

Interim condensed consolidated financial information and review report
Gulf Cable and Electrical Industries Company – KSC and Subsidiary
Kuwait

31 March 2010 (Unaudited)

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Review report

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

Report on review of interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) (the parent company) and its subsidiary (the group) as of 31 March 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The parent company's 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 Commercial Companies Law of 1960, or of the articles of association of the parent company, as amended, have occurred during the three month period ended 31 March 2010 that might have had a material effect on the business of the group or on its financial position.

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Kuwait
12 May 2010

Interim condensed consolidated statement of income

	Notes	Three months ended 31 March 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
Sales		18,304,490	19,806,912
Cost of sales		(12,672,421)	(16,822,891)
Gross profit		5,632,069	2,984,021
Other income			
Dividend income		115,260	6,326,328
Investment income		40,068	-
Realised gain on sale of available for sale investments		895	-
Impairment in value of available for sale investments		-	(1,675,887)
Interest income		7,356	51,110
Other revenue		-	60,614
Gain on foreign exchange		133,591	785,678
Gross income		5,929,239	8,531,864
Expenses			
Administrative expenses		(1,032,993)	(552,908)
Commercial expenses		(687,331)	(267,818)
Charge for provision for obsolete stock		(8,097)	(2,723)
Interest expense		(999,702)	(1,174,004)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		3,201,116	6,534,411
Contribution to KFAS		(32,001)	(65,543)
NLST		(81,011)	(39,145)
Zakat		(32,404)	(6,658)
Directors' remuneration		(77,500)	(77,500)
Profit for the period		2,978,200	6,345,565
Attributable to:			
Owners of the parent		2,977,215	6,365,451
Non-controlling interests		985	(19,886)
Profit for the period		2,978,200	6,345,565
Basic and diluted earnings per share attributable to owners of the parent	3	14 Fils	30 Fils

The notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
Profit for the period	2,978,200	6,345,565
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	27,738	295,841
Available for sale investments:		
-Net gain /(loss) arising during the period	57,278,756	(18,156,902)
-Transferred to interim condensed consolidated statement of income on sale	1,944	-
-Transferred to interim condensed consolidated statement of income on impairment	-	1,675,887
Total other comprehensive income /(loss)	57,308,438	(16,185,174)
Total comprehensive income /(loss) for the period	60,286,638	(9,839,609)
Total comprehensive income /(loss) attributable to:		
Owners of the parent	60,284,127	(9,835,995)
Non-controlling interests	2,511	(3,614)
	60,286,638	(9,839,609)

The notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		15,864,304	15,919,728	15,747,232
Available for sale investments	4	235,513,470	178,452,125	113,977,636
		251,377,774	194,371,853	129,724,868
Current assets				
Inventories	5	37,425,880	34,247,874	36,666,804
Trade accounts receivable		21,613,465	21,086,760	31,716,737
Other receivables and prepayments		1,547,926	1,268,467	9,495,899
Fixed deposits		399,859	387,550	10,696,825
Cash and bank balances		5,658,372	5,591,362	11,070,460
		66,645,502	62,582,013	99,646,725
Total assets		318,023,276	256,953,866	229,371,593
Equity and liabilities				
Equity attributable to the owners of the parent				
Share capital		20,993,131	20,993,131	20,993,131
Share premium		29,160,075	29,160,075	29,160,075
Legal reserve		15,371,779	15,371,779	14,257,443
Voluntary reserve		15,371,779	15,371,779	14,257,443
General reserve		16,788,145	16,788,145	16,788,145
Fair value reserve		102,107,140	44,826,440	18,594,538
Foreign currency translation reserve		(62,554)	(88,766)	(14,370)
Retained earnings		17,762,619	14,785,404	12,855,925
		217,492,114	157,207,987	126,892,330
Non-controlling interests		291,281	288,770	301,698
		217,783,395	157,496,757	127,194,028
Non-current liabilities				
Provision for staff indemnity		1,356,187	1,323,976	1,276,437
Long term loans	7	8,334,619	10,564,252	13,640,186
		9,690,806	11,888,228	14,916,623
Current liabilities				
Trade accounts payable		2,121,275	1,650,059	1,049,786
Other payables and accruals		9,597,008	9,238,370	19,420,738
Current portion of long term loans	7	5,154,191	5,131,944	5,212,033
Short term loans	7	71,500,000	71,500,000	61,478,554
Due to banks		2,176,601	48,508	99,831
		90,549,075	87,568,881	87,260,942
Total liabilities		100,239,881	99,457,109	102,177,565
Total equity and liabilities		318,023,276	256,953,866	229,371,593



Asaad Ahmad Omran Al-Banwan
Vice Chairman

The notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

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Interim condensed consolidated statement of changes in equity (Unaudited)

	Attributable to the owners of the parent								Non-controlling interests	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD		
Balance at 1 January 2010	20,993,131	29,160,075	15,371,779	15,371,779	16,788,145	44,826,440	(88,766)	14,785,404	157,207,987	288,770 157,496,757
Profit for the period	-	-	-	-	-	-	-	2,977,215	2,977,215	985 2,978,200
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	26,212	-	26,212	1,526 27,738
Available for sale investments:										
- Net gain arising during the period	-	-	-	-	-	57,278,756	-	-	57,278,756	- 57,278,756
- Transferred to interim condensed consolidated statement of income on sale	-	-	-	-	-	1,944	-	-	1,944	- 1,944
Total comprehensive income for the period	-	-	-	-	-	57,280,700	26,212	2,977,215	60,284,127	2,511 60,286,638
Balance at 31 March 2010	20,993,131	29,160,075	15,371,779	15,371,779	16,788,145	102,107,140	(62,554)	17,762,619	217,492,114	291,281 217,783,395

The notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Attributable to the owners of the parent									Non-controlling interests	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2009	20,993,131	29,160,075	14,257,443	14,257,443	16,788,145	35,075,553	(293,939)	21,185,666	151,423,517	305,312	151,728,829
Payment of cash dividends	-	-	-	-	-	-	-	(14,695,192)	(14,695,192)	-	(14,695,192)
Transaction with owners	-	-	-	-	-	-	-	(14,695,192)	(14,695,192)	-	(14,695,192)
Profit/ (loss) for the period	-	-	-	-	-	-	-	6,365,451	6,365,451	(19,886)	6,345,565
Other comprehensive income:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	279,569	-	279,569	16,272	295,841
Available for sale investments:											
- Net loss arising during the period	-	-	-	-	-	(18,156,902)	-	-	(18,156,902)	-	(18,156,902)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	1,675,887	-	-	1,675,887	-	1,675,887
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(16,481,015)	279,569	6,365,451	(9,835,995)	(3,614)	(9,839,609)
Balance at 31 March 2009	20,993,131	29,160,075	14,257,443	14,257,443	16,788,145	18,594,538	(14,370)	12,855,925	126,892,330	301,698	127,194,028

The notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

31 March 2010 (Unaudited)

1 Incorporation and activities

Gulf Cable and Electrical Industries Company – KSC (“the parent company”) is a registered Kuwaiti shareholding company, which was established on 15 March 1975. Its shares are listed on the Kuwait Stock Exchange.

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

The group comprises the parent company and its subsidiary Gulf Cable and Multi Industries Company – JSC, Jordan. The principal activities of the group are the manufacture and supply of cables and related products and the holding of investments.

This interim condensed consolidated financial information for the three-month period ended 31 March 2010 was authorised for issue by the parent company’s board of directors on 12 May 2010.

2 Significant accounting policies

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 annual consolidated financial statements of the group for the year ended 31 December 2009 except for adoption of new and revised standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional 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 the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three month period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2009.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		2,978,200	6,345,565
Adjustments:			
Depreciation		448,156	336,750
Provision for staff indemnity		40,818	55,309
Interest expense		999,702	1,174,004
Interest income		(7,356)	(51,110)
Dividend income		(115,260)	(6,326,328)
Investment income		(40,068)	-
Realised gain on sale of available for sale investments		(895)	-
Impairment in value of available for sale investment		-	1,675,887
Foreign exchange loss on non-operating liabilities		73,935	1,055,174
		4,377,232	4,265,251
Changes in operating assets and liabilities:			
Inventories		(3,178,006)	12,089,145
Trade accounts receivable		(526,705)	5,634,295
Other receivables and prepayments		(160,700)	873,171
Trade accounts payable		471,216	(39,473)
Other payables and accruals		363,234	(1,042,224)
Staff indemnity paid		(8,607)	(8,337)
Net cash from operating activities		1,337,664	21,771,828
INVESTING ACTIVITIES			
Fixed deposit maturing after three months		(399,859)	186,425
Capital expenditure		(340,810)	(614,670)
Net book value of property, plant and equipment disposed		-	4,064
Purchase of available for sale investments		-	(3,694,310)
Proceeds from redemption/sale of available for sale investments		220,250	5,543
Dividend income received		-	900,000
Investment income received		40,068	-
Interest received		3,857	21,146
Net cash used in investing activities		(476,494)	(3,191,802)
FINANCING ACTIVITIES			
Payment of dividends		(51,056)	(2,961)
Proceeds from term loans		-	5,000,000
Repayment of term loans		(2,281,321)	-
Interest paid		(953,242)	(1,174,004)
Net cash (used in)/ from financing activities		(3,285,619)	3,823,035
(Decrease)/increase in cash and cash equivalents		(2,424,449)	22,403,061
Foreign currency adjustment		(24,184)	(202,282)
Cash and cash equivalents at beginning of the period	6	5,930,404	(533,325)
Cash and cash equivalents at end of the period	6	3,481,771	21,667,454

The notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

2 Significant accounting policies (continued)

Adoption of revised and new standards and interpretations

The following new and revised standards and interpretations have been adopted by the group in the current period:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 Business Combinations (Revised 2009)	1 July 2009
IAS 27 Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009
Amendment to IAS 39 Financial Instruments: Recognition and Measurement	1 July 2009

IFRS 3 Business Combinations (Revised) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and has been applied prospectively in accordance with the transitional provisions. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and did not have any effect on the group's interim condensed consolidated financial information for the period.

IAS 27 Consolidated and Separate Financial Statements (Revised) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. These changes have been applied prospectively in accordance with the transitional provisions and did not have any effect on the group's interim condensed consolidated financial information for the period.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 July 2009)

The amendment to the standard clarifies two issues relating to hedge accounting i.e. 1) identifying inflations as a hedge risk or portion, and 2) hedging with options. This revision is not relevant to the operations of the group.

The IASB issued *Improvements for International Financial Reporting Standards 2009* to the following standards which have been adopted by the group that largely clarify the required accounting treatment where previous practice had varied some of which are substantive but have not resulted in any significant changes in the group's accounting policies.

<i>Standard</i>	<i>Effective for annual periods beginning</i>
IFRS 2 Share Based Payment	1 July 2009
IFRS 3 Business combinations (Revised 2008)	1 January 2010
IFRS 5 Non-current Assets Held for Sale and Discounted Operations	1 July 2009 and 1 January 2010
IAS 1 Presentation of Financial Statements	1 January 2010
IAS 7 Statement of Cash Flows	1 January 2010
IAS 17 Leases	1 January 2010
IAS 36 Impairment of Assets	1 January 2010
IAS 38 Intangible Assets	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement	1 January 2010

The following revised standards and interpretations have been issued but not yet effective and have not been adopted by the group in the current period:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
IAS 24 Related Party Disclosures	1 January 2011
IAS 32 Financial Instruments: Presentation	1 February 2010

IFRS 9 Financial Instruments (effective from 1 January 2013 earlier application is permitted)

2 Significant accounting policies (continued)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

IAS 24 Related Party Disclosures

The amendments to the standard revise the definition of related party as well as modified exemptions for state-controlled entities. The adoption of this amendment is not expected to have a significant impact on the group's financial statements.

IAS 32 Financial Instruments: Presentation

The amendment to the standard clarifies classification right issues in foreign currency. The adoption of this amendment is not expected to have a significant impact on the group's financial statements.

3 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to the owners of the parent by the weighted average number of shares as follows:

	Three months ended 31 March 2010 (Unaudited)	Three months ended 31 March 2009 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	2,977,215	6,365,451
Weighted average number of shares outstanding	209,931,310	209,931,310
Basic and diluted earnings per share	14 Fils	30 Fils

4 Available for sale investments

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Managed portfolios	196,914,629	145,641,750	86,115,736
Quoted shares	27,500,176	21,406,007	14,641,219
Quoted funds	2,406,942	2,081,025	2,331,353
Unquoted shares	7,063,949	7,561,833	8,729,660
Unquoted funds	1,627,774	1,761,510	2,159,668
	235,513,470	178,452,125	113,977,636

5 Inventories

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Raw materials	12,016,098	10,911,290	13,688,464
Finished goods	11,351,082	10,866,634	13,920,472
Work-in-progress	10,292,886	8,771,874	7,253,619
Spare parts	1,432,321	1,420,432	1,352,438
	35,092,387	31,970,230	36,214,993
Provision for obsolete stock	(295,201)	(287,104)	(237,746)
	34,797,186	31,683,126	35,977,247
Goods in transit and prepaid letters of credit	2,628,694	2,564,748	689,557
	37,425,880	34,247,874	36,666,804

6 Cash and cash equivalents

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Fixed deposits maturing within three months	-	387,550	10,696,825
Cash and bank balances	5,658,372	5,591,362	11,070,460
Due to banks	(2,176,601)	(48,508)	(99,831)
	3,481,771	5,930,404	21,667,454

7 Term loans

	Balances outstanding as at		
	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Long term loans			
- USD 12,500,000 facility	2,111,667	2,102,553	2,745,469
- USD 55,000,000 facility	11,377,143	13,593,643	16,106,750
	13,488,810	15,696,196	18,852,219
Instalments due within next twelve months	(5,154,191)	(5,131,944)	(5,212,033)
Instalments due after next twelve months	8,334,619	10,564,252	13,640,186
Short term loans			
- Kuwait Dinar	71,500,000	71,500,000	61,478,554

Long term loan facility amounting to US\$12,500,000 was obtained from a regional bank. The loan is unsecured and carries interest of 1.25% above 6 months LIBOR. The loan is repayable in twelve semi-annual instalments of US\$1,041,667 ending on 1 May 2013.

Long term loan facility amounting to US\$55,000,000 was obtained from a regional bank. The loan is unsecured and carries interest of 1.5% above 6 months LIBOR. The loan is repayable in seven semi annual instalments of US\$7,857,143 ending on 1 March 2012.

Short term loans outstanding at 31 March 2010 were obtained from local banks. The loans are unsecured and carry effective interest range of 2.5% above Central Bank of Kuwait discount rate (31 December 2009: 2.5% and 31 March 2009: 1.25% and 1.5%) per annum. The loans are repayable within twelve months of the period end.

8 General assembly of shareholders

The cash dividend of 50 Fils per share amounting to KD10,496,566 for the year ended 31 December 2009 was approved by the general assembly of the shareholders held on 5 April 2010 and paid following that approval.

9 Segmental information

The group's reportable segments are cable manufacture and investment. The information relating to these segments are as follows.

	Cable manufacture (Unaudited) KD	Investment (Unaudited) KD	Total (Unaudited) KD
Three months ended 31 March 2010			
Revenue	18,304,490	184,286	18,488,776
Segment profit/(loss)	3,993,194	(792,078)	3,201,116
Unallocated expenses			(222,916)
Profit for the period			2,978,200
Total assets	82,109,947	235,913,329	318,023,276
Three months ended 31 March 2009			
Revenue	19,806,912	6,388,955	26,195,867
Segment profit	3,023,899	3,510,512	6,534,411
Unallocated expenses			(188,846)
Profit for the period			6,345,565
Impairment in value of available for sale investments	-	1,675,887	1,675,887
Total assets	104,697,132	124,674,461	229,371,593

10 Related party transactions

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

	Three months ended 31 March 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
Amounts included in interim condensed consolidated statement of income		
Sales	317,514	458,690
Industrial expenses	12,142	8,172
Key management compensation:		
Salaries and other short term benefits	297,859	113,221
Terminal benefits	899	12,498
	298,758	125,719

11 Capital commitments

At the period end, the group was committed to purchase investments amounting to KD1,000,000 (31 December 2009: KD1,000,000 and 31 March 2009: KD1,000,000) and to purchase new machinery and equipment amounting to KD105,259 (31 December 2009: KD476,146 and 31 March 2009: KD1,731,881).

12 Contingent liabilities

Contingent liabilities at the period end in respect of outstanding letters of guarantee amounted to KD6,953,265 (31 December 2009: KD6,728,829. and 31 March 2009: KD5,664,262).