Interim condensed consolidated financial information and review report

Gulf Cable and Electrical Industries Company – KPSC

and Subsidiaries

Kuwait

30 September 2014 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

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

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Cable and Electrical Industries Company (A Kuwaiti Public Shareholding Company) and its subsidiaries as of 30 September 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, or of the articles and memorandum of association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2014 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
12 November 2014

Interim condensed consolidated statement of income

	Notes	Three months ended (Unaudited) 30 Sept. 2014 KD	Three months ended (Unaudited) 30 Sept. 2013 KD	Nine months ended (Unaudited) 30 Sept. 2014 KD	Nine months ended (Unaudited) 30 Sept. 2013 KD
Revenue					
Sales		**23,991,624**	25,553,454	**89,630,838**	70,632,689
Cost of sales		**(21,212,194)**	(23,776,172)	**(80,315,613)**	(65,278,546)
Gross profit		**2,779,430**	1,777,282	**9,315,225**	5,354,143
Dividend income		**215**	6,037	**6,378,664**	7,946,559
Other investments income		**11,966**	10,812	**13,651**	73,529
(Loss)/gain on sale of available for sale investments		**(2,209)**	(13,761)	**(18,127)**	924,151
Interest income		**1,181**	1,309	**3,666**	4,572
Other revenue		**137**	-	**46,050**	936
Foreign currency exchange gain		**228,067**	71,914	**599,762**	667,620
		3,018,787	1,853,593	**16,338,891**	14,971,510
Expenses and other changes					
General and administrative expenses		**(749,106)**	(289,543)	**(2,203,940)**	(2,104,933)
Commercial expenses		**(519,903)**	(527,834)	**(2,319,075)**	(1,804,217)
Impairment of available for sale investments	7	**(108,158)**	-	**(968,158)**	-
Reversal of provision for doubtful debts		**-**	276,255	**-**	276,255
Reversal of /(charge of) provision for obsolete stock		**1,587**	2,357	**17,855**	(16,741)
Finance costs		**(492,663)**	(618,149)	**(1,521,477)**	(1,820,948)
		(1,868,243)	(1,156,914)	**(6,994,795)**	(5,470,584)
Profit for the period before income tax		**1,150,544**	696,679	**9,344,096**	9,500,926
Income tax for overseas subsidiary		**(885)**	1,692	**(3,493)**	(903)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		**1,149,659**	698,371	**9,340,603**	9,500,023
Provision for contribution to KFAS		**(11,480)**	(7,047)	**(93,101)**	(94,950)
Provision for NLST		**(29,854)**	(10,219)	**(84,594)**	(82,086)
Provision for Zakat		**(11,941)**	(4,088)	**(32,837)**	(18,835)
Provision for directors' remuneration		**(77,500)**	(77,500)	**(232,500)**	(232,500)
Profit for the period		**1,018,884**	599,517	**8,897,571**	9,071,652
Profit/(loss) for the period attributable to:					
Owners of the parent company		**1,017,198**	605,788	**8,867,085**	9,066,611
Non-controlling interests		**1,686**	(6,271)	**30,486**	5,041
		1,018,884	599,517	**8,897,571**	9,071,652
Basic and diluted earnings per share attributable to the owners of the parent company	6	**5 Fils**	3 Fils	**42 Fils**	43 Fils

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2014 KD	30 Sept. 2013 KD	**30 Sept. 2014 KD**	30 Sept. 2013 KD
Profit for the period	**1,018,884**	599,517	**8,897,571**	9,071,652
Other comprehensive income:				
Items that will be reclassified subsequently to interim condensed consolidated statement of income:				
Exchange differences arising on translation of foreign operations	**210,068**	(99,741)	**196,115**	32,780
Available for sale investments:				
- Net change in fair value arising during the period	**6,537,053**	9,388,230	**(1,474,387)**	(11,610,767)
-Transferred to interim condensed consolidated statement of income on sale	**-**	(640)	**15,117**	(123,705)
-Transferred to interim condensed consolidated statement of income on impairment (Note 7)	**108,158**	-	**968,158**	-
Total other comprehensive income/(loss)	**6,855,279**	9,287,849	**(294,997)**	(11,701,692)
Total comprehensive income/(loss) for the period	**7,874,163**	9,887,366	**8,602,574**	(2,630,040)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the parent company	**7,860,924**	9,899,122	**8,561,302**	(2,636,884)
Non-controlling interests	**13,239**	(11,756)	**41,272**	6,844
	7,874,163	9,887,366	**8,602,574**	(2,630,040)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		**8,715,763**	9,152,430	9,690,131
Available for sale investments	7	**137,652,361**	135,440,233	145,092,377
		146,368,124	144,592,663	154,782,508
Current assets				
Inventories	8	**49,172,381**	44,984,064	44,103,746
Trade accounts receivable		**24,760,610**	25,602,852	25,658,763
Other receivables and prepayments		**960,282**	627,767	515,583
Cash and bank balances	9	**4,817,563**	10,154,696	5,213,322
		79,710,836	81,369,379	75,491,414
Total assets		**226,078,960**	225,962,042	230,273,922
Equity and liabilities				
Equity				
Share capital		**20,993,131**	20,993,131	20,993,131
Share premium		**29,160,075**	29,160,075	29,160,075
Legal reserve		**20,993,131**	20,993,131	20,993,131
Voluntary reserve		**20,993,131**	20,993,131	20,993,131
General reserve		**22,783,650**	22,783,650	21,731,840
Other components of equity	10	**(3,081,574)**	(2,775,791)	1,578,611
Retained earnings		**38,881,673**	36,312,527	36,465,465
Total equity attributable to the owners of the parent company		**150,723,217**	148,459,854	151,915,384
Non-controlling interests		**536,497**	495,225	464,356
Total equity		**151,259,714**	148,955,079	152,379,740
Non-current liabilities				
Provision for employees' end of service benefits		**2,509,325**	2,145,342	2,128,825
Long term loans	11	**6,950,400**	19,943,500	19,969,750
		9,459,725	22,088,842	22,098,575
Current liabilities				
Trade accounts payable		**3,417,107**	3,772,828	2,834,937
Other payables and accruals		**7,835,268**	7,775,845	7,631,132
Current portion of long term loans	11	**13,185,600**	12,954,640	13,247,290
Short term loans	12	**32,375,347**	30,276,648	28,486,822
Murabaha payables	13	**8,320,525**	-	-
Due to banks	9	**225,674**	138,160	3,595,426
		65,359,521	54,918,121	55,795,607
Total liabilities		**74,819,246**	77,006,963	77,894,182
Total equity and liabilities		**226,078,960**	225,962,042	230,273,922

Bader Naser Al-Kharafi
Chairman

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (note 10) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2014	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
Payment of cash dividend (Note 14)	-	-	-	-	-	-	(6,297,939)	(6,297,939)	-	(6,297,939)
Transactions with owners	-	-	-	-	-	-	(6,297,939)	(6,297,939)	-	(6,297,939)
Profit for the period	-	-	-	-	-	-	8,867,085	8,867,085	30,486	8,897,571
Total other comprehensive (loss)/income	-	-	-	-	-	(305,783)	-	(305,783)	10,786	(294,997)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(305,783)	8,867,085	8,561,302	41,272	8,602,574
Balance at 30 September 2014	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**22,783,650**	**(3,081,574)**	**38,881,673**	**150,723,217**	**536,497**	**151,259,714**

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 10) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total 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 dividend	-	-	-	-	-	-	(5,248,283)	(5,248,283)	-	(5,248,283)
Transactions with owners	-	-	-	-	-	-	(5,248,283)	(5,248,283)	-	(5,248,283)
Profit for the period	-	-	-	-	-	-	9,066,611	9,066,611	5,041	9,071,652
Total other comprehensive (loss)/income	-	-	-	-	-	(11,703,495)	-	(11,703,495)	1,803	(11,701,692)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(11,703,495)	9,066,611	(2,636,884)	6,844	(2,630,040)
Balance at 30 September 2013	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**21,731,840**	**1,578,611**	**36,465,465**	**151,915,384**	**464,356**	**152,379,740**

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2014 (Unaudited) KD	Nine months ended 30 Sept. 2013 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		**8,897,571**	9,071,652
Adjustments:			
Depreciation		**1,200,736**	1,314,604
Provision for employees' end of service benefits		**390,829**	276,572
Finance costs		**1,521,477**	1,820,948
Interest income		**(3,666)**	(4,572)
Dividend income		**(6,378,664)**	(7,946,559)
Other investments income		**(13,651)**	(73,529)
Loss/(gain) on sale of available for sale investments		**18,127**	(924,151)
Impairment of available for sale investments		**968,158**	-
Reversal of provision for doubtful debts		**-**	(276,255)
(Reversal of)/ charge of provision for obsolete stock		**(17,855)**	16,741
Foreign currency exchange loss on non-operating liabilities		**539,780**	92,572
		7,122,842	3,368,023
Changes in operating assets and liabilities:			
Inventories		**(4,170,462)**	(1,977,360)
Trade accounts receivable		**842,242**	(339,420)
Other receivables and prepayments		**(331,316)**	(57,983)
Trade accounts payable		**(355,721)**	336,330
Other payables and accruals		**(128,648)**	(626,431)
Employees' end of service benefits paid		**(26,846)**	(86,598)
Net cash from operating activities		**2,952,091**	616,561
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(650,528)**	(337,029)
Proceeds from sale of property, plant and equipment		**-**	3,611
Purchase of available for sale investments		**(3,929,883)**	(13,880,627)
Proceeds from sale of available for sale investments		**240,358**	5,903,941
Dividend income received		**6,378,664**	7,946,559
Other investments income received		**12,452**	64,049
Interest income received		**3,666**	4,572
Net cash from/(used in) investing activities		**2,054,729**	(294,924)
FINANCING ACTIVITIES			
Payment of cash dividend		**(6,163,148)**	(5,271,720)
Receipt of term loans		**20,204,875**	21,209,959
Payment of term loans		**(31,286,728)**	(15,982,989)
Receipt of murabaha payables		**9,278,095**	-
Payment of murabaha payables		**(1,078,938)**	-
Finance costs paid		**(1,468,197)**	(1,798,083)
Net cash used in financing activities		**(10,514,041)**	(1,842,833)
Decrease in cash and cash equivalents		**(5,507,221)**	(1,521,196)
Foreign currency adjustment		**82,574**	(6,119)
Cash and cash equivalents at beginning of the period	9	**10,016,536**	3,145,211
Cash and cash equivalents at end of the period	9	**4,591,889**	1,617,896

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

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.

The group comprises the parent company and its subsidiaries (see note 5)

The principle activities of the group are manufacturing and supply of electrical cables and all related products and acquiring investments.

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.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2014 was authorised for issue by the parent company's board of directors on 12 November 2014.

2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2013 except for adoption of new accounting policy for murabaha payables and adoption of new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

This interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine month period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For more details refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2013.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

3.1 Adoption of new IASB Standards and amendments during the period

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

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation – Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014

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 required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

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 adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

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 statement of income.

The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, 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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IFRS 9 Financial Instruments

The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

The group's management have yet to assess the impact of this new standard on the group's interim condensed consolidated financial information.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
    - o non-cash consideration and asset exchanges
    - o contract costs
    - o rights of return and other customer options
    - o supplier repurchase options
    - o warranties
    - o principal versus agent
    - o licencing
    - o breakage
    - o non-refundable upfront fees, and
    - o consignment and bill-and-hold arrangements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

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

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (continued)

- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The group's management have yet to assess the impact of these new standards on the group's interim condensed consolidated financial information.

Annual Improvements to IFRSs 2010–2012 Cycle:
(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 interim condensed 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 IFRS 8-Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) 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.

(v) 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.

Annual Improvements 2011-2013 Cycle:
(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 permits 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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.3 Murabaha payables

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

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2013.

5 Subsidiaries

Name	Country of incorporation	Percentage Ownership direct / indirect			Activity
		30 Sept. 2014	31 Dec. 2013	30 Sept. 2013	
Gulf Cables and Multi-Industries Company – JSC	Jordan	**94.5%**	94.5%	94.5%	Manufacture and supply of electrical cables and related products and acquiring investments
Hawraa Regional General Trading & Contracting Co. W.L.L	Kuwait	**97.3%**	-	-	General Trading and Contracting

During the period, the group acquired 97.3% equity shares in Hawraa Regional General Trading & Contracting Company - W.L.L - Kuwait for a total consideration of KD250,000. The subsidiary has not commenced its activities up to the reporting date of this interim condensed consolidated financial information.

The details of acquisition of Hawraa Regional General Trading & Contracting Co. W.L.L at the date of the acquisition was as follows:

Name of subsidiary	Interest acquired %	Total net assets KD	Net assets acquired KD	Purchase consideration KD	Goodwill KD
Hawraa Regional General Trading & Contracting Co. W.L.L	97.3%	250,000	250,000	250,000	-

The fair value of the identifiable assets and liabilities has been determined at the date of acquisition and approximate carrying values.

Notes to the interim condensed consolidated financial information (continued)

6 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 period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2014	30 Sept. 2013	**30 Sept. 2014**	30 Sept. 2013
Profit for the period attributable to the owners of the parent company (KD)	**1,017,198**	605,788	**8,867,085**	9,066,611
Weighted average number of ordinary shares outstanding during the period	**209,931,310**	209,931,310	**209,931,310**	209,931,310
Basic and diluted earnings per share attributable to the owners of the parent company	**5 Fils**	3 Fils	**42 Fils**	43 Fils

7 Available for sale investments

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Investment portfolios managed by others:			
• Quoted shares	**111,538,441**	108,858,832	120,302,345
• Unquoted shares	**7,270,239**	7,971,002	6,149,065
Other investments:			
• Unquoted shares	**15,951,696**	15,951,652	15,949,713
Investment funds managed by others:			
• Unquoted units	**2,891,985**	2,658,747	2,691,254
	137,652,361	135,440,233	145,092,377

During the period the group recognised impairment loss of KD968,158 (30 September 2013: KD Nil) in respect of certain available for sale investments.

Other investments include investments amounting to KD15,922,585 (31 December 2013: KD15,922,585 and 30 September 2013: KD15,920,646) stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of other financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no impairment.

Investment funds managed by others include investments in units of private equity funds amounting to KD2,891,985 (31 December 2013: KD2,658,747 and 30 September 2013: KD2,691,254). Fair value of these investments are determined using net assets values provided by the investment managers and the management believes that these represent the best estimate of fair value available for these investments.

Notes to the interim condensed consolidated financial information (continued)

8 Inventories

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Raw materials	**16,418,151**	11,393,838	10,689,498
Finished goods	**19,743,853**	18,437,711	15,848,333
Work-in-progress	**6,091,073**	8,476,650	8,227,459
Spare parts	**1,971,882**	1,920,584	1,877,489
	44,224,959	40,228,783	36,642,779
Provision for obsolete inventories	**(258,166)**	(276,021)	(272,161)
	43,966,793	39,952,762	36,370,618
Goods in transit and prepaid letters of credit	**5,205,588**	5,031,302	7,733,128
	49,172,381	44,984,064	44,103,746

9 Cash and cash equivalents

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

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Cash in hand	**5,448**	26,910	20,656
Cash held in managed portfolios	**1,149,543**	5,916,207	2,724,778
Bank balances	**3,662,572**	4,211,579	2,467,888
Total cash and cash equivalents	**4,817,563**	10,154,696	5,213,322
Less: due to banks	**(225,674)**	(138,160)	(3,595,426)
Cash and cash equivalents for interim condensed consolidated statement of cash flows	**4,591,889**	10,016,536	1,617,896

10 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2014	**(2,623,448)**	**(152,343)**	**(2,775,791)**
Exchange differences arising on translation of foreign operations	**-**	**185,329**	**185,329**
Available for sale investments :			
- Net change in fair value arising during the period	**(1,474,387)**	**-**	**(1,474,387)**
- Transferred to interim condensed consolidated statement of income resulted on sale	**15,117**	**-**	**15,117**
- Transferred to interim condensed consolidated statement of income on impairment	**968,158**	**-**	**968,158**
Total other comprehensive (loss)/income	**(491,112)**	**185,329**	**(305,783)**
Balance at 30 September 2014	**(3,114,560)**	**32,986**	**(3,081,574)**

Notes to the interim condensed consolidated financial information (continued)

10 Other components of equity (continued)

	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	-	30,977	30,977
Available for sale investments:			
- Net change in fair value arising during the period	(11,610,767)	-	(11,610,767)
- Transferred to interim condensed consolidated statement of income on sale	(123,705)	-	(123,705)
Total other comprehensive (loss)/ income	(11,734,472)	30,977	(11,703,495)
Balance at 30 September 2013	1,699,813	(121,202)	1,578,611

11 Long term loans

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
- USD 50,000,000 facilities	**10,136,000**	12,784,500	12,818,250
- USD 20,000,000 facilities	**-**	113,640	398,790
- KD 40,000,000 facilities	**10,000,000**	20,000,000	20,000,000
	20,136,000	32,898,140	33,217,040
Installments due within next twelve months	**(13,185,600)**	(12,954,640)	(13,247,290)
Installments due after next twelve months	**6,950,400**	19,943,500	19,969,750

- Long term loan facility amounting to US$50,000,000 was obtained from a regional bank. The loan is unsecured and carries floating interest of 2.15% (31 December 2013: 2.15% and 30 September 2013: 2.15%) per annum above six months LIBOR. The loan is repayable in four semi annual instalments of US$ 5,000,000 each and five semi annual installments of US$6,000,000 each ending on 18 September 2017.
- 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% (31 December 2013: 1.75% and 30 September 2013: 1.75%) above three months LIBOR. The loan is repayable in twenty quarterly installments of US$1,000,000 each. The last instalment has been settled during the current period.
- Long term loan facility amounting to KD40,000,000, was obtained from a local bank. The loan is unsecured and carries interest of 1.75% (31 December 2013: 2.5% and 30 September 2013: 2.5%) per annum above Central Bank of Kuwait discount rate. The loan is repayable in eight semi annual instalments of KD5,000,000 each ending on 15 August 2015.

Notes to the interim condensed consolidated financial information (continued)

12 Short term loans

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Kuwait Dinar facility	**20,000,000**	22,100,000	24,300,000
USD facility	**12,375,347**	8,176,648	4,186,822
	32,375,347	30,276,648	28,486,822

The group obtained unsecured short term loans from local banks carrying interest rate ranging from 1.25% to 1.75% (31 December 2013: 1.5% to 2% and 30 September 2013: 1.5% to 2%) per annum above Central Bank of Kuwait discount rate and floating interest rate of 1.75% to 2% (31 December 2013: 2% and 30 September 2013: 2%) per annum above three months LIBOR. The loans mature on various dates ending 31 March 2015

13 Murabaha payables

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
USD facility	**8,320,525**	-	-
	8,320,525	-	-

The group obtained murabaha payables facilities from a local Islamic Bank and it carries profit rate of 2.33%. The murabaha payables mature on various dates ending 11 March 2015.

14 General assembly of shareholders

The Annual General Assembly of the shareholders held on 20 April 2014 approved the consolidated financial statements of the group for the year ended 31 December 2013 and declared cash dividend of 30% equivalent to 30 Fils per share amounting to KD6,297,939 for the year ended 31 December 2013 and was paid following that approval.

15 Segmental information

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

Notes to the interim condensed consolidated financial information (continued)

15 Segmental information (continued)

The revenues and profits generated by the group from business segments are summarised as follows:

	Cable manufacture	Investment	Total
	KD	KD	KD
Three months ended 30 September 2014 (unaudited)			
Revenue	**23,991,624**	**18,916**	**24,010,540**
Segment profit / (loss)	**1,488,906**	**(339,247)**	**1,149,659**
Unallocated expenses			**(130,775)**
Profit for the period			**1,018,884**
Nine months ended 30 September 2014 (unaudited)			
Revenue	**89,630,838**	**5,536,554**	**95,167,392**
Segment profit	**4,929,160**	**4,411,443**	**9,340,603**
Unallocated expenses			**(443,032)**
Profit for the period			**8,897,571**
Total assets	**86,981,528**	**139,097,432**	**226,078,960**
Total liabilities	**(44,664,478)**	**(30,154,768)**	**(74,819,246)**
Net assets employed	**42,317,050**	**108,942,664**	**151,259,714**
Three months ended 30 September 2013 (Unaudited)			
Revenue/(loss)	25,553,454	(51,397)	25,502,057
Segment profit / (loss)	1,214,647	(516,276)	698,371
Unallocated expenses			(98,854)
Profit for the period			599,517
Nine months ended 30 September 2013 (Unaudited)			
Revenue	70,632,689	8,960,272	79,592,961
Segment profit	1,967,265	7,532,758	9,500,023
Unallocated expenses			(428,371)
Profit for the period			9,071,652
Total assets	82,704,178	147,569,744	230,273,922
Total liabilities	(39,655,750)	(38,238,432)	(77,894,182)
Net assets employed	43,048,428	109,331,312	152,379,740

Notes to the interim condensed consolidated financial information (continued)

16 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

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

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Amounts included in interim condensed consolidated statement of financial position			
Trade accounts receivable	**3,586,300**	2,104,747	1,255,196
Trade accounts payable	**6,095**	5,016	16,092
Other receivables and prepayments	**287,500**	-	-

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2014 KD	30 Sept. 2013 KD	**30 Sept. 2014 KD**	30 Sept. 2013 KD
Amounts included in interim condensed consolidated statement of income				
Sales	**724,825**	350,156	**2,854,931**	1,422,493
Industrial expenses	**-**	11,246	**7,603**	27,084
Key management compensation:				
Salaries and other short term benefits	**55,096**	(49,346)	**294,808**	226,962
End of service benefits	**1,179**	878	**18,711**	3,518
Directors' remuneration	**77,500**	77,500	**232,500**	232,500
	133,775	29,032	**546,019**	462,980

17 Capital commitments

At the period end, the group was committed to purchase new machinery and equipment amounting to KD156,830 (31 December 2013: KD416,303 and 30 September 2013: KD409,021).

18 Contingent liabilities

Contingent liabilities at the period end in respect of outstanding letters of guarantee amounted to KD6,630,578 (31 December 2013: KD6,622,081 and 30 September 2013: KD4,385,460).

19 Derivative financial instruments

	30 Sept. 2014 (Unaudited)		31 Dec. 2013 (Audited)		30 Sept. 2013 (Unaudited)	
	Notional principal value USD	**Fair value KD**	Notional principal value USD	Fair value KD	Notional principal value USD	Fair value KD
Interest rate swaps	**35,000,000**	**14,499**	45,000,000	22,052	45,000,000	(16,366)

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement

20.1 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 interim condensed consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

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

	30 Sept. 2014 (Unaudited) KD	31 Dec .2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
- Trade accounts receivable	**24,760,610**	25,602,852	25,658,763
- Other receivables (excluding prepayments)	**493,398**	210,638	189,029
- Cash and bank balances	**4,812,115**	10,127,786	5,192,666
Available for sale investments			
-At fair value	**119,627,215**	117,205,087	128,681,107
-At cost less impairment, if any.	**18,025,146**	18,235,146	16,411,270
	167,718,484	171,381,509	176,132,835
Financial liabilities:			
Financial liabilities at amortised cost:			
-Long term loans	**20,136,000**	32,898,140	33,217,040
-Trade accounts payable	**3,417,107**	3,772,828	2,834,937
-Other payables and accruals	**7,835,268**	7,775,845	7,631,132
-Short term loans	**32,375,347**	30,276,648	28,486,822
-Murabaha payables	**8,320,525**	-	-
-Due to banks	**225,674**	138,160	3,595,426
	72,309,921	74,861,621	75,765,357

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

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

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.

20.2 Fair value measurement of financial instruments

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

30 September 2014 (Unaudited)	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**	**Total KD**
Available for sale investment:				
-Investment portfolios managed by others comprises of:				
• Quoted shares	**111,538,441**	**-**	**-**	**111,538,441**
• Unquoted shares	**-**	**-**	**5,167,678**	**5,167,678**
-Other investments comprises of:				
• Unquoted shares	**-**	**-**	**29,111**	**29,111**
-Investment funds managed by others:				
• Unquoted units	**-**	**2,891,985**	**-**	**2,891,985**
	111,538,441	**2,891,985**	**5,196,789**	**119,627,215**

31 December 2013 (Audited)				
Available for sale investment:				
-Investment portfolios managed by others comprises of:				
• Quoted shares	108,858,832	-	-	108,858,832
• Unquoted shares	-	-	5,658,441	5,658,441
-Other investments comprises of:				
• Unquoted shares	-	-	29,067	29,067
-Investment funds managed by others:				
• Unquoted units	-	2,658,747	-	2,658,747
	108,858,832	2,658,747	5,687,508	117,205,087

30 September 2013 (Unaudited)				
Available for sale investment:				
-Investment portfolios managed by others comprises of:				
• Quoted shares	120,302,345	-	-	120,302,345
• Unquoted shares	-	-	5,658,441	5,658,441
-Other investments comprises of:				
• Unquoted shares	-	-	29,067	29,067
-Investment funds managed by others:				
• Unquoted units	-	2,691,254	-	2,691,254
	120,302,345	2,691,254	5,687,508	128,681,107

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

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.

Level 3 fair value measurements

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

	Available for sale investments (Unquoted shares)		
	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Opening balance	**5,687,508**	5,583,061	5,583,061
Purchase	**75,088**	-	-
Gains or losses recognised in:			
- Other comprehensive (loss)/Income	**(565,807)**	104,447	104,447
Closing balance	**5,196,789**	5,687,508	5,687,508

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

The impact on interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.