

Consolidated interim financial information and review report

**Gulf Cable and Electrical Industries Company – KSC and Subsidiary**

**Kuwait**

30 September 2008 (Unaudited)

## **Contents**

	<b>Page</b>
<b>Review report</b>	<b>1</b>
<b>Consolidated statement of income</b>	<b>2</b>
<b>Consolidated balance sheet</b>	<b>3</b>
<b>Consolidated statement of changes in equity</b>	<b>4 and 5</b>
<b>Consolidated statement of cash flows</b>	<b>6</b>
<b>Notes to the interim consolidated financial information</b>	<b>7 to 11</b>

## Review report

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

### Report on review of interim consolidated financial information

#### *Introduction*

We have reviewed the accompanying condensed consolidated balance sheet of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) (the parent company) and its subsidiary (the group), as of 30 September 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the nine-month period then ended. The parent company's directors are responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim 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 consolidated 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 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 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 period that might have had a material effect on the business of the group or on its financial position.



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of Grant Thornton – Anwar Al-Qatami & Co.



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## Consolidated statement of income

	Note	Three months ended (Unaudited)		Nine months ended (Unaudited)	
		30 Sept. 2008	30 Sept. 2007	30 Sept. 2008	30 Sept. 2007
		KD	KD	KD	KD
Sales		22,511,578	22,622,350	77,583,811	60,937,204
Cost of sales		(13,379,416)	(14,511,976)	(56,812,177)	(42,270,776)
<b>Gross profit</b>		<b>9,132,162</b>	<b>8,110,374</b>	<b>20,771,634</b>	<b>18,666,428</b>
<b>Other income</b>					
Dividend income		15,120	53,174	7,366,726	3,730,277
Investments income		54,787	116,315	508,178	356,034
Realised (loss)/gain on sale of available for sale investments		(27,036)	211,704	246,620	4,146,296
Interest income		11,920	76,508	103,062	169,307
Other revenue		7,119	501	26,129	23,307
(Loss)/gain on foreign exchange		(74,873)	125,738	(146,726)	273,425
<b>Gross income</b>		<b>9,119,199</b>	<b>8,694,314</b>	<b>28,875,623</b>	<b>27,365,074</b>
<b>Expenses</b>					
Administrative expenses		(437,419)	(407,890)	(1,335,444)	(1,246,994)
Commercial expenses		(308,112)	(312,440)	(1,217,411)	(932,598)
Provision for doubtful debts		-	(15,000)	-	(326,345)
(Provision)/reversal of provision for obsolete stock		(5,985)	39,196	405,552	52,663
Interest expense		(1,022,366)	(153,775)	(2,025,906)	(384,888)
Impairment of goodwill		-	-	-	(759,684)
<b>Profit before contribution to KFAS, NLST Zakat and Directors' remuneration</b>		<b>7,345,317</b>	<b>7,844,405</b>	<b>24,702,414</b>	<b>23,767,228</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(73,437)	(78,602)	(246,812)	(237,995)
National Labour Support Tax (NLST)		(183,216)	(208,974)	(486,279)	(515,530)
Zakat		(75,668)	-	(181,964)	-
Directors' remuneration		(77,500)	(60,000)	(232,500)	(180,000)
<b>Profit for the period</b>		<b>6,935,496</b>	<b>7,496,829</b>	<b>23,554,859</b>	<b>22,833,703</b>
Attributable to:					
Shareholders of the parent company		6,933,925	7,512,557	23,533,697	22,865,950
Minority interest		1,571	(15,728)	21,162	(32,247)
<b>Profit for the period</b>		<b>6,935,496</b>	<b>7,496,829</b>	<b>23,554,859</b>	<b>22,833,703</b>
<b>Earnings per share</b>	3	<b>33 Fils</b>	<b>36 Fils</b>	<b>112 Fils</b>	<b>109 Fils</b>

*The notes set out on pages 7 to 11 form an integral part of this interim consolidated financial information.*

## Consolidated balance sheet

	Notes	30 Sept. 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	30 Sept. 2007 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		14,578,246	11,627,112	11,562,813
Available for sale investments	4	218,070,254	248,450,493	256,249,133
		<b>232,648,500</b>	<b>260,077,605</b>	<b>267,811,946</b>
<b>Current assets</b>				
Inventories	5	56,161,024	34,712,801	34,488,233
Trade accounts receivable		26,223,665	27,518,805	23,553,507
Other receivables and prepayments		1,562,079	3,063,895	915,765
Fixed deposits	6	-	200,614	6,479,408
Cash and banks balances	6	4,817,842	2,982,536	1,476,843
		<b>88,764,610</b>	<b>68,478,651</b>	<b>66,913,756</b>
<b>Total assets</b>		<b>321,413,110</b>	<b>328,556,256</b>	<b>334,725,702</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to the shareholders of the parent company</b>				
Share capital	7	20,993,131	16,148,562	16,148,562
Share premium		29,160,075	29,160,075	29,160,075
Legal reserve		13,899,182	13,899,182	11,084,902
Voluntary reserve		13,899,182	13,899,182	11,084,902
General reserve		16,788,145	16,788,145	16,788,145
Fair value reserve		103,402,253	163,861,329	186,178,339
Foreign currency translation reserve		(502,099)	(353,687)	(239,681)
Retained earnings		42,199,106	31,584,259	33,166,957
		<b>239,838,975</b>	<b>284,987,047</b>	<b>303,372,201</b>
Minority interest		324,265	311,743	329,708
		<b>240,163,240</b>	<b>285,298,790</b>	<b>303,701,909</b>
<b>Non-current liabilities</b>				
Long-term provisions		1,693,982	1,376,202	1,350,744
Long term loans	8	12,754,762	2,573,906	2,925,000
		<b>14,448,744</b>	<b>3,950,108</b>	<b>4,275,744</b>
<b>Current liabilities</b>				
Trade accounts payable		1,628,991	1,018,834	1,358,698
Other payables and accruals		5,846,509	5,634,751	4,535,461
Current portion of long term loans	8	4,767,092	571,979	585,000
Short term loans	8	54,440,806	27,398,658	12,075,945
Due to banks	6	117,728	4,683,136	8,192,945
		<b>66,801,126</b>	<b>39,307,358</b>	<b>26,748,049</b>
<b>Total liabilities</b>		<b>81,249,870</b>	<b>43,257,466</b>	<b>31,023,793</b>
<b>Total equity and liabilities</b>		<b>321,413,110</b>	<b>328,556,256</b>	<b>334,725,702</b>

Bader Naser Al-Khorafi  
Chairman and Managing Director

*The notes set out on pages 7 to 11 form an integral part of this interim consolidated financial information.*

## Consolidated statement of changes in equity (Unaudited)

	Attributable to shareholders of the parent company									Minority Interest	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
<b>Balance at 1 January 2008</b>	16,148,562	29,160,075	13,899,182	13,899,182	16,788,145	163,861,329	(353,687)	31,584,259	284,987,047	311,743	285,298,790
Realised gain on sale of available for sale investments	-	-	-	-	-	(246,620)	-	-	(246,620)	-	(246,620)
Net change in fair value	-	-	-	-	-	(60,212,456)	-	-	(60,212,456)	-	(60,212,456)
Movement in foreign currency translation reserve	-	-	-	-	-	-	(148,412)	-	(148,412)	(8,640)	(157,052)
Net loss recognised directly in equity	-	-	-	-	-	(60,459,076)	(148,412)	-	(60,607,488)	(8,640)	(60,616,128)
Profit for the period	-	-	-	-	-	-	-	23,533,697	23,533,697	21,162	23,554,859
Total recognised (expense)/income for the period	-	-	-	-	-	(60,459,076)	(148,412)	23,533,697	(37,073,791)	12,522	(37,061,269)
Payment of cash dividends (note 9)	-	-	-	-	-	-	-	(8,074,281)	(8,074,281)	-	(8,074,281)
Issue of bonus shares (note 9)	4,844,569	-	-	-	-	-	-	(4,844,569)	-	-	-
<b>Balance at 30 September 2008</b>	<b>20,993,131</b>	<b>29,160,075</b>	<b>13,899,182</b>	<b>13,899,182</b>	<b>16,788,145</b>	<b>103,402,253</b>	<b>(502,099)</b>	<b>42,199,106</b>	<b>239,838,975</b>	<b>324,265</b>	<b>240,163,240</b>

*The notes set out on pages 7 to 11 form an integral part of this interim consolidated financial information.*

## Consolidated statement of changes in equity (continued)

	Attributable to shareholders of the parent company									Minority Interest	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
<b>Balance at 1 January 2007</b>	13,921,913	26,443,807	11,084,902	11,084,902	16,788,145	90,735,973	15,705	21,534,789	191,610,136	513,871	192,124,007
Realised gain on sale of available for sale investments	-	-	-	-	-	(4,157,745)	-	-	(4,157,745)	-	(4,157,745)
Net change in fair value	-	-	-	-	-	99,600,111	-	-	99,600,111	-	99,600,111
Movement in foreign currency translation reserve	-	-	-	-	-	-	(255,386)	-	(255,386)	(15,224)	(270,610)
Net income/(loss) recognised directly in equity	-	-	-	-	-	95,442,366	(255,386)	-	95,186,980	(15,224)	95,171,756
Profit/(loss) for the period	-	-	-	-	-	-	-	22,865,950	22,865,950	(32,247)	22,833,703
Total recognised income and expense for the period	-	-	-	-	-	95,442,366	(255,386)	22,865,950	118,052,930	(47,471)	118,005,459
Issue of share capital	120,315	2,716,268	-	-	-	-	-	-	2,836,583	-	2,836,583
Payment of cash dividend	-	-	-	-	-	-	-	(9,127,448)	(9,127,448)	-	(9,127,448)
Issue of bonus shares	2,106,334	-	-	-	-	-	-	(2,106,334)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(136,692)	(136,692)
<b>Balance at 30 September 2007</b>	16,148,562	29,160,075	11,084,902	11,084,902	16,788,145	186,178,339	(239,681)	33,166,957	303,372,201	329,708	303,701,909

*The notes set out on pages 7 to 11 form an integral part of this interim consolidated financial information.*

## Consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2008 (Unaudited) KD	Nine months ended 30 Sept. 2007 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		23,554,859	22,833,703
Adjustments:			
Depreciation		929,786	709,137
Provision for staff indemnity		337,322	179,101
Interest expense		2,025,906	384,888
Interest income		(103,062)	(169,307)
Dividend income		(7,366,726)	(3,730,277)
Investments income		(508,178)	(356,034)
Realised gain on sale of available for sale investments		(246,620)	(4,146,296)
Foreign exchange gain on non-operating liabilities		(188,018)	-
Impairment of goodwill		-	759,684
		<b>18,435,269</b>	<b>16,464,599</b>
Changes in operating assets and liabilities:			
Inventories		(21,448,223)	(8,433,544)
Trade accounts receivable		1,295,140	(5,017,045)
Other receivables and prepayments		1,501,816	(790,029)
Trade accounts payable		610,157	691,912
Other payables and accruals		236,732	(279,943)
Staff indemnity paid		(19,542)	(31,774)
<b>Net cash from operating activities</b>		<b>611,349</b>	<b>2,604,176</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure		(4,052,293)	(726,375)
Purchase of available for sale investments		(30,970,748)	(25,481,309)
Proceeds from redemption/sale of available for sale investments		1,138,531	10,859,950
Acquisition of subsidiary		-	(136,692)
Dividend income received		7,366,726	3,730,277
Investments income received		508,178	356,034
Interest received		103,062	169,307
<b>Net cash used in investing activities</b>		<b>(25,906,544)</b>	<b>(11,228,808)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share capital		-	2,836,583
Payment of dividends		(8,099,255)	(9,049,279)
Net proceeds from term loans		41,606,135	11,993,370
Interest paid		(2,025,906)	(384,888)
<b>Net cash from financing activities</b>		<b>31,480,974</b>	<b>5,395,786</b>
Increase/(decrease) in cash and cash equivalents		6,185,779	(3,228,846)
Foreign currency adjustment		14,321	33,208
Cash and cash equivalents at beginning of the period	6	(1,499,986)	2,958,944
<b>Cash and cash equivalents at end of the period</b>	6	<b>4,700,114</b>	<b>(236,694)</b>

*The notes set out on pages 7 to 11 form an integral part of this interim consolidated financial information.*



# **Notes to the interim consolidated financial information**

**30 September 2008 (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 consolidated financial information for the nine-month period ended 30 September 2008 was authorised for issue by the parent company’s board of directors on 5 November 2008.

## **2 Significant accounting policies**

### **Basis of presentation**

The interim 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 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 2007.

The interim consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the parent company.

This interim consolidated financial information does not include all information and disclosures required to 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 nine month period ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2007.

### **3 Earnings per share**

Earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the parent company by the weighted average number of shares as follows:

	<b>Three months ended (Unaudited)</b>		<b>Nine months ended (Unaudited)</b>	
	<b>30 Sept. 2008</b>	<b>30 Sept. 2007</b>	<b>30 Sept. 2008</b>	<b>30 Sept. 2007</b>
Profit for the period attributable to the shareholders of the parent company (KD)	<b>6,933,925</b>	7,512,557	<b>23,533,697</b>	22,865,950
Weighted average number of shares	<b>209,931,308</b>	209,931,316	<b>209,931,308</b>	209,649,256
Earnings per share	<b>33 Fils</b>	36 Fils	<b>112 Fils</b>	109 Fils

Weighted average number of shares for the purpose of calculating the earnings per share has been adjusted to reflect the bonus issue in April 2008 (Note 9).

### **4 Available for sale investments**

	<b>30 Sept. 2008 (Unaudited) KD</b>	<b>31 Dec. 2007 (Audited) KD</b>	<b>30 Sept. 2007 (Unaudited) KD</b>
Managed portfolios	<b>181,092,565</b>	212,191,444	221,837,377
Quoted shares	<b>22,179,150</b>	19,606,860	17,282,160
Quoted funds	<b>4,007,717</b>	5,339,594	5,655,603
Unquoted shares	<b>8,837,556</b>	8,717,431	8,915,815
Unquoted funds	<b>1,953,266</b>	2,595,164	2,558,178
	<b>218,070,254</b>	248,450,493	256,249,133

Unquoted investments include investments in private equity funds amounting to KD1,953,266 (31 December 2007: KD2,595,164 and 30 September 2007: KD2,558,178). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

### **5 Inventories**

	<b>3 Sept. 2008 (Unaudited) KD</b>	<b>31 Dec. 2007 (Audited) KD</b>	<b>30 Sept. 2007 (Unaudited) KD</b>
Raw materials	<b>13,062,429</b>	10,001,005	8,776,519
Finished goods	<b>16,692,954</b>	12,338,840	17,550,516
Work-in-progress	<b>12,350,593</b>	7,324,003	4,446,347
Spare parts	<b>1,285,216</b>	1,217,516	1,234,537
	<b>43,391,192</b>	30,881,364	32,007,919
Provision for obsolete stock	<b>(672,225)</b>	(1,080,327)	(920,750)
	<b>42,718,967</b>	29,801,037	31,087,169
Goods in transit and prepaid letters of credit	<b>13,442,057</b>	4,911,764	3,401,064
	<b>56,161,024</b>	34,712,801	34,488,233

**6 Cash and cash equivalents**

	<b>30 Sept. 2008 (Unaudited) KD</b>	<b>31 Dec. 2007 (Audited) KD</b>	<b>30 Sept. 2007 (Unaudited) KD</b>
Fixed deposits maturing within three months	-	200,614	6,479,408
Cash and banks balances	<b>4,817,842</b>	2,982,536	1,476,843
Due to banks	<b>(117,728)</b>	(4,683,136)	(8,192,945)
	<b>4,700,114</b>	(1,499,986)	(236,694)

**7 Share capital**

	<b>30 Sept. 2008 (Unaudited) KD</b>	<b>31 Dec. 2007 (Audited) KD</b>	<b>30 Sept. 2007 (Unaudited) KD</b>
Authorised share of 100 Kuwait fils each	<b>20,993,131</b>	16,148,562	16,148,562
Issued and fully paid, share of 100 Kuwait fils each	<b>20,993,131</b>	16,148,562	16,148,562

The annual general meeting of the shareholders held on 13 April 2008 approved the increase in the authorised capital from KD16,148,562 to KD20,993,131 by issue of 48,445,690 bonus shares.

**8 Term loans**

Long term loan 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. Instalments due within the next twelve months are shown under current liabilities.

Long term loan amounting to US\$55,000,000 was obtained from a regional bank. The loan is unsecured and carries interest of 1.5% above six months LIBOR. The loan is repayable in seven semi annual instalments of US\$7,857,143 ending on 1 March 2012. Instalments due within the next twelve months are shown under current liabilities.

Short term loans outstanding at 30 September 2008 were obtained from local banks. The loans are unsecured and carry effective average interest of 1.25% and 1.5% above Central Bank of Kuwait discount rate (31 December 2007: 6.42% and 30 September 2007: 6.42%) per annum. The loans are repayable within twelve months of the balance sheet date.

**9 Dividends and bonus shares**

The cash dividend of 50 Fils per share amounting to KD8,074,281 and bonus shares of 30% paid up capital for the year ended 31 December 2007 were approved by the general assembly of the shareholders held on 13 April 2008 and paid following that approval.

# **10 Segmental information**

The group's primary basis of segment reporting is by business segments, which consist of cable manufacture and investment activities. The segment information is as follows:

	<b>Cable manufacture KD</b>	<b>Investment KD</b>	<b>Total KD</b>
<b>Three months ended 30 September 2008 (Unaudited)</b>			
Gross income	<b>9,075,563</b>	<b>43,636</b>	<b>9,119,199</b>
Segment profit/(loss)	<b>7,947,596</b>	<b>(602,279)</b>	<b>7,345,317</b>
Unallocated expenses			<b>(409,821)</b>
Profit for the period			<b>6,935,496</b>
Capital expenditure	<b>1,312,676</b>	<b>-</b>	<b>1,312,676</b>
Depreciation	<b>330,133</b>	<b>-</b>	<b>330,133</b>
<b>Nine months ended 30 September 2008 (Unaudited)</b>			
Gross income	<b>20,999,393</b>	<b>7,876,230</b>	<b>28,875,623</b>
Segment profit	<b>18,441,784</b>	<b>6,260,630</b>	<b>24,702,414</b>
Unallocated expenses			<b>(1,147,555)</b>
Profit for the period			<b>23,554,859</b>
Capital expenditure	<b>4,052,293</b>	<b>-</b>	<b>4,052,293</b>
Depreciation	<b>929,786</b>	<b>-</b>	<b>929,786</b>
<b>Three months ended 30 September 2007 (Unaudited)</b>			
Gross income	<b>8,160,881</b>	<b>533,433</b>	<b>8,694,314</b>
Segment profit	<b>7,432,087</b>	<b>412,318</b>	<b>7,844,405</b>
Unallocated expenses			<b>(347,576)</b>
Profit for the period			<b>7,496,829</b>
Capital expenditure	<b>457,737</b>	<b>-</b>	<b>457,737</b>
Depreciation	<b>291,286</b>	<b>-</b>	<b>291,286</b>
<b>Nine months ended 30 September 2007 (Unaudited)</b>			
Gross income	<b>18,890,225</b>	<b>8,474,849</b>	<b>27,365,074</b>
Segment profit	<b>16,374,017</b>	<b>7,393,211</b>	<b>23,767,228</b>
Unallocated expenses			<b>(933,525)</b>
Profit for the period			<b>22,833,703</b>
Capital expenditure	<b>726,375</b>	<b>-</b>	<b>726,375</b>
Depreciation	<b>709,137</b>	<b>-</b>	<b>709,137</b>
Impairment of goodwill	<b>759,684</b>	<b>-</b>	<b>759,684</b>

## **11 Related party transaction**

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.

	<b>30 Sept. 2008 (Unaudited) KD</b>		<b>30 Sept. 2007 (Unaudited) KD</b>	
<b>Amounts included in consolidated balance sheet</b>				
Purchase of property, plant and equipment	<b>84,625</b>		<b>475,201</b>	
	<b>Three months ended (Unaudited)</b>		<b>Nine months ended (Unaudited)</b>	
	<b>30 Sept. 2008 KD</b>	<b>30 Sept. 2007 KD</b>	<b>30 Sept. 2008 KD</b>	<b>30 Sept. 2007 KD</b>
<b>Amounts included in consolidated statement of income</b>				
Sales	<b>468,711</b>	954,071	<b>1,181,449</b>	1,246,878
Expenses	<b>60,830</b>	-	<b>60,830</b>	-
<b>Key management compensation:</b>				
Salaries and other short term benefits	<b>71,605</b>	65,000	<b>289,713</b>	240,000
Terminal benefits	<b>7,611</b>	754	<b>8,154</b>	1,125
	<b>79,216</b>	65,754	<b>297,867</b>	241,125

## **12 Capital commitments**

At the balance sheet date the group was committed to purchase investments amounting to KD1,039,871 (31 December 2007: KD2,550,713 and 30 September 2007: KD2,699,778) and to purchase new machinery and equipment amounting to KD1,029,886 (31 December 2007: KD2,769,091 and 30 September 2007: KD2,470,521).

## **13 Contingent liabilities**

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD5,622,024 (31 December 2007: KD5,679,889 and 30 September 2007: KD5,344,157).

## **14 Derivative financial instruments**

During the year the parent company entered into a 5 year interest rate swap with a local financial institution with a notional principal amounts of KD3,431,875 which merely represents amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments. The swap was terminated during the period.

## **15 Subsequent event**

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as available for sale.

Subsequent to the balance sheet date, as a result of volatility in the local and global equity markets, there has been a decline in the major stock indices throughout the world including Kuwait, GCC and MENA region.

The decline in the Kuwait Stock Exchange index, subsequent to the balance sheet date up to 5 November 2008, the date of the approval of the interim consolidated financial information, was 24%.