173,033	1,385,968	222,842	2,036	-	1,783,879
Relating to disposal	-	-	(134)	(14,308)	-	-	(14,442)
Foreign currency adjustment	-	(401)	(10,280)	(438)	(26)	-	(11,145)
At 31 December 2013	**-**	**5,770,076**	**20,579,955**	**1,880,412**	**8,811**	**-**	**28,239,254**
Net book value							
At 31 December 2013	**274,773**	**2,442,427**	**5,370,663**	**600,906**	**349,433**	**114,228**	**9,152,430**

Notes to the consolidated financial statements (continued)

13 Available for sale investments

The components of available for sale investments are as follows:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Investment portfolios managed by others comprises of:		
• Quoted shares	**108,858,832**	112,652,018
• Unquoted shares	**7,971,002**	27,392
Other investments comprises of:		
• Quoted shares	**-**	16,845,454
• Unquoted shares	**15,951,652**	15,729,573
Investment funds managed by others:		
• Unquoted units	**2,658,747**	2,671,575
	135,440,233	147,926,012

A- The group recognised impairment loss of KD687,289 (31 December 2012: KD998,762) in respect of investment portfolios managed by others.

B- Other investments include investments amounting to KD15,922,585 (31 December 2012: KD10,173,904) stated at cost due to the unpredictable nature of future cash flows and the unavailability of other financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no impairment.

C- Investment funds managed by others include investments in units of private equity funds amounting to KD2,658,747 (31 December 2012: KD2,671,575). Information for the value of these units is relating to 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.

14 Inventories

	31 Dec. 2013 KD	31 Dec. 2012 KD
Raw materials	**11,393,838**	5,698,501
Finished goods	**18,437,711**	14,807,662
Work-in-progress	**8,476,650**	7,518,725
Spare parts	**1,920,584**	1,813,675
	40,228,783	29,838,563
Provision for obsolete inventories	**(276,021)**	(255,420)
	39,952,762	29,583,143
Goods in transit and prepaid letters of credit	**5,031,302**	12,559,984
	44,984,064	42,143,127

Notes to the consolidated financial statements (continued)

15 Trade accounts receivable

	31 Dec. 2013 KD	31 Dec. 2012 KD
Trade accounts receivable	**28,324,289**	28,040,600
Provision for doubtful debts	**(2,721,437)**	(2,997,512)
	25,602,852	25,043,088

15.1 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 due on 30 – 180 days terms.

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Neither past due nor impaired:		
- less than three months	**17,451,332**	14,873,958
- three – six months	**4,457,649**	4,653,468
Impaired:		
- over six months	**6,415,308**	8,513,174
Total trade accounts receivables	**28,324,289**	28,040,600

16 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. 2013 KD	31 Dec. 2012 KD
Cash on hand	**26,910**	14,563
Cash in portfolios	**5,916,207**	1,930,020
Bank balances	**4,211,579**	2,667,460
Total cash and cash equivalents	**10,154,696**	4,612,043
Less: due to banks	**(138,160)**	(1,466,832)
Cash and cash equivalents as per consolidated statement of cash flows	**10,016,536**	3,145,211

17 Share capital

	31 Dec. 2013 KD	31 Dec. 2012 KD
Authorised, issued and fully paid in cash shares of 100 Kuwaiti Fils each	**20,993,131**	20,993,131

18 Share premium

Share premium is not available for distribution.

Notes to the consolidated financial statements (continued)

19 Reserves

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

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

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

20 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2013	**13,434,285**	**(152,179)**	**13,282,106**
Exchange differences arising on translation of foreign operations	**-**	**(164)**	**(164)**
AFS financial assets:			
- Net loss arising during the year	**(16,611,421)**	**-**	**(16,611,421)**
- Transferred to consolidated statement of income on sale/redemption	**(133,601)**	**-**	**(133,601)**
- Transferred to consolidated statement of income on impairment	**687,289**	**-**	**687,289**
Total other comprehensive loss for the year	**(16,057,733)**	**(164)**	**(16,057,897)**
Balance at 31 December 2013	**(2,623,448)**	**(152,343)**	**(2,775,791)**
Balance at 1 January 2012	22,932,912	(223,071)	22,709,841
Exchange differences arising on translation of foreign operations	-	70,892	70,892
AFS financial assets:			
- Net loss arising during the year	(10,325,307)	-	(10,325,307)
- Transferred to consolidated statement of income on sale/redemption	(172,082)	-	(172,082)
- Transferred to consolidated statement of income on impairment	998,762	-	998,762
Total other comprehensive (loss)/income for the year	(9,498,627)	70,892	(9,427,735)
Balance at 31 December 2012	13,434,285	(152,179)	13,282,106

Notes to the consolidated financial statements (continued)

28 Risk management objectives and policies (continued)

28.1 Market risk (continued)

a) Foreign currency risk (continued)

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

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

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Bahrani Dinar	**5,325,125**	7,424,240
US Dollar	**(7,214,537)**	(10,974,103)

The foreign currency sensitivity is determined based on 2% (2012: 2%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

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

	Profit for the year	
	31 Dec. 2013 KD	31 Dec. 2012 KD
Bahrani Dinar	**(106,503)**	(148,485)
US Dollar	**144,291**	219,482
	37,788	70,997

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 to the above.

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

b) Interest rate risk

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

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

Notes to the consolidated financial statements (continued)

28 Risk management objectives and policies (continued)

28.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and –1% (2012: +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. 2013		31 Dec. 2012	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit for the year	(626,449)	626,449	(651,649)	651,649

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% (2012: 2%) higher/lower, the effect on the profit for the year and equity would have been as follows:

	31 Dec. 2013		31 Dec. 2012	
	Increase 2%	Decrease 2%	Increase 2%	Decrease 2%
Impact on equity	2,708,805	(2,156,890)	2,784,199	(2,151,860)
Impact on profit for the year	-	(551,915)	-	(632,339)

28.2 Credit risk

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

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Available for sale investments	119,488,581	115,350,985
Trade accounts receivable	25,602,852	25,043,088
Other receivables (excluding prepayments)	210,638	207,777
Cash and bank balances	10,127,786	4,597,480
	155,429,857	145,199,330

Notes to the consolidated financial statements (continued)

28 Risk management objectives and policies (continued)

28.2 Credit risk (continued)

Cash and bank balances 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.

28.3 Liquidity risk

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

The table below summarises the 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 consolidated 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 2013:

2013	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets					
Property, plant and equipment	-	-	-	9,152,430	9,152,430
Available for sale investments	-	-	-	135,440,233	135,440,233
Inventories	7,497,344	22,492,033	14,994,687	-	44,984,064
Trade accounts receivable	6,200,514	14,881,236	4,521,102	-	25,602,852
Other receivables and prepayments	29,080	132,168	466,519	-	627,767
Cash and bank balances	10,154,696	-	-	-	10,154,696
	23,881,634	37,505,437	19,982,308	144,592,663	225,962,042
Liabilities					
Provision for staff indemnity	-	-	-	2,145,342	2,145,342
Term loans	1,378,028	32,351,657	9,501,603	19,943,500	63,174,788
Trade accounts payable	-	3,772,828	-	-	3,772,828
Other payables and accruals	924,448	1,342,944	5,508,453	-	7,775,845
Due to banks	138,160	-	-	-	138,160
	2,440,636	37,467,429	15,010,056	22,088,842	77,006,963

Maturity profile of assets and liabilities at 31 December 2012:

2012	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets					
Property, plant and equipment	-	-	-	10,632,418	10,632,418
Available for sale investments	-	-	-	147,926,012	147,926,012
Inventories	6,584,865	17,779,131	17,779,131	-	42,143,127
Trade accounts receivable	6,064,950	14,555,882	4,422,256	-	25,043,088
Other receivables and prepayments	20,758	94,346	333,016	-	448,120
Cash and bank balances	4,612,043	-	-	-	4,612,043
	17,282,616	32,429,359	22,534,403	158,558,430	230,804,808
Liabilities					
Provision for staff indemnity	-	-	-	1,938,851	1,938,851
Term loans	282,800	16,282,800	6,979,600	32,839,120	56,384,320
Trade accounts payable	-	2,498,607	-	-	2,498,607
Other payables and accruals	1,081,000	1,605,522	5,571,613	-	8,258,135
Due to banks	1,466,832	-	-	-	1,466,832
	2,830,632	20,386,929	12,551,213	34,777,971	70,546,745

Notes to the consolidated financial statements (continued)

29 Fair value measurement

29.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

29.2 Fair value measurement of financial instruments

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

	31 December	
	2013 KD	2012 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Trade accounts receivable	**25,602,852**	25,043,088
- Other receivables (excluding prepayments)	**210,638**	207,777
- Cash and bank balances	**10,154,696**	4,612,043
Available for sale investments (see note 13)		
-At fair value	**117,205,087**	137,752,108
-At cost less impairment in value, if any.	**18,235,146**	10,173,904
	171,408,419	177,788,920
Financial liabilities:		
Financial liabilities at amortised cost:		
-Term loans (see note 21)	**63,174,788**	56,384,320
- Trade accounts receivable	**3,772,828**	2,498,607
- Other payables and accruals	**7,775,845**	8,258,135
-Due to banks (see note 16)	**138,160**	1,466,832
	74,861,621	68,607,894

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values.

Notes to the consolidated financial statements (continued)

29 Fair value measurement (continued)

29.2 Fair value measurement of financial instruments (continued)

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 on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2013

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial Assets at fair value					
Available for sale:					
-Investment portfolios managed by others comprises of:					
• Quoted shares	a	108,858,832	-	-	108,858,832
• Unquoted shares	b	-	-	5,658,441	5,658,441
-Other investments comprises of:					
• Unquoted shares	c	-	-	29,067	29,067
-Investment funds managed by others:					
• Unquoted units	d	-	2,658,747	-	2,658,747
		108,858,832	2,658,747	5,687,508	117,205,087

31 December 2012

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial Assets at fair value					
Available for sale:					
-Investment portfolios managed by others comprises of:					
• Quoted shares	a	112,652,018	-	-	112,652,018
• Unquoted shares	b	-	-	27,392	27,392
-Other investments comprises of:					
• Quoted shares	a	16,845,454	-	-	16,845,454
• Unquoted shares	c	-	-	5,555,669	5,555,669
-Investment funds managed by others:					
• Unquoted units	d	-	2,671,575	-	2,671,575
		129,497,472	2,671,575	5,583,061	137,752,108

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.

Financial instruments in level 1

a) Quoted shares (level 1)

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

Notes to the consolidated financial statements (continued)

29 Fair value measurement (continued)

29.2 Fair value measurement of financial instruments (continued)

Financial instruments in level 2 & 3

b) Unquoted shares (level 3)
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.

c) Unquoted shares (level 3)
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

d) Unquoted units (level 2)
Investment funds managed by others mainly comprise of unquoted units and the fair value of these units has been determined based on net asset values reported by the fund manager as of the reporting date.

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

	Available for sale investments	
	31 Dec. 2013 Unquoted shares KD	31 Dec. 2012 Unquoted shares KD
Opening balance	**5,583,061**	5,981,278
Gains or losses recognised in:		
- Consolidated statement of income	**-**	(311,461)
- Consolidated other comprehensive income	**104,447**	(86,756)
Closing balance	**5,687,508**	5,583,061

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g unquoted shares) is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately the summation of the estimated value of underlying investments as if realised on the consolidated statement of financial position date.

Notes to the consolidated financial statements (continued)

29 Fair value measurement (continued)

29.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

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

30 Derivative financial instruments

Financial derivatives are financial instruments that derive their value by referring to interest rate applied to the amounts of the notional principal. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such financial instruments.

Financial derivatives are carried at fair value and shown in the consolidated statement of financial position net of any internal arbitrage deals. Positive fair value represents the cost of replacing all transactions with a fair value in the group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the consolidated financial position date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of instruments. Negative fair value represents the cost to the group in favour of the counterparties.

The group deals in interest rate swaps to manage its interest rate risk on interest bearing term loan.

Under interest rate swap contract, the group agreed to exchange the difference between fixed and floating rate interest amounts on term loan calculated on agreed notional principal amount. Such contracts enable the group to mitigate the risk of changing interest rates on the cash flow exposures on the term loan. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and as disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

	Notional principal value		Fair value Positive/(Negative)	
	31 Dec. 2013 USD	31 Dec. 2012 USD	**31 Dec. 2013 KD**	31 Dec. 2012 KD
Interest rate swap	**45,000,000**	50,000,000	**22,052**	(78,577)

The interest rate swap does not meet conditions for hedge accounting and is, therefore, accounted for as fair value hedge from the outset.

Notes to the consolidated financial statements (continued)

31 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. 2013 KD	31 Dec. 2012 KD
Long term loans (note 21)	**32,898,140**	45,384,320
Short term loans (note 21)	**30,276,648**	11,000,000
Less: Cash and cash equivalents (note 16)	**(10,016,536)**	(3,145,211)
Net debt	**53,158,252**	53,239,109
Equity attributable to the owners of the parent company	**148,459,854**	159,800,551

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity attributable to the owners of the parent company as follows:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Net debt	**53,158,252**	53,239,109
Total equity	**148,459,854**	159,800,551
Gearing ratio	**36%**	33%