

Interim condensed financial statements and review report

Gulf Cable and Electrical Industries Company

(A Kuwaiti Shareholding Company)

Kuwait

30 September 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 30 September 2006, and the related statements of income, changes in equity and cash flows for the nine-month period then ended. These interim condensed financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

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

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

Furthermore, based on our review, the interim condensed financial statements are in agreement with the books of the company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the company have occurred during the nine months ended 30 September 2006 that might have had a material effect on the business of the company or on its financial position.



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Statement of income


	Note	Three months ended (Unaudited)		Nine months ended (Unaudited)	
		30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005
		KD	KD	KD	KD
Sales		17,584,259	11,324,226	46,541,205	35,627,833
Cost of sales		(10,718,529)	(9,014,367)	(29,724,045)	(25,534,556)
Gross profit		6,865,730	2,309,859	16,817,160	10,093,277
Other income					
Dividend income		50,640	65,819	2,841,911	2,497,632
Investment income		235,778	80,386	304,819	161,482
Realised loss on sale of available for sale investments		-	(115,856)	(28,471)	(115,895)
Interest income		58,446	5,557	93,876	27,742
Other revenue		478	46	29,660	17,482
Gain on foreign exchange		106,948	40,279	221,494	85,783
Gross income		7,318,020	2,386,090	20,280,449	12,767,503
Expenses					
Administrative expenses		(274,609)	(134,647)	(690,701)	(494,133)
Commercial expenses		(237,179)	(108,216)	(578,997)	(324,468)
Provision for doubtful debts		-	-	(184,869)	(114,132)
Provision for obsolete stock		(200,913)	(57,499)	(224,723)	(74,437)
Interest expense		(419,182)	(13,917)	(1,051,480)	(88,596)
Profit from operations		6,186,137	2,071,811	17,549,679	11,671,737
Contribution to Kuwait Foundation for the Advancement of Sciences		(61,862)	(20,718)	(175,497)	(116,717)
Directors' remuneration		(60,000)	(60,000)	(180,000)	(180,000)
Provision for National Labour Support Tax		(151,607)	(49,513)	(366,688)	(232,707)
Net profit for the period		5,912,668	1,941,580	16,827,494	11,142,313
Earnings per share	3	53 Fils	17 Fils	150 Fils	99 Fils

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

Balance sheet

	Notes	30 Sept. 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 Sept. 2005 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		4,985,969	5,215,015	5,068,782
Available for sale investments	4	129,299,536	123,678,212	92,753,900
Investment in unconsolidated subsidiary	5	3,591,324	-	-
		137,876,829	128,893,227	97,822,682
Current assets				
Inventories	6	25,389,749	13,337,173	11,125,780
Trade accounts receivable		14,029,830	9,401,290	8,454,343
Other receivables and prepayments		136,828	77,070	81,969
Due from subsidiary		1,849	-	-
Fixed deposits	7	2,910,850	-	264,429
Bank and cash balances	7	2,831,980	3,817,002	3,293,345
		45,301,086	26,632,535	23,219,866
Total assets		183,177,915	155,525,762	121,042,548
Equity and liabilities				
Equity				
Share capital	8	11,332,959	9,684,295	9,684,295
Share premium	9	1,862,191	-	-
Legal reserve		8,986,130	8,986,130	7,462,079
Voluntary reserve		8,986,130	8,986,130	7,462,079
General reserve		16,788,145	16,788,145	16,788,145
Cumulative changes in fair value		79,307,571	75,561,350	61,236,287
Retained earnings		22,483,511	11,950,808	11,612,646
		149,746,637	131,956,858	114,245,531
Non-current liabilities				
Long-term provisions		1,190,261	1,097,127	1,084,497
Current liabilities				
Trade accounts payable		1,012,122	984,694	371,007
Other payables and accruals		4,801,953	4,881,673	4,496,197
Short term loans	10	25,138,319	16,578,319	810,923
Due to banks	7	1,288,623	27,091	34,393
		32,241,017	22,471,777	5,712,520
Total equity and liabilities		183,177,915	155,525,762	121,042,548

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 (Unaudited)

	Share capital KD	Share premium 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 2006	9,684,295	-	8,986,130	8,986,130	16,788,145	75,561,350	11,950,808	131,956,858
Net change in fair value	-	-	-	-	-	3,746,221	-	3,746,221
Net income recognised directly in equity	-	-	-	-	-	3,746,221	-	3,746,221
Net profit for the period	-	-	-	-	-	-	16,827,494	16,827,494
Total recognised income and expense for the period	-	-	-	-	-	3,746,221	16,827,494	20,573,715
Payment of cash dividend (Note 11)	-	-	-	-	-	-	(4,842,147)	(4,842,147)
Issue of bonus shares (Note 11)	1,452,644	-	-	-	-	-	(1,452,644)	-
Issue of share capital (Note 8)	196,020	1,862,191	-	-	-	-	-	2,058,211
Balance at 30 September 2006	11,332,959	1,862,191	8,986,130	8,986,130	16,788,145	79,307,571	22,483,511	149,746,637
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 adoption of revised IAS 39	-	-	-	-	-	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	-	-	-	-	-	30,687,787	-	30,687,787
Net income recognised directly in equity	-	-	-	-	-	30,687,787	-	30,687,787
Net profit for the period	-	-	-	-	-	-	11,142,313	11,142,313
Total recognised income and expense for the period	-	-	-	-	-	30,687,787	11,142,313	41,830,100
Payment of cash dividend	-	-	-	-	-	-	(10,846,411)	(10,846,411)
Issue of bonus shares	1,936,859	-	-	-	-	-	(1,936,859)	-
Balance at 30 September 2005	9,684,295	-	7,462,079	7,462,079	16,788,145	61,236,287	11,612,646	114,245,531

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

Statement of cash flows

	Notes	Nine months ended 30 Sept. 2006 (Unaudited) KD	Nine months ended 30 Sept. 2005 (Unaudited) KD
OPERATING ACTIVITIES			
Profit from operations		17,549,679	11,671,737
Adjustments:			
Depreciation		640,251	578,687
Provision for end of service indemnity		120,702	105,624
Interest expense		1,051,480	88,596
Dividend income		(2,841,911)	(2,497,632)
Investment income		(304,819)	(161,482)
Interest income		(93,876)	(27,742)
Realised loss on sale of available for sale investments		28,471	115,895
Unrealised gain on foreign exchange		-	(18,258)
Gain on disposal of property, plant and equipment		(1,000)	-
Operating profit before changes in operating assets and liabilities		16,148,977	9,855,425
Changes in operating assets and liabilities:			
Inventories		(12,052,576)	4,843,580
Trade accounts receivable		(4,628,540)	(1,733,480)
Other receivables and prepayments		(59,758)	27,934
Due from subsidiary company		(1,849)	-
Trade accounts payable		27,428	(67,785)
Other payables and accruals		(801,014)	(291,015)
Payments of end of service indemnity		(27,568)	(21,863)
Net cash (used in)/from operating activities		(1,394,900)	12,612,796
INVESTING ACTIVITIES			
Capital expenditure		(411,205)	(161,713)
Investment in unconsolidated subsidiary		(3,591,324)	-
Purchase of available for sale investments		(2,220,689)	(2,732,993)
Proceeds from disposal of property, plant and equipment		1,000	-
Proceeds from redemption/sale of available for sale investments		317,115	384,905
Dividend income received		2,841,911	2,497,632
Investment income received		304,819	161,482
Interest received		93,876	27,742
Net cash (used in)/from investing activities		(2,664,497)	177,055
FINANCING ACTIVITIES			
Proceeds from issue of share capital		2,058,211	-
Payment of cash dividends		(4,843,038)	(10,734,847)
Proceeds from/(payment of) short term loans		8,560,000	(1,174,200)
Interest paid		(1,051,480)	(88,596)
Net cash from/(used in) financing activities		4,723,693	(11,997,643)
Increase in cash and cash equivalents		664,296	792,208
Cash and cash equivalents at beginning of the period	7	3,789,911	2,731,173
Cash and cash equivalents at end of the period	7	4,454,207	3,523,381

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

30 September 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 7 November 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 preparation of the annual financial statements of the company for the year ended 31 December 2005.

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

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

3 Earnings per share

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005
Net profit for the period (KD)	5,912,668	1,941,580	16,827,494	11,142,313
Weighted average number of shares outstanding	112,529,573	112,483,595	112,499,090	112,483,595
Earnings per share	53 Fils	17 Fils	150 Fils	99 Fils

The weighted average number of ordinary shares for the calculation of earnings per share have been adjusted to reflect the bonus issue in March 2006 (Note 11) and the bonus element of the right issue (Note 8).

4 Available for sale investments

	30 Sept. 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 Sept. 2005 (Unaudited) KD
Managed portfolios	95,938,846	101,217,845	74,454,710
Quoted shares	18,055,350	10,140,750	6,297,000
Quoted funds	3,474,829	4,041,930	3,604,278
Quoted preference shares	466,073	470,692	475,399
Unquoted shares	8,573,440	4,879,376	4,879,376
Unquoted funds	2,790,998	2,927,619	3,043,137
	129,299,536	123,678,212	92,753,900

5 Investment in unconsolidated subsidiary

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

6 Inventories

	30 Sept. 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 Sept. 2005 (Unaudited) KD
Raw materials	9,696,615	6,430,877	3,062,730
Finished goods	6,352,134	3,606,138	3,363,483
Work-in-progress	2,700,782	1,866,063	1,739,593
Goods in transit and prepaid letters of credit	6,379,141	1,122,475	2,538,963
Spare parts	1,056,816	882,636	848,467
	26,185,488	13,908,189	11,553,236
Provision for obsolete stock	(795,739)	(571,016)	(427,456)
	25,389,749	13,337,173	11,125,780

7 Cash and cash equivalents

	30 Sept. 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 Sept. 2005 (Unaudited) KD
Bank and cash balances	2,831,980	3,817,002	3,293,345
Fixed deposits maturing with three months	2,910,850	-	264,429
Due to banks	(1,288,623)	(27,091)	(34,393)
	4,454,207	3,789,911	3,523,381

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.

Upto the balance sheet date, 1,960,201 shares were subscribed and paid up. The right issue closed on 10 October 2006.

9 Share premium

Share premium is not available for distribution.

10 Short term loan

Short term loan outstanding at 30 September 2006 was obtained from a local bank. The loan is unsecured and carry interest of 7.25% (31 December 2005: 7.25% and 30 September 2005: 6.07%) per annum. The loan is repayable by November 2006.

11 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.

12 Segmental information

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

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

	Cable manufacture KD	Investment KD	Total KD
Three months ended 30 September 2006 (Unaudited)			
Gross income	6,973,156	344,864	7,318,020
Profit from operations	5,841,273	344,864	6,186,137
Nine months ended 30 September 2006 (Unaudited)			
Gross income	17,061,571	3,218,878	20,280,449
Profit from operations	15,338,242	2,211,437	17,549,679
At 30 September 2006 (Unaudited)			
Total assets	47,330,992	135,846,923	183,177,915
Total liabilities	(33,431,278)	-	(33,431,278)
Net assets employed	13,899,714	135,846,923	149,746,637
Capital expenditure	411,205	-	411,205
Depreciation	640,251	-	640,251
Three months ended 30 September 2005 (Unaudited)			
Gross income	2,350,184	35,906	2,386,090
Profit from operations	2,035,905	35,906	2,071,811
Nine months ended 30 September 2005 (Unaudited)			
Gross income	10,198,528	2,568,975	12,767,503
Profit from operations	9,102,762	2,568,975	11,671,737
At 30 September 2005 (Unaudited)			
Total assets	28,023,930	93,018,618	121,042,548
Total liabilities	(6,797,017)	-	(6,797,017)
Net assets employed	21,226,913	93,018,618	114,245,531
Capital expenditure	161,713	-	161,713
Depreciation	578,687	-	578,687

13 Capital commitments

At the balance sheet date the company was committed to purchase investments amounting to KD5,927,160 (31 December 2005 : KD2,903,581 and 30 September 2005 : KD2,269,776) and for capital expenditure amounting to KD847,842 (31 December 2005 : KD330,069 and 30 September 2005 : KD388,476).

14 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD4,147,710 (31 December 2005 : KD3,348,412 and 30 September 2005 : KD2,811,448).