

Interim financial information and review report

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

31 March 2008 (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 financial information

Introduction

We have reviewed the accompanying consolidated balance sheet of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) (the parent company) and its subsidiary (the group), as of 31 March 2008 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

	Note	Three months ended 31 March 2008 (Unaudited) KD	Three months ended 31 March 2007 (Unaudited) KD
Sales		26,495,087	17,703,389
Cost of sales		(20,613,241)	(12,887,787)
Gross profit		5,881,846	4,815,602
Other income			
Dividend income		4,143,989	3,050,116
Investments income		426,843	113,362
Realised gain on sale of available for sale investments		3,956	2,044,283
Interest income		60,166	53,485
Other revenue		300	95
(Loss)/gain on foreign exchange		(17,327)	61,891
Gross income		10,499,773	10,138,834
Expenses			
Administrative expenses		(424,202)	(422,711)
Commercial expenses		(361,162)	(392,162)
Provision for doubtful debts		-	(281,345)
Reversal of/(charge for) provision for obsolete stock		273,255	(139,921)
Interest expense		(543,333)	(98,845)
Impairment of goodwill		-	(759,684)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		9,444,331	8,044,166
Contribution to KFAS		(94,230)	(80,594)
NLST		(133,898)	(125,233)
Zakat		(50,686)	-
Directors' remuneration		(77,500)	(60,000)
Profit for the period		9,088,017	7,778,339
Attributable to:			
Shareholders of the parent company		9,066,688	7,793,612
Minority interest		21,329	(15,273)
Profit for the period		9,088,017	7,778,339
Earnings per share	3	43 Fils	37 Fils

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

Consolidated balance sheet

	Notes	31 March 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	31 March 2007 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		11,978,509	11,627,112	11,694,569
Available for sale investments	4	275,466,598	248,450,493	190,085,777
		287,445,107	260,077,605	201,780,346
Current assets				
Inventories	5	35,156,122	34,712,801	26,032,005
Trade accounts receivable		25,532,317	27,518,805	19,448,344
Other receivables and prepayments		2,778,675	3,063,895	3,334,234
Fixed deposits	6	3,250,000	200,614	5,266,624
Cash and bank balances	6	8,755,808	2,982,536	2,224,614
		75,472,922	68,478,651	56,305,821
Total assets		362,918,029	328,556,256	258,086,167
Equity and liabilities				
Equity attributable to the shareholders of the parent company				
Share capital		16,148,562	16,148,562	14,042,228
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		161,957,004	163,861,329	133,326,228
Foreign currency translation reserve		(514,092)	(353,687)	(46,821)
Retained earnings		40,650,947	31,584,259	29,328,401
Minority interest		291,989,005	284,987,047	244,768,060
		323,736	311,743	493,476
		292,312,741	285,298,790	245,261,536
Non-current liabilities				
Long-term provisions		1,397,416	1,376,202	1,223,172
Long term loan	7	2,503,596	2,573,906	2,845,253
		3,901,012	3,950,108	4,068,425
Current liabilities				
Trade accounts payable		1,482,206	1,018,834	699,316
Other payables and accruals	4	35,394,891	5,634,751	4,580,374
Current portion of long term loan	7	556,354	571,979	711,313
Short term loans	7	27,365,914	27,398,658	1,262,575
Due to banks	6	1,904,911	4,683,136	1,502,628
		66,704,276	39,307,358	8,756,206
Total liabilities		70,605,288	43,257,466	12,824,631
Total equity and liabilities		362,918,029	328,556,256	258,086,167

Bader Naser Al-Khorafi
Chairman and Managing Director

The notes set out on pages 7 to 11 form an integral part of this interim 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
Balance at 1 January 2008	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	-	-	-	-	-	(3,956)	-	-	(3,956)	-	(3,956)
Net change in fair value	-	-	-	-	-	(1,900,369)	-	-	(1,900,369)	-	(1,900,369)
Movement in foreign currency translation reserve	-	-	-	-	-	-	(160,405)	-	(160,405)	(9,336)	(169,741)
Net loss recognised directly in equity	-	-	-	-	-	(1,904,325)	(160,405)	-	(2,064,730)	(9,336)	(2,074,066)
Profit for the period	-	-	-	-	-	-	-	9,066,688	9,066,688	21,329	9,088,017
Total recognised income and expense for the period	-	-	-	-	-	(1,904,325)	(160,405)	9,066,688	7,001,958	11,993	7,013,951
Balance at 31 March 2008	16,148,562	29,160,075	13,899,182	13,899,182	16,788,145	161,957,004	(514,092)	40,650,947	291,989,005	323,736	292,312,741

The notes set out on pages 7 to 11 form an integral part of this interim 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
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/(loss) 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	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

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

Consolidated statement of cash flows

	Note	Three months ended 31 March 2008 (Unaudited) KD	Three months ended 31 March 2007 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		9,088,017	7,778,339
Adjustments:			
Depreciation		296,898	207,663
Provision for staff indemnity		24,729	19,755
Interest expense		543,333	98,845
Interest income		(60,166)	(53,485)
Dividend income		(4,143,989)	(3,050,116)
Investments income		(426,843)	(113,362)
Realised gain on sale of available for sale investments		(3,956)	(2,044,283)
Foreign exchange gain on non-operating liabilities		(118,679)	-
Impairment of goodwill		-	759,684
		5,199,344	3,603,040
Changes in operating assets and liabilities:			
Inventories		(443,321)	22,684
Trade accounts receivable		1,986,488	(911,882)
Other receivables and prepayments		335,475	(158,381)
Trade accounts payable		463,372	32,530
Other payables and accruals		669,516	(130,733)
Staff indemnity paid		(3,515)	-
		8,207,359	2,457,258
Net cash from operating activities		8,207,359	2,457,258
INVESTING ACTIVITIES			
Capital expenditure		(832,008)	(125,167)
Purchase of available for sale investments		(7,696)	(3,585,035)
Proceeds from redemption/sale of available for sale investments		191,973	172,909
Dividend income received		4,143,989	-
Investments income received		426,843	113,362
Interest received		9,911	53,485
		3,933,012	(3,370,446)
Net cash from/(used in) investing activities		3,933,012	(3,370,446)
FINANCING ACTIVITIES			
Proceeds from share capital		-	2,836,583
Payment of dividends		(10,129)	(26,125)
Proceeds from short term loans		-	1,262,575
Interest paid		(543,333)	(98,845)
		(553,462)	3,974,188
Net cash (used in)/from financing activities		(553,462)	3,974,188
Increase in cash and cash equivalents		11,586,909	3,061,000
Foreign currency adjustment		13,975	(31,334)
Cash and cash equivalents at beginning of the period	6	(1,499,987)	2,958,944
Cash and cash equivalents at end of the period	6	10,100,897	5,988,610

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

Notes to the interim financial information

31 March 2008

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 2008 was authorised for issue by the parent company’s board of directors on 17 May 2008.

2 Significant accounting policies

Basis of presentation

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

This interim 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 three month period ended 31 March 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:

	Three months ended 31 March 2008 (Unaudited)	Three months ended 31 March 2007 (Unaudited)
Profit for the period attributable to the shareholders of the parent company (KD)	9,066,688	7,793,612
Weighted average number of shares outstanding	209,931,306	209,075,735
Earnings per share	43 Fils	37 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 8).

4 Available for sale investments

	31 March 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	31 March 2008 (Unaudited) KD
Managed portfolios	225,129,714	212,191,444	155,990,043
Quoted shares	34,212,780	19,606,860	17,784,900
Quoted funds	5,200,084	5,339,594	4,069,990
Quoted preference shares	-	-	466,073
Unquoted shares	8,784,446	8,717,431	8,970,172
Unquoted funds	2,139,574	2,595,164	2,804,599
	275,466,598	248,450,493	190,085,777

At 31 March 2008 managed portfolio includes fair value of right issue of one of the companies listed on the Kuwait Stock Exchange. The related cost of right issue amounting to KD29,100,753 is included under "other payables and accruals".

Unquoted investments include investments in private equity funds amounting to KD2,139,574 (31 December 2007: KD2,595,164 and 31 March 2007: KD2,804,599). 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.

Investments amounting to KD1,650,000 (31 December 2007: KD1,650,000 and 31 March 2007: KD8,088,316) are stated at cost due to the unpredictable nature of future cash flows and the unavailability of other information to arrive at a reliable measure of fair value. Management is not aware of any indication of impairment in respect of these investments.

5 Inventories

	31 March 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	31 March 2008 (Unaudited) KD
Raw materials	9,294,110	10,001,005	9,041,078
Finished goods	12,407,260	12,338,840	11,556,682
Work-in-progress	7,755,254	7,324,003	3,504,648
Spare parts	1,240,368	1,217,516	1,126,707
Provision for obsolete stock	30,696,992 (807,072)	30,881,364 (1,080,327)	25,229,115 (1,113,334)
Goods in transit and prepaid letters of credit	29,889,920 5,266,202	29,801,037 4,911,764	24,115,781 1,916,224
	35,156,122	34,712,801	26,032,005

6 Cash and cash equivalents

	31 March 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	31 March 2008 (Unaudited) KD
Fixed deposit maturing within three months	3,250,000	200,614	5,266,624
Cash and bank balances	8,755,808	2,982,536	2,224,614
Due to banks	(1,904,911)	(4,683,136)	(1,502,628)
	10,100,897	(1,499,986)	5,988,610

7 Term loans

Long term loan amounting to US\$12,500,000 was obtained from a regional bank. The loan is unsecured and carry 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.

Short term loans outstanding at 31 March 2008 were obtained from local banks. The loans are unsecured and carry effective interest of 6.1% (31 December 2007: 6.42% and 31 March 2007: 6.42%) per annum. The loans are repayable within twelve months of the balance sheet date.

8 Dividends and bonus shares

Subsequent to the balance sheet date, the proposed 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.

9 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 (Unaudited) KD	Investment (Unaudited) KD	Total (Unaudited) KD
Three months ended 31 March 2008			
Gross income	6,073,645	4,426,128	10,499,773
Segment profit	5,626,937	3,817,394	9,444,331
Unallocated expenses			(356,314)
Profit for the period			9,088,017
Capital expenditure	832,008	-	832,008
Depreciation	296,898	-	296,898
Three months ended 31 March 2007			
Gross income	4,877,588	5,261,246	10,138,834
Segment profit	2,871,504	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

10 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.

	31 March 2008 (Unaudited) KD	31 March 2007 (Unaudited) KD
Amounts included in consolidated balance sheet		
Purchase of property, plant and equipment	106,323	107,260
Amounts included in consolidated statement of income		
Sales	329,531	439,467
Key management compensation:		
Salaries and other short term benefits	109,054	80,000
Terminal benefits	271	185
	109,325	80,185

11 Capital commitments

At the balance sheet date the group was committed to purchase investments amounting to KID2,550,713 (31 December 2007: KID2,550,713 and 31 March 2007: KID1,986,899) and to purchase new machinery and equipment amounting to KID2,163,668 (31 December 2007: KID2,769,091 and 31 March 2007: KID2,937,016).

12 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD4,132,316 (31 December 2007 : KD5,679,889 and 31 March 2007 : KD4,279,258).

13 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 positive fair value of the interest rate swap as at 31 March 2008 was not material to the group's financial statements.