

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

31 March 2009 (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 2009 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 2009 that might have had a material effect on the business of the group or on its financial position.

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Kuwait
14 May 2009

Interim condensed consolidated statement of income

	Notes	Three months ended 31 March 2009 (Unaudited) KD	Three months ended 31 March 2008 (Unaudited) KD
Sales		19,806,912	26,495,087
Cost of sales		(16,822,891)	(20,613,241)
Gross profit		2,984,021	5,881,846
Other income			
Dividend income		6,326,328	4,143,989
Investments income		-	426,843
Realised gain on sale of available for sale investments		-	3,956
Impairment in value of available for sale investments	4	(1,675,887)	-
Interest income		51,110	60,166
Other revenue		60,614	300
Gain/(loss) on foreign exchange		785,678	(17,327)
Gross income		8,531,864	10,499,773
Expenses			
Administrative expenses		(552,908)	(424,202)
Commercial expenses		(267,818)	(361,162)
(Charge for)/ Reversal of provision for obsolete stock		(2,723)	273,255
Interest expense		(1,174,004)	(543,333)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		6,534,411	9,444,331
Contribution to KFAS		(65,543)	(94,230)
NLST		(39,145)	(133,898)
Zakat		(6,658)	(50,686)
Directors' remuneration		(77,500)	(77,500)
Profit for the period		6,345,565	9,088,017
Attributable to:			
Owners of the parent		6,365,451	9,066,688
Non-controlling interests		(19,886)	21,329
Profit for the period		6,345,565	9,088,017
Earnings per share	3	30 Fils	43 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 2009 (Unaudited) KD	Three months ended 31 March 2008 (Unaudited) KD
Profit for the period	6,345,565	9,088,017
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	295,841	(169,741)
Available for sale investments:		
-Net loss arising during the period	(18,156,902)	(1,900,369)
-Transferred to consolidated statement of income on sale	-	(3,956)
-Transferred to consolidated statement of income on impairment	1,675,887	-
Total other comprehensive income	(16,185,174)	(2,074,066)
Total comprehensive income for the period	(9,839,609)	7,013,951
Total comprehensive income attributable to:		
Owners of the parent	(9,835,995)	7,001,958
Non-controlling interests	(3,614)	11,993
	(9,839,609)	7,013,951

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 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		15,747,232	14,975,255	11,978,509
Available for sale investments	4	113,977,636	128,445,771	275,466,598
		129,724,868	143,421,026	287,445,107
Current assets				
Inventories	5	36,666,804	48,755,949	35,156,122
Trade accounts receivable		31,716,737	37,351,032	25,532,317
Other receivables and prepayments		9,495,899	4,912,775	2,778,675
Fixed deposits	6	10,696,825	186,425	3,250,000
Cash and bank balances	6	11,070,460	2,402,873	8,755,808
		99,646,725	93,609,054	75,472,922
Total assets		229,371,593	237,030,080	362,918,029
Equity and liabilities				
Equity attributable to the owners of the parent				
Share capital		20,993,131	20,993,131	16,148,562
Share premium		29,160,075	29,160,075	29,160,075
Legal reserve		14,257,443	14,257,443	13,899,182
Voluntary reserve		14,257,443	14,257,443	13,899,182
General reserve		16,788,145	16,788,145	16,788,145
Fair value reserve		18,594,538	35,075,553	161,957,004
Foreign currency translation reserve		(14,370)	(293,939)	(514,092)
Retained earnings		12,855,925	21,185,666	40,650,947
		126,892,330	151,423,517	291,989,005
Non-controlling interests		301,698	305,312	323,736
		127,194,028	151,728,829	292,312,741
Non-current liabilities				
Long-term provisions		1,276,437	1,229,465	1,397,416
Long term loans	7	13,640,186	12,925,223	2,503,596
		14,916,623	14,154,688	3,901,012
Current liabilities				
Trade accounts payable		1,049,786	1,089,259	1,482,206
Other payables and accruals	8	19,420,738	5,770,730	35,394,891
Current portion of long term loans	7	5,212,033	4,938,839	556,354
Short term loans	7	61,478,554	56,411,537	27,365,914
Due to banks	6	99,831	2,936,198	1,904,911
		87,260,942	71,146,563	66,704,276
Total liabilities		102,177,565	85,301,251	70,605,288
Total equity and liabilities		229,371,593	237,030,080	362,918,029



Bader Naser Al-Khorafi
Chairman and Managing Director

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 (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	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 (Note 8)	-	-	-	-	-	-	-	(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 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.

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 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
Profit for the period	-	-	-	-	-	-	-	9,066,688	9,066,688	21,329	9,088,017
Other comprehensive income:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(160,405)	-	(160,405)	(9,336)	(169,741)
Available for sale investments:											
- Net loss arising during the period	-	-	-	-	-	(1,900,369)	-	-	(1,900,369)	-	(1,900,369)
- Transferred to consolidated statement of income on sale	-	-	-	-	-	(3,956)	-	-	(3,956)	-	(3,956)
Total comprehensive income 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 8 to 13 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2009 (Unaudited) KD	Three months ended 31 March 2008 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		6,345,565	9,088,017
Adjustments:			
Depreciation		336,750	296,898
Provision for staff indemnity		55,309	24,729
Interest expense		1,174,004	543,333
Interest income		(51,110)	(60,166)
Dividend income		(6,326,328)	(4,143,989)
Investments income		-	(426,843)
Realised gain on sale of available for sale investments		-	(3,956)
Impairment in value of available for sale investment		1,675,887	-
Foreign exchange loss (gain) on non-operating liabilities		1,055,174	(118,679)
		4,265,251	5,199,344
Changes in operating assets and liabilities:			
Inventories		12,089,145	(443,321)
Trade accounts receivable		5,634,295	1,986,488
Other receivables and prepayments		873,171	335,475
Trade accounts payable		(39,473)	463,372
Other payables and accruals		(1,042,224)	669,516
Staff indemnity paid		(8,337)	(3,515)
Net cash from operating activities		21,771,828	8,207,359
INVESTING ACTIVITIES			
Fixed deposit maturing after three months		186,425	-
Capital expenditure		(614,670)	(832,008)
Net book value of property, plant and equipment disposed		4,064	-
Purchase of available for sale investments		(3,694,310)	(7,696)
Proceeds from redemption/sale of available for sale investments		5,543	191,973
Dividend income received		900,000	4,143,989
Investments income received		-	426,843
Interest received		21,146	9,911
Net cash (used in) / from investing activities		(3,191,802)	3,933,012
FINANCING ACTIVITIES			
Payment of dividends		(2,961)	(10,129)
Proceeds from short term loans		5,000,000	-
Interest paid		(1,174,004)	(543,333)
Net cash from/(used in) financing activities		3,823,035	(553,462)
Increase in cash and cash equivalents		22,403,061	11,586,909
Foreign currency adjustment		(202,282)	13,975
Cash and cash equivalents at beginning of the period	6	(533,325)	(1,499,987)
Cash and cash equivalents at end of the period	6	21,667,454	10,100,897

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 2009 (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 2009 was authorised for issue by the parent company’s board of directors on 14 May 2009.

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 2008 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 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2008.

2 Significant accounting policies (continued)

Adoption of revised and new standards and interpretations

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

- IAS 1 *Presentation of Financial Statements* (Revised 2007)
- IFRS 8 *Operating Segments*
- IAS 23 *Borrowing Costs* (Revised 2007)
- IFRIC 13 *Customer Loyalty Programmes*
- Improvements to IFRSs issued in May 2008

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

The adoption of IFRS 8 has not resulted in a redesignation of the group's reportable segments and has had no impact on the reported results or financial position of the group. Reported segment results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns.

IAS 23 *Borrowing Costs* (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

IFRIC 13 *Customer Loyalty Programmes* is not relevant to the operations of the group.

Improvements to IFRSs issued in May 2008

The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have not resulted in any significant changes in the group's accounting policies.

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

- IFRS 3 *Business combinations* (Revised 2008) (effective for annual periods beginning 1 July 2009)
- IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008) (effective for annual periods beginning 1 July 2009)
- IAS 28 *Investments in Associates* (Revised 2008) (effective for annual periods beginning 1 July 2009)

3 Earnings per share

Earnings per share is 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 2009 (Unaudited)	Three months ended 31 March 2008 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	6,365,451	9,066,688
Weighted average number of shares outstanding	209,931,306	209,931,306
Earnings per share	30 Fils	43 Fils

4 Available for sale investments

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Managed portfolios	86,115,736	102,622,903	225,129,714
Quoted shares	14,641,219	12,725,253	34,212,780
Quoted funds	2,331,353	2,519,856	5,200,084
Unquoted shares	8,729,660	8,691,734	8,784,446
Unquoted funds	2,159,668	1,886,025	2,139,574
	113,977,636	128,445,771	275,466,598

Unquoted investments include investments in private equity funds amounting to KD2,159,668 (31 December 2008: KD1,886,025 and 31 March 2008: KD2,139,574). 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.

The group recognised impairment loss by KD1,675,887 (31 March 2008: KD Nil) in respect of certain available for sale investments.

5 Inventories

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Raw materials	13,688,464	20,367,137	9,294,110
Finished goods	13,920,472	13,757,365	12,407,260
Work-in-progress	7,253,619	10,503,107	7,755,254
Spare parts	1,352,438	1,317,768	1,240,368
	36,214,993	45,945,377	30,696,992
Provision for obsolete stock	(237,746)	(235,023)	(807,072)
	35,977,247	45,710,354	29,889,920
Goods in transit and prepaid letters of credit	689,557	3,045,595	5,266,202
	36,666,804	48,755,949	35,156,122

6 Cash and cash equivalents

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Fixed deposits maturing within three months	10,696,825	-	3,250,000
Cash and bank balances	11,070,460	2,402,873	8,755,808
Due to banks	(99,831)	(2,936,198)	(1,904,911)
	21,667,454	(533,325)	10,100,897

7 Term loans

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Long term loans:			
- USD 12,500,000 facility	2,745,469	2,601,562	3,059,950
- USD 55,000,000 facility	16,106,750	15,262,500	-
	18,852,219	17,864,062	3,059,950
Instalments due within next twelve months	(5,212,033)	(4,938,839)	(556,354)
Instalments due after next twelve months	13,640,186	12,925,223	2,503,596
Short term loans			
- Kuwait Dinar	61,478,554	56,411,537	27,365,914

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 2009 were obtained from local banks. The loans are unsecured and carry effective interest range of 1.25% and 1.5% above Central Bank of Kuwait discount rate (31 December 2008: 1.25% and 1.5% and 31 March 2008: 1.25% and 1.5%) per annum. The loans are repayable within twelve months of the period end.

8 General assembly of shareholders

The proposed cash dividend of 70 Fils per share amounting to KD14,695,192 for the year ended 31 December 2008 were approved by the general assembly of the shareholders held on 29 March 2009. Total cash dividend payable is included in other payables and accruals.

9 Segmental information

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. Under IFRS 8, reported segment profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). Following the adoption of IFRS 8, the identification of the group's reportable segments has not changed. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

9 Segmental information (continued)

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 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
Three months ended 31 March 2008			
Revenue	26,495,087	4,443,947	30,939,034
Segment profit	5,626,937	3,817,394	9,444,331
Unallocated expenses			(356,314)
Profit for the period			9,088,017
Total assets	84,201,431	278,716,598	362,918,029

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.

	31 March 2009 (Unaudited) KD	31 March 2008 (Unaudited) KD
Amounts included in interim condensed consolidated statement of financial position		
Purchase of property, plant and equipment	-	106,323
Amounts included in interim condensed consolidated statement of income		
Sales	458,690	329,531
Industrial expenses	8,172	-
Key management compensation:		
Salaries and other short term benefits	113,221	109,054
Terminal benefits	12,498	271
	125,719	109,325

11 Capital commitments

At the period end date, the group was committed to purchase investments amounting to KD1,000,000 (31 December 2008: KD1,039,851 and 31 March 2008: KD2,550,713) and to purchase new machinery and equipment amounting to KD1,731,881 (31 December 2008: KD1,266,452 and 31 March 2008: KD2,163,668).

12 Contingent liabilities

Contingent liabilities at the period end date in respect of outstanding letters of guarantee amounted to KD5,664,262 (31 December 2008 : KD5,831,409 and 31 March 2008 : KD4,132,316).