

Financial statements and auditors' report

Gulf Cable and Electrical Industries Company – KSC

Kuwait

31 December 2005

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Auditors' report

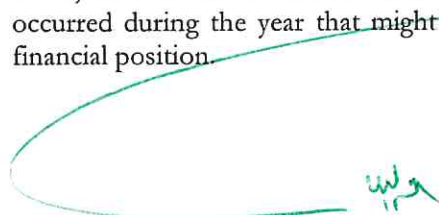
To the shareholders of
Gulf Cable and Electrical Industries Company – KSC
Kuwait

We have audited the accompanying balance sheet of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) as at 31 December 2005, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gulf Cable and Electrical Industries Company (KSC) as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion proper books of account have been kept by the company and the financial statements, together with the contents of the report of the board of directors relating to these 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 financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, as amended, nor of the articles of association have occurred during the year that might have had a material effect on the business of the company or on its financial position.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Anwar Al-Qatami & Co.



Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of Al-Fouz International Audit Bureau

Kuwait
7 February 2006

Statement of income

	Notes	Year ended 31 Dec. 2005 KD	Year ended 31 Dec. 2004 KD
Sales		46,921,397	36,239,140
Cost of sales	3	(32,708,929)	(25,414,231)
Gross profit		14,212,468	10,824,909
Other income			
Dividend income		2,497,632	2,185,438
Investment income		161,801	383,647
Realised loss on sale of available for sale of investments		(124,777)	(38,161)
Interest income		39,652	53,572
Other revenue		59,358	93,823
Gain on foreign exchange		142,326	223,709
Gross income		16,988,460	13,726,937
Expenses			
Administrative expenses	3	(682,472)	(401,381)
Commercial expenses	3	(443,464)	(495,937)
Provision for doubtful debts		(200,295)	(33,629)
Provision for obsolete stock		(217,997)	(94,383)
Interest expense		(203,716)	(60,304)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences, Directors' remuneration and provision for National Labour Support Tax		15,240,516	12,641,303
Contribution to Kuwait Foundation for the Advancement of Sciences		(152,405)	(126,413)
Directors' remuneration		(240,000)	(240,000)
Provision for National Labour Support Tax		(319,534)	(259,601)
Net profit for the year		14,528,577	12,015,289
Earnings per share	4	150 Fils	124 Fils

The notes set out on pages 6 to 14 form an integral part of these financial statements.

Balance sheet

	Notes	31 Dec. 2005 KD	Restated 31 Dec. 2004 KD
Assets			
Non-current assets			
Property, plant and equipment	5	5,215,015	5,485,756
Available for sale investments	6	123,678,212	59,833,920
		128,893,227	65,319,676
Current assets			
Inventories	7	13,337,173	15,969,360
Trade accounts receivable	8	9,401,290	6,720,863
Other receivables and prepayments		77,070	109,903
Fixed deposits		-	1,700,000
Bank and cash balances		3,817,002	1,042,723
		26,632,535	25,542,849
Total assets		155,525,762	90,862,525
Equity and liabilities			
Equity			
Share capital	9	9,684,295	7,747,436
Legal reserve	10	8,986,130	7,462,079
Voluntary reserve	10	8,986,130	7,462,079
General reserve		16,788,145	16,788,145
Cumulative changes in fair value		75,561,350	30,548,500
Retained earnings		11,950,808	13,253,603
		131,956,858	83,261,842
Non-current liabilities			
Long-term provisions	11	1,097,127	1,000,736
Current liabilities			
Trade accounts payable		984,694	438,792
Other payables and accruals	12	4,881,673	4,146,224
Short term loans	13	16,578,319	2,003,381
Due to banks		27,091	11,550
		22,471,777	6,599,947
Total equity and liabilities		155,525,762	90,862,525

Juhail Mohammad Al-Juhail
Chairman



Bader Naser Al-Khorafi
Managing Director

The notes set out on pages 6 to 14 form an integral part of these financial statements.

Statement of changes in equity

	Share capital KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Total KD
Balance at 1 January 2004 as previously reported	6,197,949	6,197,949	6,197,949	16,788,145	32,347,688	15,395,579	83,125,259
Adjustment arising from application of revised IAS 39 (Note 2)	-	-	-	-	1,712,287	(1,712,287)	-
Balance at 1 January 2004 as restated	6,197,949	6,197,949	6,197,949	16,788,145	34,059,975	13,683,292	83,125,259
Net change in fair value	-	-	-	-	(3,511,475)	(3,511,475)	(3,511,475)
Net income recognised directly in equity	-	-	-	-	-	12,015,289	12,015,289
Net profit for the year	-	-	-	-	-	12,015,289	12,015,289
Total recognised income and expense for the year	-	-	-	-	(3,511,475)	8,503,814	8,503,814
Dividends (Note 14)	1,549,487	-	-	-	-	(8,367,231)	(8,367,231)
Issue of bonus shares (Note 14)	-	-	-	-	-	(1,549,487)	-
Transfer to reserves	-	1,264,130	1,264,130	-	-	(2,528,260)	-
Balance at 31 December 2004	7,747,436	7,462,079	7,462,079	16,788,145	30,548,500	13,253,603	83,261,842
Balance at 1 January 2005 as previously reported	7,747,436	7,462,079	7,462,079	16,788,145	28,836,213	14,965,890	83,261,842
Adjustment arising from application of revised IAS 39 (Note 2)	-	-	-	-	1,712,287	(1,712,287)	-
Balance at 1 January 2005 as restated	7,747,436	7,462,079	7,462,079	16,788,145	30,548,500	13,253,603	83,261,842
Net change in fair value	-	-	-	-	45,012,850	-	45,012,850
Net income recognised directly in equity	-	-	-	-	45,012,850	14,528,577	45,012,850
Net profit for the year	-	-	-	-	-	14,528,577	14,528,577
Total recognised income and expense for the year	-	-	-	-	45,012,850	14,528,577	59,541,427
Dividend (Note 14)	1,936,859	-	-	-	-	(10,846,411)	(10,846,411)
Issue of bonus shares (Note 14)	-	-	-	-	-	(1,936,859)	-
Transfer to reserves	-	1,524,051	1,524,051	-	-	(3,048,102)	-
Balance at 31 December 2005	9,684,295	8,986,130	8,986,130	16,788,145	75,561,350	11,950,808	131,956,858

The notes set out on pages 6 to 14 form an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 Dec. 2005 KD	Year ended 31 Dec. 2004 KD
OPERATING ACTIVITIES			
Net profit for the year		14,528,577	12,015,289
Adjustments:			
Depreciation		783,583	726,388
End of service indemnity provision		128,632	81,065
Interest expense		203,716	60,304
Interest income		(39,652)	(53,572)
Dividend income		(2,497,632)	(2,185,438)
Investment income		(161,801)	(383,647)
Realised loss on sale of available for sale investments		124,777	38,161
Profit from disposal of property, plant and equipment		(745)	-
Unrealised gain on foreign exchange		(18,258)	(71,795)
Operating profit before changes in operating assets and liabilities		13,051,197	10,226,755
Changes in operating assets and liabilities:			
Inventories		2,632,187	(6,453,040)
Trade accounts receivable		(2,680,427)	(742,900)
Other receivables and prepayments		32,833	180,821
Trade accounts payable		545,902	28,423
Other payables and accruals		651,232	1,049,173
Payments of end of service indemnity		(32,241)	(765,616)
Payment of warranty		-	(412)
Net cash from operating activities		14,200,683	3,523,204
INVESTING ACTIVITIES			
Capital expenditure		(512,842)	(1,509,770)
Proceeds from disposal of property, plant and equipment		745	10,427
Proceeds from redemption / sale of available for sale investments		475,214	514,762
Purchase of available for sale investments		(19,431,433)	(3,155,123)
Dividend income received		2,497,632	2,185,438
Investment income received		161,801	383,647
Interest received		39,652	53,572
Net cash used in investing activities		(16,769,231)	(1,517,047)
FINANCING ACTIVITIES			
Payment of dividends		(10,762,194)	(8,341,108)
Proceeds from short term loans		16,578,319	2,003,381
Repayment of short term loans		(1,985,123)	-
Interest paid		(203,716)	(60,305)
Net cash from/(used in) financing activities		3,627,286	(6,398,032)
Net increase/(decrease) in cash and cash equivalents		1,058,738	(4,391,875)
Cash and cash equivalents at beginning of the year	15	2,731,173	7,123,048
Cash and cash equivalents at end of the year	15	3,789,911	2,731,173

The notes set out on pages 6 to 14 form an integral part of these financial statements.

Notes to the financial statements

31 December 2005

1 Incorporation and activities

Gulf Cable and Electrical Industries Company – KSC 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.

The board of directors approved these financial statements for issue on 7 February 2006 and are subject to the approval of the general assembly of the shareholders.

2 Significant accounting policies

The significant accounting policies used in the preparation of the financial statements are set out below:

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under historical cost convention except for the measurement at fair value of available for sale investments.

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

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 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 year or prior year.

The adoption of revised IAS 1: "Presentation of financial statements" has resulted in amendments to presentation of proposed dividends. The proposed dividends at 31 December 2004 have been reclassified to retained earnings and have been paid/capitalised during the current year.

2 Significant accounting policies (continued)

Revenue recognition

Sales represent the invoiced value of goods, net of discounts, supplied by the company during the year. Interest income is recognised on a time proportion basis taking account of the principal outstanding and the rate applicable. Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment is depreciated with effect from the date of purchase by equal annual instalments over the estimated useful lives of the assets.

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

Available for sale investments

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

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

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

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

Trade date and settlement date accounting

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

Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in the statement of income.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at balance sheet date. The use of estimates is mainly limited to the determination of impairment provisions of unquoted investments.

2 Significant accounting policies (continued)

Inventories

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

Provision for doubtful receivables

Specific provision is made at the balance sheet date for those balances where recovery is considered to be doubtful.

Employees' end of service indemnity

Provision is made for amounts payable under the Kuwait labour law applicable to employees' accumulated periods of service as at the balance sheet date.

Warranty provision

A warranty provision is made to cover potential costs for the replacement of cables previously supplied, which may prove to be defective. The provision is based upon the total sales of the last ten years multiplied by a rate of 0.19% (2004 : 0.21%).

Provisions

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

Cash and cash equivalents

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into Kuwaiti Dinars using the rates of exchange ruling at the balance sheet date. Foreign currency transactions are converted into Kuwaiti Dinars at the rates of exchange prevailing at the time of the transactions. All exchange differences arising are reflected in the statement of income.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

3 Staff costs

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

	2005 KD	2004 KD
Cost of sales	1,197,726	1,088,655
Administrative expenses	519,938	288,817
Commercial expenses	199,745	155,935
	1,917,409	1,533,407

4 Earnings per share

	2005	2004
Net profit for the year (KD)	14,528,577	12,015,289
Shares in issue at 31 December (number)	96,842,951	96,842,951
Earnings per share	150 Fils	124 Fils

The number of shares for 2004 have been adjusted to reflect the bonus issue in March 2005 (Note 9).

5 Property, plant and equipment

	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Assets under construction KD	Total 2005 KD	Total 2004 KD
Cost						
At 1 January	5,213,869	13,964,234	784,470	330,319	20,292,892	18,796,156
Additions	-	11,946	82,112	418,784	512,842	1,509,770
Transfer	31,329	388,363	30	(419,722)	-	-
Disposals	-	-	(14,216)	-	(14,216)	(13,034)
At 31 December	5,245,198	14,364,543	852,396	329,381	20,791,518	20,292,892
Accumulated depreciation						
At 1 January	4,250,145	9,820,118	736,873	-	14,807,136	14,083,355
Charge for the year	94,697	650,086	38,800	-	783,583	726,388
Relating to disposals	-	-	(14,216)	-	(14,216)	(2,607)
At 31 December	4,344,842	10,470,204	761,457	-	15,576,503	14,807,136
Net book value At 31 December	900,356	3,894,339	90,939	329,381	5,215,015	5,485,756

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

Buildings	20 years
Plant and machinery	10 years
Vehicles, furniture and equipment	4 to 10 years

The buildings are situated on land leased from the Ministry of Finance on long-term leases, commencing from 1977 and for periods of either 5 or 25 years. The five year leases are renewed periodically and the 25 year lease was renewed in 2002 for five years.

6 Available for sale investments

	2005 KD	2004 KD
Managed portfolios	101,217,845	45,195,947
Quoted shares	10,140,750	5,227,516
Quoted funds	4,041,930	2,358,445
Quoted preference shares	470,692	494,054
Unquoted shares	4,879,376	3,029,376
Unquoted funds	2,927,619	3,528,582
	123,678,212	59,833,920

7 Inventories

	2005 KD	2004 KD
Raw materials	6,430,877	7,403,654
Finished goods	3,606,138	5,158,890
Work-in-progress	1,866,063	1,579,515
Goods in transit and prepaid letters of credit	1,122,475	1,471,937
Spare parts	882,636	708,383
	13,908,189	16,322,379
Provision for obsolete stock	(571,016)	(353,019)
	13,337,173	15,969,360

8 Trade accounts receivable

	2005 KD	2004 KD
Trade account balances	10,013,646	7,132,924
Provision for doubtful debts	(612,356)	(412,061)
	9,401,290	6,720,863

9 Share capital

	2005 KD	2004 KD
Authorised, issued and fully paid shares of 100 Kuwaiti Fils each	9,684,295	7,747,436

The annual general meeting of the shareholders held on 6 March 2005 approved an increase in the authorised capital from 77,474,361 to 96,842,951 by issue of 19,368,590 shares as bonus shares (Note 14).

The directors propose an increase of 30% of paid up capital at KD1.050, including a share premium of KD0.950, which is subject to the approval of the shareholders at the general assembly and the concerned authorities.

10 Reserves

In accordance with the Commercial Companies Law and the company's articles of association, 10% of the net profit for the year has been transferred to statutory reserve. The company may resolve to discontinue such annual transfers when the reserve total 50% of the paid up share capital.

Distribution of the 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.

The company has also transferred 10% of the net profit for the year to voluntary reserve.

11 Long term provisions

	2005 KD	2004 KD
Employees end of service indemnity	600,856	504,465
Warranty provision	496,271	496,271
	1,097,127	1,000,736

12 Other payables and accruals

	2005 KD	2004 KD
Provision for National Labour Support Tax	319,534	459,216
Kuwait Foundation for the Advancement of Sciences	152,405	199,602
Directors' remuneration	240,000	240,000
Uncollected dividends	1,424,271	1,340,054
Accrued staff dues	821,990	582,364
Other liabilities	1,923,473	1,324,988
	4,881,673	4,146,224

13 Short term loans

Short term loan outstanding at 31 December 2005 was obtained from a local bank. The loan is unsecured and carry interest of 7.25% per annum. The loan is repayable in quarterly instalments of KD4,144,580 by November 2006.

Short term loans outstanding at 31 December 2004 were repaid during 2005.

14 Proposed dividends and bonus shares

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose a cash dividend of 50 Fils per share (2004 : 140 Fils per share) amounting to KD4,842,148 (2004 : KD10,846,411) and bonus shares of 15% (2004 : 25%) of paid up share capital amounting to KD1,452,644 (2004: KD1,936,859) be distributed to the shareholders of record as of the date of the general assembly.

The proposed dividends and bonus shares for 2004 were approved by the general assembly held on 6 March 2005 and paid/issued following that approval.

15 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise the following balance sheet accounts:

	2005 KD	2004 KD
Fixed deposits maturing within three months	-	1,700,000
Bank and cash balances	3,817,002	1,042,723
Due to banks	(27,091)	(11,550)
	3,789,911	2,731,173

16 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 ordinary activities, 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
At 31 December 2005			
Gross income	14,414,152	2,574,308	16,988,460
Segment profit	12,779,850	2,460,666	15,240,516
Unallocated expenses			(711,939)
Net profit for the year			14,528,577
 Total assets	 31,847,550	 123,678,212	 155,525,762
Total liabilities	(23,568,904)	-	(23,568,904)
Net assets employed	8,278,646	123,678,212	131,956,858
Capital expenditure	512,842	-	512,842
Depreciation	783,583	-	783,583
 At 31 December 2004			
Gross income	11,040,797	2,686,140	13,726,937
Segment profit	9,955,163	2,686,140	12,641,303
Unallocated expenses			(626,014)
Net profit for the year			12,015,289
 Total assets	 29,324,035	 61,538,490	 90,862,525
Total liabilities	(7,600,683)	-	(7,600,683)
Net assets employed	21,723,352	61,538,490	83,261,842
Capital expenditure	1,509,770	-	1,509,770
Depreciation	726,388	-	726,388

The company reports its secondary segmental information according to geographical location of its customers and assets, as follows:

	Kuwait and Gulf KD	International KD	Total KD
At 31 December 2005			
Gross income	16,779,675	208,785	16,988,460
Net assets employed	116,658,112	15,298,746	131,956,858
Capital expenditure	512,842	-	512,842
 At 31 December 2004			
Gross income	13,163,005	563,932	13,726,937
Net assets employed	73,711,384	9,550,458	83,261,842
Capital expenditure	1,509,770	-	1,509,770

17 Related party transactions

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

	2005 KD	2004 KD
Transactions included in the balance sheet:		
Loans to directors and senior management	4,818	8,800
Key management compensation		
Salaries and other short term benefits	227,235	88,295
Terminal benefits	897	393

18 Capital commitments

At the balance sheet date the company was committed to purchase investments amounting to KD2,903,581 (2004: KD3,097,909) and purchase new machinery and equipment amounting to KD330,069 (2004 : KD9,906).

19 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD3,348,412 (2004: KD2,668,720).

20 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 company's credit policy and exposure to credit risk is monitored on an ongoing basis. The company seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification. It also obtains security when appropriate.

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of bank balances, fixed deposits, investments and accounts receivable. The company's bank balances and fixed deposit accounts are placed with high credit quality financial institutions whilst accounts receivable are presented net of provision for doubtful debts. The company's investments are classified as available for sale and carried at fair value.

21 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 company's fixed deposits yield interest at a commercial fixed rate and mature within 12 months from the balance sheet date. The overdrafts and short term loans bear interest at commercial rates. Overdrafts are repayable upon demand while short term loans are repayable on fixed dates.

22 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge foreign currency exposure.

23 Liquidity risk

Liquidity risk is the risk that the company 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.

24 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local and international equity and bond markets.

25 Fair value of financial instruments

In the opinion of management the fair value of financial instruments approximates their carrying values.

26 Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation (Note 2).