

Interim financial information and review report

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

31 March 2007 (Unaudited)

Contents

	Page
Review report	1
Consolidated statement of income	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the interim financial information	6 to 8

Review report

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

Report on review of interim financial information

Introduction

We have reviewed the accompanying consolidated balance sheet of Gulf Cable and Electrical Industries Company (A Kuwaiti Closed Shareholding Company) (the parent company) and its subsidiary (the group), as of 31 March 2007 and the related consolidated statements of 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 financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim 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 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 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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Consolidated statement of income

	Notes	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Sales		17,703,389	12,808,659
Cost of sales		(12,887,787)	(8,283,065)
Gross profit		4,815,602	4,525,594
Other income			
Dividend income		3,050,116	2,254,434
Investment income		113,362	23,487
Realised gain/(loss) on sale of available for sale investments		2,044,283	(7,055)
Interest income		53,485	12,862
Other revenue		95	28,183
Gain on foreign exchange		61,891	44,382
Gross income		10,138,834	6,881,887
Expenses			
Administrative expenses		(422,711)	(243,534)
Commercial expenses		(392,162)	(169,945)
Provision for doubtful debts		(281,345)	(120,717)
Provision for obsolete stock		(139,921)	-
Interest expense		(98,845)	(298,680)
Impairment of goodwill	3	(759,684)	-
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Directors' remuneration and National Labour Support Tax (NLST)		8,044,166	6,049,011
Contribution to KFAS		(80,594)	(60,490)
Directors' remuneration		(60,000)	(60,000)
Provision for NLST		(125,233)	(92,905)
Profit for the period		7,778,339	5,835,616
Attributable to:			
Shareholders of the parent company		7,793,612	5,835,616
Minority interest		(15,273)	-
Profit for the period		7,778,339	5,835,616
Earnings per share	4	48 Fils	44 Fils

The notes set out on pages 6 to 8 form an integral part of this interim financial information.

Consolidated balance sheet

	Notes	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		11,694,569	11,849,389	5,102,301
Available for sale investments	5	190,085,777	142,039,113	124,758,648
Goodwill		-	759,684	-
Investment in unconsolidated subsidiary		-	-	41,285
		201,780,346	154,648,186	129,902,234
Current assets				
Inventories	6	26,032,005	26,054,689	15,345,006
Trade accounts receivable		19,448,344	18,536,462	11,312,839
Other receivables and prepayments		3,334,234	125,737	2,359,602
Fixed deposits	7	5,266,624	2,639,245	1,748,700
Bank and cash balances	7	2,224,614	1,008,681	657,829
		56,305,821	48,364,814	31,423,976
Total assets		258,086,167	203,013,000	161,326,210
Equity and liabilities				
Equity attributable to the shareholders of the parent company				
Share capital	8	14,042,228	13,921,913	11,136,939
Share premium		29,160,075	26,443,807	-
Legal reserve		11,084,902	11,084,902	8,986,130
Voluntary reserve		11,084,902	11,084,902	8,986,130
General reserve		16,788,145	16,788,145	16,788,145
Fair value reserve		133,326,228	90,735,973	76,654,936
Foreign currency translation reserve		(46,821)	15,705	-
Retained earnings		29,328,401	21,534,789	11,491,633
		244,768,060	191,610,136	134,043,913
Minority interest		493,476	513,871	-
		245,261,536	192,124,007	134,043,913
Non-current liabilities				
Long-term provisions		1,223,172	1,203,417	1,163,083
Long term loan		2,845,253	3,233,318	-
		4,068,425	4,436,735	1,163,083
Current liabilities				
Trade accounts payable		699,316	666,786	730,292
Other payables and accruals		4,580,374	4,737,233	6,417,485
Current portion of long term loan		711,313	359,257	-
Short term loan	9	1,262,575	-	16,578,319
Due to banks	7	1,502,628	688,982	2,393,118
		8,756,206	6,452,258	26,119,214
Total equity and liabilities		258,086,167	203,013,000	161,326,210

Bader Naser Al-Khorafi
Chairman and Managing Director

The notes set out on pages 6 to 8 form an integral part of this interim financial information.

Consolidated statement of changes in equity

	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
Balance at 1 January 2007	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	-	-	-	-	-	(2,056,070)	-	-	(2,056,070)	-	(2,056,070)
Net change in fair value	-	-	-	-	-	44,646,325	-	-	44,646,325	-	44,646,325
Movement in foreign currency translation reserve	-	-	-	-	-	-	(62,526)	-	(62,526)	(5,122)	(67,648)
Net income recognised directly in equity	-	-	-	-	-	42,590,255	(62,526)	-	42,527,729	(5,122)	42,522,607
Profit/(loss) for the period	-	-	-	-	-	-	-	7,793,612	7,793,612	(15,273)	7,778,339
Total recognised income and expense for the period	-	-	-	-	-	42,590,255	(62,526)	7,793,612	50,321,341	(20,395)	50,300,946
Issue of share capital (Note 8)	120,315	2,716,268	-	-	-	-	-	-	2,836,583	-	2,836,583
Balance at 31 March 2007	14,042,228	29,160,075	11,084,902	11,084,902	16,788,145	133,326,228	(46,821)	29,328,401	244,768,060	493,476	245,261,536
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	-	131,956,858
Net change in fair value	-	-	-	-	-	1,093,586	-	-	1,093,586	-	1,093,586
Net income recognised directly in equity	-	-	-	-	-	1,093,586	-	-	1,093,586	-	1,093,586
Profit for the period	-	-	-	-	-	-	-	5,835,616	5,835,616	-	5,835,616
Total recognised income and expense for the period	-	-	-	-	-	1,093,586	-	5,835,616	6,929,202	-	6,929,202
Payment of cash dividend	-	-	-	-	-	-	-	(4,842,147)	(4,842,147)	-	(4,842,147)
Issue of bonus shares	1,452,644	-	-	-	-	-	-	(1,452,644)	-	-	-
Balance at 31 March 2006	11,136,939	-	8,986,130	8,986,130	16,788,145	76,654,936	-	11,491,633	134,043,913	-	134,043,913

The notes set out on pages 6 to 8 form an integral part of this interim financial information.

Consolidated statement of cash flows

	Note	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		7,778,339	5,835,616
Adjustments:			
Depreciation		207,663	201,165
Provision for staff indemnity		19,755	65,956
Interest expense		98,845	298,680
Interest income		(53,485)	(12,862)
Dividend income		(3,050,116)	(2,254,434)
Investment income		(113,362)	(23,487)
Realised (gain)/loss on sale of available for sale investments		(2,044,283)	7,055
Impairment of goodwill		759,684	-
		3,603,040	4,117,689
Changes in operating assets and liabilities:			
Inventories		22,684	(2,007,833)
Trade accounts receivable		(911,882)	(1,911,549)
Other receivables and prepayments		(158,381)	(28,098)
Trade accounts payable		32,530	(254,402)
Other payables and accruals		(130,733)	(581,148)
Net cash from/(used in) operating activities		2,457,258	(665,341)
INVESTING ACTIVITIES			
Capital expenditure		(125,167)	(88,451)
Investment in unconsolidated subsidiary		-	(41,285)
Purchase of available for sale investments		(3,585,035)	(70,653)
Proceeds from redemption/sale of available for sale investments		172,909	76,748
Investment income received		113,362	23,487
Interest received		53,485	12,862
Net cash used in investing activities		(3,370,446)	(87,292)
FINANCING ACTIVITIES			
Proceeds from share capital		2,836,583	-
Payment of dividends		(26,125)	(2,725,187)
Proceeds from short term loan		1,262,575	-
Interest paid		(98,845)	(298,680)
Net cash from/(used in) financing activities		3,974,188	(3,023,867)
Increase/(decrease) in cash and cash equivalents		3,061,000	(3,776,500)
Foreign currency adjustment		(31,334)	-
Cash and cash equivalents at beginning of the period	7	2,958,944	3,789,911
Cash and cash equivalents at end of the period	7	5,988,610	13,411

The notes set out on pages 6 to 8 form an integral part of this interim financial information.

Notes to the interim financial information

31 March 2007

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 financial information for the three month period ended 31 March 2007 was authorised for issue by the board of directors on 13 May 2007.

2 Significant accounting policies

Basis of presentation

This interim financial information has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of this interim financial information are consistent with those used in the annual consolidated financial statements of the group for the year ended 31 December 2006.

The interim financial information has been presented in Kuwaiti Dinars which is the functional currency of the parent 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 2007.

3 Impairment of goodwill

Management performed impairment review, based on value in use, of its subsidiary. As a result of review, goodwill was determined to be impaired.

4 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:

	31 March 2007 (Unaudited)	31 March 2006 (Unaudited)
Profit for the period attributable to the shareholders of the parent company (KD)	7,793,612	5,835,616
Weighted average number of shares outstanding	160,630,049	132,432,736
Earnings per share	48 Fils	44 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 2007.

5 Available for sale investments

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Managed portfolios	155,990,043	108,788,537	91,792,238
Quoted shares	17,784,900	17,568,810	21,303,900
Quoted funds	4,069,990	3,577,357	3,270,931
Quoted preference shares	466,073	466,073	470,692
Unquoted shares	8,970,172	8,948,440	4,960,124
Unquoted funds	2,804,599	2,689,896	2,960,763
	190,085,777	142,039,113	124,758,648

6 Inventories

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Raw materials	9,041,078	10,876,949	8,227,858
Finished goods	11,556,682	8,436,006	4,087,139
Work-in-progress	3,504,648	4,283,655	2,072,333
Spare parts	1,126,707	1,110,774	935,311
	25,229,115	24,707,384	15,322,641
Provision for obsolete stock	(1,113,334)	(973,413)	(571,016)
	24,115,781	23,733,971	14,751,625
Goods in transit and prepaid letters of credit	1,916,224	2,320,718	593,381
	26,032,005	26,054,689	15,345,006

7 Cash and cash equivalents

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Bank and cash balances	2,224,614	1,008,681	657,829
Fixed deposit maturing within three months	5,266,624	2,639,245	1,748,700
Due to banks	(1,502,628)	(688,982)	(2,393,118)
	5,988,610	2,958,944	13,411

8 Share capital

During the period, the parent company sold through Kuwait Stock Exchange 1,203,152 previously unsubscribed shares from right issue for total proceeds of KD2,836,583. The amount received in excess of nominal value was credited to share premium account.

9 Short term loan

Short term loan outstanding at 31 March 2007 was obtained from a local bank. The loan is unsecured and carry interest of 6.42% (31 December 2006: 6.75% and 31 March 2006: 7.25%) per annum. The loan is repayable by 13 February 2008.

10 Proposed dividend and bonus shares

Subsequent to the balance sheet date, the general assembly of the shareholders held on 1 April 2007 approved a cash dividend of 65 Fils per share and bonus shares of 15% of paid up share capital for the year ended 31 December 2006 to be distributed to the shareholders of record as of the date of the general assembly.

11 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:

	Cable manufacture KD	Investment KD	Total KD
Three months ended 31 March 2007 (Unaudited)			
Gross income	4,877,588	5,261,246	10,138,834
Segment profit	3,631,188	5,172,662	8,044,166
Unallocated expenses			(265,827)
Profit for the period			7,778,339
Capital expenditure	125,167	-	125,167
Depreciation	207,663	-	207,663
Impairment of goodwill	759,684	-	759,684
Three months ended 31 March 2006 (Unaudited)			
Gross income	4,591,749	2,290,138	6,881,887
Segment profit	4,055,239	1,993,772	6,049,011
Unallocated expenses			(213,395)
Profit for the period			5,835,616
Capital expenditure	88,451	-	88,451
Depreciation	201,165	-	201,165

12 Capital commitments

At the balance sheet date the group was committed to purchase investments amounting to KD1,986,899 (31 December 2006 : KD2,003,549 and 31 March 2006 : KD6,400,167) and to purchase new machinery and equipment amounting to KD2,937,016 (31 December 2006 : to KD3,050,371 and 31 March 2006 : KD245,539).

13 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD4,279,258 (31 December 2006 : KD3,781,987 and 31 March 2006 : KD3,667,881).