

Interim condensed financial statements and review report

**Gulf Cable and Electrical Industries Company**

**(A Kuwaiti Shareholding Company)**

**Kuwait**

31 March 2006 (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 31 March 2006, 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 2006 that might have had a material effect on the business of the company or on its financial position.



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Kuwait  
14 May 2006

## Statement of income

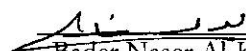
	Notes	Three months ended 31 March 2006 (Unaudited) KD	Three months ended 31 March 2005 (Unaudited) KD
Sales		12,808,659	12,031,034
Cost of sales		(8,283,065)	(8,609,051)
<b>Gross profit</b>		<b>4,525,594</b>	<b>3,421,983</b>
<b>Other income</b>			
Dividend income		2,254,434	2,158,202
Investment income		23,487	59,005
Realised loss on sale of available for sale investments		(7,055)	(39)
Interest income		12,862	19,722
Release of provision for obsolete stock		-	45,274
Other revenue		28,183	17,436
Gain on foreign exchange		44,382	33,450
<b>Gross income</b>		<b>6,881,887</b>	<b>5,755,033</b>
<b>Expenses</b>			
Administrative expenses		(243,534)	(221,114)
Commercial expenses		(169,945)	(107,217)
Provision for doubtful debts		(120,717)	(101,183)
Interest expense		(298,680)	(22,482)
<b>Profit from operations</b>		<b>6,049,011</b>	<b>5,303,037</b>
Contribution to Kuwait Foundation for the Advancement of Sciences		(60,490)	(53,030)
Directors' remuneration		(60,000)	(60,000)
Provision for National Labour Support Tax		(92,905)	(80,170)
<b>Net profit for the period</b>		<b>5,835,616</b>	<b>5,109,837</b>
Earnings per share	3	52 Fils	46 Fils

*The notes set out on pages 6 to 9 form an integral part of these interim condensed financial statements.*

## Balance sheet

	Notes	31 March 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	31 March 2005 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		<b>5,102,301</b>	5,215,015	5,366,784
Available for sale investments	4	<b>124,758,648</b>	123,678,212	71,666,961
Investment in unconsolidated subsidiary	5	<b>41,285</b>	-	-
		<b>129,902,234</b>	128,893,227	77,033,745
<b>Current assets</b>				
Inventories	6	<b>15,345,006</b>	13,337,173	13,741,073
Trade accounts receivable		<b>11,312,839</b>	9,401,290	10,118,883
Other receivables and prepayments		<b>2,359,602</b>	77,070	312,508
Fixed deposits	7	<b>1,748,700</b>	-	-
Bank and cash balances	7	<b>657,829</b>	3,817,002	688,446
		<b>31,423,976</b>	26,632,535	24,860,910
<b>Total assets</b>		<b>161,326,210</b>	155,525,762	101,894,655
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	8	<b>11,136,939</b>	9,684,295	9,684,295
Legal reserve		<b>8,986,130</b>	8,986,130	7,462,079
Voluntary reserve		<b>8,986,130</b>	8,986,130	7,462,079
General reserve		<b>16,788,145</b>	16,788,145	16,788,145
Cumulative changes in fair value		<b>76,654,936</b>	75,561,350	42,004,955
Retained earnings		<b>11,491,633</b>	11,950,808	5,580,170
		<b>134,043,913</b>	131,956,858	88,981,723
<b>Non-current liabilities</b>				
Long-term provisions		<b>1,163,083</b>	1,097,127	1,045,421
<b>Current liabilities</b>				
Trade accounts payable		<b>730,292</b>	984,694	951,361
Other payables and accruals		<b>6,417,485</b>	4,881,673	7,119,623
Short term loan	9	<b>16,578,319</b>	16,578,319	1,985,123
Due to banks	7	<b>2,393,118</b>	27,091	1,811,404
		<b>26,119,214</b>	22,471,777	11,867,511
<b>Total equity and liabilities</b>		<b>161,326,210</b>	155,525,762	101,894,655

Juhail Mohammad Al-Juhail  
Chairman

  
Bader Naser Al-Khorafi  
Managing Director

*The notes set out on pages 6 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	Cumulative changes in fair value KD	Retained earnings KD	Total KD
<b>Balance at 1 January 2006</b>	9,684,295	8,986,130	8,986,130	16,788,145	75,561,350	11,950,808	131,956,858
Payment of cash dividend (Note 10)	-	-	-	-	-	(4,842,147)	(4,842,147)
Issue of bonus shares (Note 10)	1,452,644	-	-	-	-	(1,452,644)	-
Net change in fair value	-	-	-	-	1,093,586	-	1,093,586
Net profit for the period	-	-	-	-	-	5,835,616	5,835,616
<b>Balance at 31 March 2006</b>	<b>11,136,939</b>	<b>8,986,130</b>	<b>8,986,130</b>	<b>16,788,145</b>	<b>76,654,936</b>	<b>11,491,633</b>	<b>134,043,913</b>
<b>Balance at 1 January 2005 as previously reported</b>	7,747,436	7,462,079	7,462,079	16,788,145	28,836,213	14,965,890	83,261,842
Adjustment arising from adoption of revised IAS 39	-	-	-	-	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	30,548,500	13,253,603	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>42,004,955</b>	<b>5,580,170</b>	<b>88,981,723</b>

*The notes set out on pages 6 to 9 form an integral part of these interim condensed financial statements.*

## Statement of cash flows

	Notes	Three months ended 31 March 2006 (Unaudited) KD	Three months ended 31 March 2005 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit from operations		6,049,011	5,303,037
Adjustments:			
Depreciation		201,165	191,404
End of service indemnity provision		65,956	44,685
Interest expense		298,680	22,482
Interest income		(12,862)	(19,722)
Dividend income		(2,254,434)	(2,158,202)
Investment income		(23,487)	(59,005)
Realised loss on sale of available for sale investments		7,055	39
Unrealised gain on foreign exchange		-	(18,258)
Operating profit before changes in operating assets and liabilities		4,331,084	3,306,460
Changes in operating assets and liabilities:			
Inventories		(2,007,833)	2,228,287
Trade accounts receivable		(1,911,549)	(3,398,020)
Other receivables and prepayments		(28,098)	9,439
Trade accounts payable		(254,402)	512,569
Other payables and accruals		(794,543)	(489,615)
<b>Net cash (used in)/from operating activities</b>		<b>(665,341)</b>	<b>2,169,120</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure		(88,451)	(72,432)
Investment in unconsolidated subsidiary		(41,285)	-
Purchase of available for sale investments		(70,653)	(516,523)
Proceeds from redemption/sale of available for sale investments		76,748	139,898
Dividend income received		-	1,946,158
Investment income received		23,487	59,005
Interest received		12,862	19,722
<b>Net cash (used in)/from investing activities</b>		<b>(87,292)</b>	<b>1,575,828</b>
<b>FINANCING ACTIVITIES</b>			
Payment of dividends		(2,725,187)	(7,576,597)
Interest paid		(298,680)	(22,482)
<b>Net cash used in financing activities</b>		<b>(3,023,867)</b>	<b>(7,599,079)</b>
Net decrease in cash and cash equivalents		(3,776,500)	(3,854,131)
Cash and cash equivalents at beginning of the period	7	3,789,911	2,731,173
<b>Cash and cash equivalents at end of the period</b>	<b>7</b>	<b>13,411</b>	<b>(1,122,958)</b>

*The notes set out on pages 6 to 9 form an integral part of these interim condensed financial statements.*

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

**31 March 2006**

### **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 May 2006.

### **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 annual financial statements of the company for the year ended 31 December 2005.

The interim condensed financials statements have been presented in Kuwaiti Dinars which is the functional currency of the company.

Operating results for the three-month period are not necessarily indicative of the results that may be expected for the year ending 31 December 2006.

### **3 Earnings per share**

	<b>31 March 2006 (Unaudited)</b>	<b>31 March 2005 (Unaudited)</b>
Net profit for the period (KD)	<b>5,835,616</b>	<b>5,109,837</b>
Weighted average number of shares outstanding	<b>111,369,394</b>	<b>111,369,394</b>
Earnings per share	<b>52 Fils</b>	<b>46 Fils</b>

The weighted average number of ordinary shares for the calculations of earnings per share have been adjusted to reflect the capitalisation issue in March 2006 (Note 10).



**4 Available for sale investments**

	31 March 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	31 March 2005 (Unaudited) KD
Managed portfolios	91,792,238	101,217,845	56,212,628
Quoted shares	21,303,900	10,140,750	5,250,000
Quoted funds	3,270,931	4,041,930	2,792,078
Quoted preference shares	470,692	470,692	484,813
Unquoted shares	4,960,124	4,879,376	3,591,276
Unquoted funds	2,960,763	2,927,619	3,336,166
	<b>124,758,648</b>	<b>123,678,212</b>	<b>71,666,961</b>

**5 Investment in unconsolidated subsidiary**

This represents a wholly owned subsidiary, Gulf Cable and Multi-Industries Company – PSC, Jordan established during March 2006.

**6 Inventories**

	31 March 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	31 March 2005 (Unaudited) KD
Raw materials	8,227,858	6,430,877	8,362,544
Finished goods	4,087,139	3,606,138	3,852,925
Work-in-progress	2,072,333	1,866,063	906,407
Goods in transit and prepaid letters of credit	593,381	1,122,475	176,513
Spare parts	935,311	882,636	750,429
	<b>15,916,022</b>	<b>13,908,189</b>	<b>14,048,818</b>
Provision for obsolete stock	(571,016)	(571,016)	(307,745)
	<b>15,345,006</b>	<b>13,337,173</b>	<b>13,741,073</b>

**7 Cash and cash equivalents**

	31 March 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	31 March 2005 (Unaudited) KD
Bank and cash balances	657,829	3,817,002	688,446
Due to banks	(2,393,118)	(27,091)	(1,811,404)
Fixed deposit maturing within three months	1,748,700	-	-
	<b>13,411</b>	<b>3,789,911</b>	<b>(1,122,958)</b>

**8 Share capital**

The annual general meeting of the shareholders held on 7 March 2006 approved an increase in the authorised capital from KD9,684,295 to KD14,042,228 by issue of 14,526,443 bonus shares and increase of 30% of paid up capital totalling to 29,052,885 shares at KD1.050, including a share premium of KD0.950.

## **9 Short term loan**

Short term loan outstanding at 31 March 2006 was obtained from a local bank. The loan is unsecured and carry interest of 7.25% (31 December 2005: 7.25% and 31 March 2005: 4.3125%) per annum. The loan is repayable by November 2006.

## **10 Proposed dividend and bonus shares**

At the annual general assembly of the shareholders held on 7 March 2006, proposed cash dividends of 50 Fils per share and bonus shares of 15% of paid up capital for the year ended 31 December 2005 were approved.

## **11 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 manufacture KD</b>	<b>Investment KD</b>	<b>Total KD</b>
<b>Three months ended 31 March 2006 (Unaudited)</b>			
Gross income	<b>4,591,749</b>	<b>2,290,138</b>	<b>6,881,887</b>
Profit from operations	<b>4,055,239</b>	<b>1,993,772</b>	<b>6,049,011</b>
<b>At 31 March 2006</b>			
Total assets	<b>32,522,730</b>	<b>128,803,480</b>	<b>161,326,210</b>
Total liabilities	<b>(27,282,297)</b>	<b>-</b>	<b>(27,282,297)</b>
Net assets employed	<b>5,240,433</b>	<b>128,803,480</b>	<b>134,043,913</b>
Capital expenditure	<b>88,451</b>	<b>-</b>	<b>88,451</b>
Depreciation	<b>201,165</b>	<b>-</b>	<b>201,165</b>
<b>Three months ended 31 March 2005 (Unaudited)</b>			
Gross income	<b>3,518,143</b>	<b>2,236,890</b>	<b>5,755,033</b>
Profit from operations	<b>3,066,147</b>	<b>2,236,890</b>	<b>5,303,037</b>
<b>At 31 March 2005</b>			
Total assets	<b>30,015,650</b>	<b>71,879,005</b>	<b>101,894,655</b>
Total liabilities	<b>(12,912,932)</b>	<b>-</b>	<b>(12,912,932)</b>
Net assets employed	<b>17,102,718</b>	<b>71,879,005</b>	<b>88,981,723</b>
Capital expenditure	<b>72,432</b>	<b>-</b>	<b>72,432</b>
Depreciation	<b>191,404</b>	<b>-</b>	<b>191,404</b>

**12 Capital commitments**

At the balance sheet date the company was committed to purchase investments amounting to KD6,400,167 (31 December 2005 : KD2,903,581 and 31 March 2005 : KD2,600,556) and to purchase new machinery and equipment amounting to KD245,539 (31 December 2005 : KD330,069 and 31 March 2005 : KD Nil).

**13 Contingent liabilities**

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD3,667,881 (31 December 2005 : KD3,348,412 and 31 March 2005 : KD3,104,894).

**14 Comparative amounts**

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