

Interim condensed financial statements and review report

**Gulf Cable and Electrical Industries Company**

**(A Kuwaiti Shareholding Company)**

**Kuwait**

30 September 2005 (Unaudited)

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## Review report

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

We have reviewed the accompanying balance sheet of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) as at 30 September 2005, and the related statements of income, changes in equity and cash flows for the nine-month period then ended. These interim condensed financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

Furthermore, based on our review, the interim condensed financial statements are in agreement with the books of the company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the company have occurred during the nine months ended 30 September 2005 that might have had a material effect on the business of the company or on its financial position.



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(Licence No. 94-A)  
of Grant Thornton – Anwar Al-Qatami & Co.



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## Statement of income

	Notes	Three months ended		Nine months ended	
		30 Sept. 2005 (Unaudited) KD	30 Sept. 2004 (Unaudited) KD	30 Sept. 2005 (Unaudited) KD	30 Sept. 2004 (Unaudited) KD
Sales		11,324,226	9,524,580	35,627,833	26,866,983
Cost of sales		(9,014,367)	(7,748,517)	(25,534,556)	(18,616,273)
<b>Gross profit</b>		<b>2,309,859</b>	<b>1,776,063</b>	<b>10,093,277</b>	<b>8,250,710</b>
<b>Other income</b>					
Dividend income		65,819	47,505	2,497,632	2,185,438
Investment income		80,386	271,368	161,482	310,778
Realised loss on sale of available for sale investments		(115,856)	-	(115,895)	(38,161)
Interest income		5,557	2,412	27,742	46,060
Other revenue		46	56,084	17,482	89,143
Gain on foreign exchange		40,279	51,546	85,783	76,243
<b>Gross income</b>		<b>2,386,090</b>	<b>2,204,978</b>	<b>12,767,503</b>	<b>10,920,211</b>
<b>Expenses</b>					
Administrative expenses		(134,647)	(89,604)	(494,133)	(320,890)
Commercial expenses		(108,216)	(106,193)	(324,468)	(367,403)
Provision for doubtful debts		-	3,784	(114,132)	(18,074)
Provision for obsolete stock		(57,499)	20,649	(74,437)	(3,555)
Interest expense		(13,917)	(18,810)	(88,596)	(40,976)
<b>Profit from operations</b>		<b>2,071,811</b>	<b>2,014,804</b>	<b>11,671,737</b>	<b>10,169,313</b>
Contribution to Kuwait Foundation for the Advancement of Sciences		(20,718)	(20,148)	(116,717)	(101,693)
Directors' remuneration		(60,000)	(43,250)	(180,000)	(129,750)
Provision for National Labour Support Tax		(49,513)	(48,785)	(232,707)	(248,447)
<b>Net profit for the period</b>		<b>1,941,580</b>	<b>1,902,621</b>	<b>11,142,313</b>	<b>9,689,423</b>
Earnings per share	3	20 Fils	20 Fils	115 Fils	100 Fils

*The notes set out on pages 7 to 9 form an integral part of these interim condensed financial statements.*

## Balance sheet

	Notes	30 Sept. 2005 (Unaudited) KD	Restated 31 Dec. 2004 (Audited) KD	Restated 30 Sept. 2004 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		5,068,782	5,485,756	5,398,168
Available for sale investments	4	92,753,900	59,833,920	56,975,862
		<b>97,822,682</b>	<b>65,319,676</b>	<b>62,374,030</b>
<b>Current assets</b>				
Inventories	5	11,125,780	15,969,360	14,122,372
Trade accounts receivable		8,454,343	6,720,863	6,401,963
Other receivables and prepayments		81,969	109,903	275,181
Fixed deposits		264,429	1,700,000	362,480
Bank and cash balances		3,293,345	1,042,723	1,366,810
		<b>23,219,866</b>	<b>25,542,849</b>	<b>22,528,806</b>
<b>Total assets</b>		<b>121,042,548</b>	<b>90,862,525</b>	<b>84,902,836</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		9,684,295	7,747,436	7,747,436
Legal reserve		7,462,079	7,462,079	6,197,949
Voluntary reserve		7,462,079	7,462,079	6,197,949
General reserve		16,788,145	16,788,145	16,788,145
Proposed dividend		-	10,846,411	-
Proposed issue of bonus shares		-	1,936,859	-
Cumulative changes in fair value		61,236,287	30,548,500	27,818,426
Retained earnings		11,612,646	470,333	13,455,997
		<b>114,245,531</b>	<b>83,261,842</b>	<b>78,205,902</b>
<b>Non-current liabilities</b>				
Long-term provisions		1,084,497	1,000,736	1,011,559
<b>Current liabilities</b>				
Trade accounts payable		371,007	438,792	386,675
Other payables and accruals		4,496,197	4,146,224	3,290,510
Short term loans	6	810,923	2,003,381	2,003,381
Due to banks		34,393	11,550	4,809
		<b>5,712,520</b>	<b>6,599,947</b>	<b>5,685,375</b>
<b>Total equity and liabilities</b>		<b>121,042,548</b>	<b>90,862,525</b>	<b>84,902,836</b>

Juhail Mohammad Al-Juhail  
Chairman

Bader Naser Al-Khorafi  
Managing Director

*The notes set out on pages 7 to 9 form an integral part of these interim condensed financial statements.*

## Statement of changes in equity

	Share capital KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Proposed dividend KD	Proposed issue of bonus shares KD	Cumulative changes in fair value KD	Retained earnings KD	Total KD
<b>Balance at 1 January 2005 as previously reported</b>	7,747,436	7,462,079	7,462,079	16,788,145	10,846,411	1,936,859	28,836,213	2,182,620	83,261,842
Adjustment arising from adoption of revised IAS 39 (Note 2)	-	-	-	-	-	-	1,712,287	(1,712,287)	-
<b>Balance at 1 January 2005 as restated</b>	7,747,436	7,462,079	7,462,079	16,788,145	10,846,411	1,936,859	30,548,500	470,333	83,261,842
Net change in fair value	-	-	-	-	-	-	30,687,787	-	30,687,787
Net income recognised directly in equity	7,747,436	7,462,079	7,462,079	16,788,145	10,846,411	1,936,859	61,236,287	470,333	113,949,629
Net profit for the period	-	-	-	-	-	-	-	11,142,313	11,142,313
Total recognised income and expense for the period	7,747,436	7,462,079	7,462,079	16,788,145	10,846,411	1,936,859	61,236,287	11,612,646	125,091,942
Payment of cash dividend	-	-	-	-	(10,846,411)	-	-	-	(10,846,411)
Issue of bonus shares	1,936,859	-	-	-	-	(1,936,859)	-	-	-
<b>Balance at 30 September 2005</b>	<b>9,684,295</b>	<b>7,462,079</b>	<b>7,462,079</b>	<b>16,788,145</b>	<b>-</b>	<b>-</b>	<b>61,236,287</b>	<b>11,612,646</b>	<b>114,245,531</b>

## Statement of changes in equity (continued)

	Share capital KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Proposed dividend KD	Proposed issue of bonus shares KD	Cumulative changes in fair value KD	Retained earnings KD	Total KD
<b>Balance at 1 January 2004 as previously reported</b>	6,197,949	6,197,949	6,197,949	16,788,145	8,367,231	1,549,487	32,347,688	5,478,861	83,125,259
Adjustment arising from adoption of revised IAS 39 (Note 2)	-	-	-	-	-	-	1,712,287	(1,712,287)	-
<b>Balance at 1 January 2004 as restated</b>	6,197,949	6,197,949	6,197,949	16,788,145	8,367,231	1,549,487	34,059,975	3,766,574	83,125,259
Net change in fair value	-	-	-	-	-	-	(6,241,549)	-	(6,241,549)
Net income recognised directly in equity	6,197,949	6,197,949	6,197,949	16,788,145	8,367,231	1,549,487	27,818,426	3,766,574	76,883,710
Net profit for the period	-	-	-	-	-	-	-	9,689,423	9,689,423
Total recognised income and expense for the period	6,197,949	6,197,949	6,197,949	16,788,145	8,367,231	1,549,487	27,818,426	13,455,997	86,573,133
Payment of cash dividend	-	-	-	-	(8,367,231)	-	-	-	(8,367,231)
Issue of bonus shares	1,549,487	-	-	-	-	(1,549,487)	-	-	-
<b>Balance at 30 September 2004</b>	7,747,436	6,197,949	6,197,949	16,788,145	-	-	27,818,426	13,455,997	78,205,902

*The notes set out on pages 7 to 9 form an integral part of these interim condensed financial statements.*

## Statement of cash flows

	Notes	Nine months ended 30 Sept. 2005 (Unaudited) KD	Nine months ended 30 Sept. 2004 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit from operations		11,671,737	10,169,313
Adjustments:			
Depreciation		578,687	508,346
End of service indemnity provision		105,624	91,476
Interest expense		88,596	40,976
Interest income		(27,742)	(46,060)
Dividend income		(2,497,632)	(2,185,438)
Investment income		(161,482)	(310,778)
Realised loss on sale of available for sale investments		115,895	38,161
Unrealised (gain)/loss on foreign exchange		(18,258)	10,781
Operating profit before changes in operating assets and liabilities		9,855,425	8,316,777
Changes in operating assets and liabilities:			
Inventories		4,843,580	(4,606,052)
Trade accounts receivable		(1,733,480)	(424,000)
Other receivables and prepayments		27,934	15,543
Trade accounts payable		(67,785)	(23,694)
Other payables and accruals		(291,015)	(307,149)
Payments of end of service indemnity		(21,863)	(765,616)
<b>Net cash from operating activities</b>		<b>12,612,796</b>	<b>2,205,809</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure		(161,713)	(1,193,713)
Purchase of available for sale investments		(2,732,993)	(3,006,923)
Proceeds from redemption/sale of available for sale investments		384,905	411,969
Dividend income received		2,497,632	2,185,438
Investment income received		161,482	310,778
Interest received		27,742	46,060
<b>Net cash from/(used in) investing activities</b>		<b>177,055</b>	<b>(1,246,391)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of dividends		(10,734,847)	(8,320,390)
(Repayment)/proceeds from short term loans		(1,174,200)	2,003,381
Interest paid		(88,596)	(40,976)
<b>Net cash used in financing activities</b>		<b>(11,997,643)</b>	<b>(6,357,985)</b>
Net increase/(decrease) in cash and cash equivalents		792,208	(5,398,567)
Cash and cash equivalents at beginning of the period		2,731,173	7,123,048
<b>Cash and cash equivalents at end of the period</b>	7	<b>3,523,381</b>	<b>1,724,481</b>

*The notes set out on pages 7 to 9 form an integral part of these interim condensed financial statements.*



## **Notes to the interim condensed financial statements**

**30 September 2005**

### **1 Incorporation and activities**

Gulf Cable and Electrical Industries Company – KSC (“the company”) is a registered Kuwaiti shareholding company, which was established on 15 March 1975. The principal activities of the company are the manufacture and supply of cables and related products and the holding of investments. Its shares are listed on the Kuwait Stock Exchange.

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

These interim condensed financial statements were authorised for issue by the board of directors on 14 November 2005.

### **2 Significant accounting policies**

#### **Basis of presentation**

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the financial statements for the year ended 31 December 2004 except as explained in the following paragraph.

In 2003 and 2004, International Accounting Standards Board (IASB) issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS). The new IFRS and revised IAS became effective for annual periods beginning 1 January 2005. All new IFRS and revised IAS have been adopted by the company but have either no or insignificant impact on these interim condensed financial statements except for IAS 39 : Financial instruments, recognition and measurement.

In accordance with the requirements of the previous IAS 39, on the initial application of the standard on 1 January 2001, the company recognised the difference in the carrying amount and fair value of available for sale investments, in the opening balance of retained earnings at that date. The revised IAS 39 requires that for available for sale investments all cumulative changes in fair value to be recognised in a separate component of equity. Therefore, the balance of the amount recognised originally in the retained earnings of KD1,712,287 has been transferred from the opening balance of the retained earnings at 1 January 2005 to cumulative changes in fair value account in equity (1 January 2004 : KD1,712,287).

The adoption of the revised IAS 39 did not result in any impact on the net profit for the current period or prior period.

Operating results for the nine-month period are not necessarily indicative of the results that may be expected for the year ending 31 December 2005.

**3 Earnings per share**

The weighted average number of ordinary shares for the calculations of earnings per share have been adjusted to reflect the capitalisation issue in March 2005 (Note 8).

**4 Available for sale investments**

	30 Sept. 2005 (Unaudited) KD	31 Dec. 2004 (Audited) KD	30 Sept. 2004 (Unaudited) KD
Managed portfolios	74,454,710	45,195,947	42,227,928
Quoted shares	6,297,000	5,227,516	5,700,016
Quoted funds	3,604,278	2,358,445	2,208,000
Quoted preference shares	475,399	494,054	494,054
Unquoted shares	4,879,376	3,029,376	3,029,376
Unquoted funds	3,043,137	3,528,582	3,316,488
	<b>92,753,900</b>	<b>59,833,920</b>	<b>56,975,862</b>

**5 Inventories**

	30 Sept. 2005 (Unaudited) KD	31 Dec. 2004 (Audited) KD	30 Sept. 2004 (Unaudited) KD
Raw materials	3,062,730	7,403,654	6,350,122
Finished goods	3,363,483	5,158,890	3,675,780
Work-in-progress	1,739,593	1,579,515	1,409,645
Goods in transit and prepaid letters of credit	2,538,963	1,471,937	2,280,527
Spare parts	848,467	708,383	668,490
	<b>11,553,236</b>	<b>16,322,379</b>	<b>14,384,564</b>
Provision for obsolete stock	<b>(427,456)</b>	<b>(353,019)</b>	<b>(262,192)</b>
	<b>11,125,780</b>	<b>15,969,360</b>	<b>14,122,372</b>

**6 Short term loans**

These represent money market unsecured loans denominated in US Dollars. The loans carry effective interest rate of 6.07% (31 December 2004 : 4.3125% and 30 September 2004 : 2.75% to 3.625%) and mature within one month of drawdown.

**7 Cash and cash equivalents**

	30 Sept. 2005 (Unaudited) KD	31 Dec. 2004 (Audited) KD	30 Sept. 2004 (Unaudited) KD
Bank and cash balances	3,293,345	1,042,723	1,366,810
Fixed deposits maturing within three months	264,429	1,700,000	362,480
Due to banks	<b>(34,393)</b>	<b>(11,550)</b>	<b>(4,809)</b>
	<b>3,523,381</b>	<b>2,731,173</b>	<b>1,724,481</b>

**8 Proposed dividend and bonus shares**

At the annual general assembly of the shareholders held on 6 March 2005, proposed cash dividends of 140 Fils per share and bonus shares of 25% of paid up capital for the year ended 31 December 2004 were approved.

## 9 Segmental information

The company's primary basis of segment reporting is by business segments, which consist of cable manufacture and investment activities.

An analysis of gross income, profit from operations, total assets, total liabilities and net assets employed in respect of each of these segments is as follows:

	Cable manufacture KD	Investment KD	Total KD
<b>Nine months ended 30 September 2005 (Unaudited)</b>			
Gross income	10,198,528	2,568,975	12,767,503
Profit from operations	9,102,762	2,568,975	11,671,737
<b>At 30 September 2005 (Unaudited)</b>			
Total assets	28,023,930	93,018,618	121,042,548
Total liabilities	(6,797,017)	-	(6,797,017)
Net assets employed	21,226,913	93,018,618	114,245,531
Capital expenditure	161,713	-	161,713
Depreciation	578,687	-	578,687
<b>Nine months ended 30 September 2004 (Unaudited)</b>			
Gross income	8,415,023	2,505,188	10,920,211
Profit from operations	7,664,125	2,505,188	10,169,313
<b>At 30 September 2004 (Unaudited)</b>			
Total assets	27,564,474	57,338,362	84,902,836
Total liabilities	(6,696,934)	-	(6,696,934)
Net assets employed	20,867,540	57,338,362	78,205,902
Capital expenditure	1,193,713	-	1,193,713
Depreciation	508,346	-	508,346

## 10 Capital commitments

At the balance sheet date the company was committed to purchase investments amounting to KD2,269,776 (31 December 2004 : KD3,097,909 and 30 September 2004 : KD3,201,307) and to purchase new machinery and equipment amounting to KD388,476 (31 December 2004 : KD9,906 and 30 September 2004 : KD334,683).

## 11 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD2,811,448 (31 December 2004 : KD2,668,720 and 30 September 2004 : KD2,116,532).

## 12 Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.