

Interim condensed financial statements and review report

**Gulf Cable and Electrical Industries Company**

**(A Kuwaiti Shareholding Company)**

**Kuwait**

31 March 2005

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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 31 March 2005, and the related statements of income, changes in equity and cash flows for the three-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 three months ended 31 March 2005 that might have had a material effect on the business of the company or on its financial position.



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



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

Kuwait  
11 May 2005

## Statement of income

|   | Notes | Three months<br>ended 31<br>March 2005<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2004<br>(Unaudited)<br>KD |
|---|-------|---|---|
| Sales   |       | 12,031,034  | 8,616,927   |
| Cost of sales   |       | (8,609,051)   | (5,494,579)   |
| <b>Gross profit</b>   |       | <b>3,421,983</b>  | <b>3,122,348</b>  |
| <b>Other income</b>   |       |   |   |
| Dividend income   |       | 2,158,202   | 2,017,933   |
| Investment income   |       | 59,005  | 2,779   |
| Realised loss on sale of available for sale investments           |       | (39)  | (9,756)   |
| Interest income   |       | 19,722  | 42,402  |
| Release of provision for obsolete stock                           |       | 45,274  | -   |
| Other revenue   |       | 17,436  | 33,058  |
| Gain on foreign exchange  |       | 33,450  | 4,344   |
| <b>Gross income</b>   |       | <b>5,755,033</b>  | <b>5,213,108</b>  |
| <b>Expenses</b>   |       |   |   |
| Administrative expenses   |       | (221,114)   | (148,552)   |
| Commercial expenses   |       | (107,217)   | (118,526)   |
| Provision for doubtful debts                                      |       | (101,183)   | (21,045)  |
| Provision for obsolete stock                                      |       | -   | (6,177)   |
| Interest expense  |       | (22,482)  | (8,026)   |
| <b>Profit from operations</b>                                     |       | <b>5,303,037</b>  | <b>4,910,782</b>  |
| Contribution to Kuwait Foundation for the Advancement of Sciences |       | (53,030)  | (49,108)  |
| Directors' remuneration   |       | (60,000)  | (43,250)  |
| Provision for National Labour Support Tax                         |       | (80,170)  | (120,461)   |
| <b>Net profit for the period</b>                                  |       | <b>5,109,837</b>  | <b>4,697,963</b>  |
| Earnings per share  | 3     | 53 Fils   | 49 Fils   |

*The notes set out on pages 6 to 8 form an integral part of these interim condensed financial statements.*

## Balance sheet

|                                     | Notes | 31 March<br>2005<br>(Unaudited)<br>KD | Restated<br>31 Dec.<br>2004<br>(Audited)<br>KD | Restated<br>31 March<br>2004<br>(Unaudited)<br>KD |
|-------------------------------------|-------|---------------------------------------|--|---|
| <b>Assets</b>                       |       |                                       |  |   |
| <b>Non-current assets</b>           |       |                                       |  |   |
| Property, plant and equipment       |       | 5,366,784                             | 5,485,756                                      | 5,504,776   |
| Available for sale investments      | 4     | 71,666,961                            | 59,833,920                                     | 59,415,694  |
|                                     |       | <b>77,033,745</b>                     | <b>65,319,676</b>                              | <b>64,920,470</b>                                 |
| <b>Current assets</b>               |       |                                       |  |   |
| Inventories                         | 5     | 13,741,073                            | 15,969,360                                     | 11,068,623  |
| Trade accounts receivable           |       | 10,118,883                            | 6,720,863                                      | 6,126,255   |
| Other receivables and prepayments   |       | 312,508                               | 109,903  | 469,075   |
| Fixed deposits                      |       | -                                     | 1,700,000                                      | -   |
| Bank and cash balances              |       | 688,446                               | 1,042,723                                      | 703,783   |
|                                     |       | <b>24,860,910</b>                     | <b>25,542,849</b>                              | <b>18,367,736</b>                                 |
| <b>Total assets</b>                 |       | <b>101,894,655</b>                    | <b>90,862,525</b>                              | <b>83,288,206</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    |       | 42,004,955                            | 30,548,500                                     | 30,549,068  |
| Retained earnings                   |       | 5,580,170                             | 470,333  | 8,464,537   |
|                                     |       | <b>88,981,723</b>                     | <b>83,261,842</b>                              | <b>75,945,084</b>                                 |
| <b>Non-current liabilities</b>      |       |                                       |  |   |
| Long-term provisions                |       | 1,045,421                             | 1,000,736                                      | 998,886   |
| <b>Current liabilities</b>          |       |                                       |  |   |
| Trade accounts payable              |       | 951,361                               | 438,792  | 445,421   |
| Other payables and accruals         |       | 7,119,623                             | 4,146,224                                      | 3,608,690   |
| Short term loans                    | 6     | 1,985,123                             | 2,003,381                                      | 1,481,250   |
| Due to banks                        |       | 1,811,404                             | 11,550   | 808,875   |
|                                     |       | <b>11,867,511</b>                     | <b>6,599,947</b>                               | <b>6,344,236</b>                                  |
| <b>Total equity and liabilities</b> |       | <b>101,894,655</b>                    | <b>90,862,525</b>                              | <b>83,288,206</b>                                 |

Juhail Mohammad Al-Juhail  
Chairman

Bader Naser Al-Khorafi  
Managing Director

*The notes set out on pages 6 to 8 form an integral part of these interim condensed financial statements.*



## Statement of changes in equity

|   | Share capital<br>KD | Legal reserve<br>KD | Voluntary reserve<br>KD | General reserve<br>KD | Proposed dividends<br>KD | Proposed issue of bonus shares<br>KD | Cumulative changes in fair value<br>KD | Retained earnings<br>KD | Total<br>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        |
| Payment of cash dividend                                    | -                   | -                   | -                       | -                     | (10,846,411)             | -                                    | -                                      | -                       | (10,846,411)      |
| Issue of bonus shares                                       | 1,936,859           | -                   | -                       | -                     | -                        | (1,936,859)                          | -                                      | -                       | -                 |
| Net change in fair value                                    | -                   | -                   | -                       | -                     | -                        | -                                    | 11,456,455                             | -                       | 11,456,455        |
| Net profit for the period                                   | -                   | -                   | -                       | -                     | -                        | -                                    | -                                      | 5,109,837               | 5,109,837         |
| <b>Balance at 31 March 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>42,004,955</b>                      | <b>5,580,170</b>        | <b>88,981,723</b> |
| <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        |
| Payment of cash dividend                                    | -                   | -                   | -                       | -                     | (8,367,231)              | -                                    | -                                      | -                       | (8,367,231)       |
| Issue of bonus shares                                       | 1,549,487           | -                   | -                       | -                     | -                        | (1,549,487)                          | -                                      | -                       | -                 |
| Net change in fair value                                    | -                   | -                   | -                       | -                     | -                        | -                                    | (3,510,907)                            | -                       | (3,510,907)       |
| Net profit for the period                                   | -                   | -                   | -                       | -                     | -                        | -                                    | -                                      | 4,697,963               | 4,697,963         |
| <b>Balance at 31 March 2004</b>                             | <b>7,747,436</b>    | <b>6,197,949</b>    | <b>6,197,949</b>        | <b>16,788,145</b>     | <b>-</b>                 | <b>-</b>                             | <b>30,549,068</b>                      | <b>8,464,537</b>        | <b>75,945,084</b> |

The notes set out on pages 6 to 8 form an integral part of these interim condensed financial statements.

## Statement of cash flows

|   | Notes | Three months<br>ended 31<br>March 2005<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2004<br>(Unaudited)<br>KD |
|---|-------|---|---|
| <b>OPERATING ACTIVITIES</b>   |       |   |   |
| Profit from operations  |       | 5,303,037   | 4,910,782   |
| Adjustments:  |       |   |   |
| Depreciation  |       | 191,404   | 136,432   |
| End of service indemnity provision                                  |       | 44,685  | 34,903  |
| Interest expense  |       | 22,482  | 8,026   |
| Interest income   |       | (19,722)  | (42,402)  |
| Dividend income   |       | (2,158,202)   | (2,017,933)   |
| Investment income   |       | (59,005)  | (2,779)   |
| Realised loss on sale of available for sale investments             |       | 39  | 9,756   |
| Unrealised (gain)/loss on foreign exchange                          |       | (18,258)  | 15,953  |
| Operating profit before changes in operating assets and liabilities |       | 3,306,460   | 3,052,738   |
| Changes in operating assets and liabilities:                        |       |   |   |
| Inventories   |       | 2,228,287   | (1,552,303)   |
| Trade accounts receivable   |       | (3,398,020)   | (148,292)   |
| Other receivables and prepayments                                   |       | 9,439   | 1,799   |
| Trade accounts payable  |       | 512,569   | 35,052  |
| Other payables and accruals   |       | (489,615)   | (160,181)   |
| Payments of end of service indemnity                                |       | -   | (721,716)   |
| <b>Net cash from operating activities</b>                           |       | <b>2,169,120</b>  | <b>507,097</b>  |
| <b>INVESTING ACTIVITIES</b>   |       |   |   |
| Capital expenditure   |       | (72,432)  | (928,407)   |
| Purchase of available for sale investments                          |       | (516,523)   | (661,946)   |
| Proceeds from redemption/sale of available for sale investments     |       | 139,898   | 118,817   |
| Dividend income received  |       | 1,946,158   | 100,001   |
| Investment income received  |       | 59,005  | 2,779   |
| Interest received   |       | 19,722  | 42,402  |
| <b>Net cash from/(used in) investing activities</b>                 |       | <b>1,575,828</b>  | <b>(1,326,354)</b>  |
| <b>FINANCING ACTIVITIES</b>   |       |   |   |
| Payment of dividends  |       | (7,576,597)   | (7,882,107)   |
| Proceeds from short term loans                                      |       | -   | 1,481,250   |
| Interest paid   |       | (22,482)  | (8,026)   |
| <b>Net cash used in financing activities</b>                        |       | <b>(7,599,079)</b>  | <b>(6,408,883)</b>  |
| Net decrease in cash and cash equivalents                           |       | (3,854,131)   | (7,228,140)   |
| 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>(1,122,958)</b>  | <b>(105,092)</b>  |

*The notes set out on pages 6 to 8 form an integral part of these interim condensed financial statements.*

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

**31 March 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 11 May 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 three-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**

|                          | 31 March<br>2005<br>(Unaudited)<br>KD | 31 Dec.<br>2004<br>(Audited)<br>KD | 31 March<br>2004<br>(Unaudited)<br>KD |
|--------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Managed portfolios       | 56,212,628                            | 45,195,947                         | 47,268,783                            |
| Quoted shares            | 5,250,000                             | 5,092,500                          | 5,100,000                             |
| Quoted funds             | 2,792,078                             | 2,358,445                          | 1,937,910                             |
| Quoted preference shares | 484,813                               | 494,054                            | 494,054                               |
| Unquoted shares          | 3,591,276                             | 3,164,392                          | 1,140,016                             |
| Unquoted funds           | 3,336,166                             | 3,528,582                          | 3,474,931                             |
|                          | <b>71,666,961</b>                     | <b>59,833,920</b>                  | <b>59,415,694</b>                     |

### **5 Inventories**

|  | 31 March<br>2005<br>(Unaudited)<br>KD | 31 Dec.<br>2004<br>(Audited)<br>KD | 31 March<br>2004<br>(Unaudited)<br>KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| Raw materials                                  | 8,362,544                             | 7,403,654                          | 5,177,038                             |
| Finished goods                                 | 3,852,925                             | 5,158,890                          | 2,139,426                             |
| Work-in-progress                               | 906,407                               | 1,579,515                          | 1,449,891                             |
| Goods in transit and prepaid letters of credit | 176,513                               | 1,471,937                          | 1,921,841                             |
| Spare parts                                    | 750,429                               | 708,383                            | 645,240                               |
|  | <b>14,048,818</b>                     | <b>16,322,379</b>                  | <b>11,333,436</b>                     |
| Provision for obsolete stock                   | <b>(307,745)</b>                      | <b>(353,019)</b>                   | <b>(264,813)</b>                      |
|  | <b>13,741,073</b>                     | <b>15,969,360</b>                  | <b>11,068,623</b>                     |

### **6 Short term loans**

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

### **7 Cash and cash equivalents**

|   | 31 March<br>2005<br>(Unaudited)<br>KD | 31 Dec.<br>2004<br>(Audited)<br>KD | 31 March<br>2004<br>(Unaudited)<br>KD |
|---|---------------------------------------|------------------------------------|---------------------------------------|
| Bank and cash balances                    | 688,446                               | 1,042,723                          | 703,783                               |
| Fixed deposits maturing with three months | -                                     | 1,700,000                          | -                                     |
| Due to banks                              | (1,811,404)                           | (11,550)                           | (808,875)                             |
|   | <b>(1,122,958)</b>                    | <b>2,731,173</b>                   | <b>(105,092)</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:

|   | <b>Cable<br/>manufacture<br/>KD</b> | <b>Investment<br/>KD</b> | <b>Total<br/>KD</b> |
|---|-------------------------------------|--------------------------|---------------------|
| <b>Three months ended 31 March 2005 (Unaudited)</b> |                                     |                          |                     |
| Gross income  | 3,518,143                           | 2,236,890                | 5,755,033           |
| Profit from operations                              | 3,066,147                           | 2,236,890                | 5,303,037           |
| <b>At 31 March 2005</b>                             |                                     |                          |                     |
| Total assets  | 30,015,650                          | 71,879,005               | 101,894,655         |
| Total liabilities                                   | (12,912,932)                        | -                        | (12,912,932)        |
| Net assets employed                                 | 17,102,718                          | 71,879,005               | 88,981,723          |
| Capital expenditure                                 | 72,432                              | -                        | 72,432              |
| Depreciation  | 191,404                             | -                        | 191,404             |
| <b>Three months ended 31 March 2004 (Unaudited)</b> |                                     |                          |                     |
| Gross income  | 3,171,568                           | 2,041,540                | 5,213,108           |
| Profit from operations                              | 2,869,242                           | 2,041,540                | 4,910,782           |
| <b>At 31 March 2004</b>                             |                                     |                          |                     |
| Total assets  | 23,692,362                          | 59,595,844               | 83,288,206          |
| Total liabilities                                   | (7,343,122)                         | -                        | (7,343,122)         |
| Net assets employed                                 | 16,349,240                          | 59,595,844               | 75,945,084          |
| Capital expenditure                                 | 928,407                             | -                        | 928,407             |
| Depreciation  | 136,432                             | -                        | 136,432             |

## **10 Capital commitments**

At the balance sheet date the company was committed to purchase investments amounting to KD2,600,556 (31 December 2004 : KD3,097,909 and 31 March 2004 : KD3,898,707) and to purchase new machinery and equipment amounting to KD Nil (31 December 2004 : KD9,906 and 31 March 2004 : KD400,444).

## **11 Contingent liabilities**

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD3,104,894 (31 December 2004 : KD2,668,720 31 March 2004 : KD1,607,346).

## **12 Comparative amounts**

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