

Interim condensed financial statements and review report

Gulf Cable and Electrical Industries Company

(A Kuwaiti Shareholding Company)

Kuwait

30 June 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 June 2006, and the related statements of income, changes in equity and cash flows for the six-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 six months ended 30 June 2006 that might have had a material effect on the business of the company or on its financial position.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Anwar Al-Qatami & Co.



Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of Al-Fouz International Audit Bureau

Statement of income

	Notes	Three months ended		Six months ended	
		30 June 2006	30 June 2005	30 June 2006	30 June 2005
		(Unaudited) KD	(Unaudited) KD	(Unaudited) KD	(Unaudited) KD
Sales		16,148,287	12,272,573	28,956,946	24,303,607
Cost of sales		(10,722,451)	(7,911,138)	(19,005,516)	(16,520,189)
Gross profit		5,425,836	4,361,435	9,951,430	7,783,418
Other income					
Dividend income		536,837	273,611	2,791,271	2,431,813
Investment income		45,554	22,091	69,041	81,096
Realised loss on sale of available for sale investments		(21,416)	-	(28,471)	(39)
Interest income		22,568	2,463	35,430	22,185
Other revenue		999	-	29,182	17,436
Gain on foreign exchange		70,164	12,054	114,546	45,504
Gross income		6,080,542	4,671,654	12,962,429	10,381,413
Expenses					
Administrative expenses		(172,558)	(138,372)	(416,092)	(359,486)
Commercial expenses		(171,873)	(109,035)	(341,818)	(216,252)
Provision for doubtful debts		(64,152)	(12,949)	(184,869)	(114,132)
Provision for obsolete stock		(23,810)	(62,212)	(23,810)	(16,938)
Interest expense		(333,618)	(52,197)	(632,298)	(74,679)
Profit from operations		5,314,531	4,296,889	11,363,542	9,599,926
Contribution to Kuwait Foundation for the Advancement of Sciences		(53,145)	(42,969)	(113,635)	(95,999)
Directors' remuneration		(60,000)	(60,000)	(120,000)	(120,000)
Provision for National Labour Support Tax		(122,176)	(103,024)	(215,081)	(183,194)
Net profit for the period		5,079,210	4,090,896	10,914,826	9,200,733
Earnings per share	3	46 Fils	37 Fils	98 Fils	83 Fils

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

Balance sheet

	Notes	30 June 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 June 2005 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		5,137,939	5,215,015	5,214,455
Available for sale investments	4	119,265,739	123,678,212	83,437,993
Investment in unconsolidated subsidiary	5	3,591,324	-	-
		127,995,002	128,893,227	88,652,448
Current assets				
Inventories	6	18,088,320	13,337,173	11,539,124
Trade accounts receivable		10,603,959	9,401,290	11,813,821
Other receivables and prepayments		126,059	77,070	101,929
Fixed deposits	7	2,905,000	-	-
Bank and cash balances	7	3,095,631	3,817,002	626,992
		34,818,969	26,632,535	24,081,866
Total assets		162,813,971	155,525,762	112,734,314
Equity and liabilities				
Equity				
Share capital	8	11,136,939	9,684,295	9,684,295
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		70,807,733	75,561,350	53,326,432
Retained earnings		16,570,843	11,950,808	9,671,066
		133,275,920	131,956,858	104,394,096
Non-current liabilities				
Long-term provisions		1,184,453	1,097,127	1,085,957
Current liabilities				
Trade accounts payable		1,054,119	984,694	634,589
Other payables and accruals		7,058,338	4,881,673	4,435,114
Short term loans	9	20,138,319	16,578,319	1,985,123
Due to banks	7	102,822	27,091	199,435
		28,353,598	22,471,777	7,254,261
Total equity and liabilities		162,813,971	155,525,762	112,734,314

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

	Share capital 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
Payment of cash dividend (Note 10)	-	-	-	-	-	(4,842,147)	(4,842,147)
Issue of bonus shares (Note 10)	1,452,644	-	-	-	-	(1,452,644)	-
Net change in fair value	-	-	-	-	(4,753,617)	-	(4,753,617)
Net profit for the period	-	-	-	-	-	10,914,826	10,914,826
Balance at 30 June 2006	11,136,939	8,986,130	8,986,130	16,788,145	70,807,733	16,570,843	133,275,920
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
Payment of cash dividend	-	-	-	-	-	(10,846,411)	(10,846,411)
Issue of bonus shares	1,936,859	-	-	-	-	(1,936,859)	-
Net change in fair value	-	-	-	-	22,777,932	-	22,777,932
Net profit for the period	-	-	-	-	-	9,200,733	9,200,733
Balance at 30 June 2005	9,684,295	7,462,079	7,462,079	16,788,145	53,326,432	9,671,066	104,394,096

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

Statement of cash flows

	Notes	Six months ended 30 June 2006 (Unaudited) KD	Six months ended 30 June 2005 (Unaudited) KD
OPERATING ACTIVITIES			
Profit from operations		11,363,542	9,599,926
Adjustments:			
Depreciation		417,261	384,073
Provision for end of service indemnity		100,751	85,708
Interest expense		632,298	74,679
Interest income		(35,430)	(22,185)
Dividend income		(2,791,271)	(2,431,813)
Investment income		(69,041)	(81,096)
Realised loss on sale of available for sale investments		28,470	39
Unrealised (gain)/loss on foreign exchange		-	(18,258)
Profit from disposal of property, plant and equipment		(1,000)	-
Operating profit before changes in operating assets and liabilities		9,645,580	7,591,073
Changes in operating assets and liabilities:			
Inventories		(4,751,147)	4,430,236
Trade accounts receivable		(1,202,669)	(5,092,958)
Other receivables and prepayments		(48,989)	7,974
Trade accounts payable		69,425	195,797
Other payables and accruals		1,669,337	(276,689)
Payments of end of service indemnity		(13,425)	(487)
Net cash from operating activities		5,368,112	6,854,946
INVESTING ACTIVITIES			
Capital expenditure		(340,185)	(112,772)
Investment in unconsolidated subsidiary		(3,591,324)	-
Purchase of available for sale investments		(515,653)	(1,028,566)
Proceeds from disposal of property, plant and equipment		1,000	-
Proceeds from redemption/sale of available for sale investments		146,039	212,986
Dividend income received		2,791,271	2,421,213
Investment income received		69,041	81,096
Interest received		35,430	22,185
Net cash (used in)/from investing activities		(1,404,381)	1,596,142
FINANCING ACTIVITIES			
Payment of cash dividends		(4,783,535)	(10,680,025)
Proceeds from short term loans		3,560,000	-
Interest paid		(632,298)	(74,679)
Net cash used in financing activities		(1,855,833)	(10,754,704)
Net increase/(decrease) in cash and cash equivalents		2,107,898	(2,303,616)
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	5,897,809	427,557

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 June 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 9 August 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 financials statements have been presented in Kuwaiti Dinars which is the functional currency of the company.

Operating results for the six-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		Six months ended	
	30 June 2006 (Unaudited)	30 June 2005 (Unaudited)	30 June 2006 (Unaudited)	30 June 2005 (Unaudited)
Net profit for the period (KD)	5,079,210	4,090,896	10,914,826	9,200,733
Weighted average number of shares outstanding	111,369,394	111,369,394	111,369,394	111,369,394
Earnings per share	46 Fils	37 Fils	98 Fils	83 Fils

The weighted average number of ordinary shares for 30 June 2005 for the calculations of earnings per share have been adjusted to reflect the capitalisation issue in March 2006 (Note 10).

4 Available for sale investments

	30 June 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 June 2005 (Unaudited) KD
Managed portfolios	93,757,661	101,217,845	67,423,092
Quoted shares	11,862,000	10,140,750	5,668,200
Quoted funds	3,309,896	4,041,930	3,216,247
Quoted preference shares	466,073	470,692	498,933
Unquoted shares	6,923,440	4,879,376	3,404,376
Unquoted funds	2,946,669	2,927,619	3,227,145
	119,265,739	123,678,212	83,437,993

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 June 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 June 2005 (Unaudited) KD
Raw materials	9,123,793	6,430,877	6,322,574
Finished goods	4,382,217	3,606,138	2,834,480
Work-in-progress	3,419,895	1,866,063	1,194,818
Goods in transit and prepaid letters of credit	760,259	1,122,475	751,450
Spare parts	996,982	882,636	805,759
	18,683,146	13,908,189	11,909,081
Provision for obsolete stock	(594,826)	(571,016)	(369,957)
	18,088,320	13,337,173	11,539,124

7 Cash and cash equivalents

	30 June 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD	30 June 2005 (Unaudited) KD
Bank and cash balances	3,095,631	3,817,002	626,992
Fixed deposits maturing with three months	2,905,000	-	-
Due to banks	(102,822)	(27,091)	(199,435)
	5,897,809	3,789,911	427,557

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.

9 Short term loan

Short term loan outstanding at 30 June 2006 was obtained from a local bank. The loan is unsecured and carry interest of 7.25% (31 December 2005: 7.25% and 30 June 2005: 4.842%) per annum. The loan is repayable by November 2006.

10 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.

11 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 June 2006 (Unaudited)			
Gross income	5,496,999	583,543	6,080,542
Profit from operations	5,064,606	249,925	5,314,531
Six months ended 30 June 2006 (Unaudited)			
Gross income	10,088,748	2,873,681	12,962,429
Profit from operations	9,112,758	2,250,784	11,363,542
At 30 June 2006 (Unaudited)			
Total assets	37,051,908	125,762,063	162,813,971
Total liabilities	(29,538,051)	-	(29,538,051)
Net assets employed	7,513,857	125,762,063	133,275,920
Capital expenditure	340,185	-	340,185
Depreciation	417,261	-	417,261
Three months ended 30 June 2005 (Unaudited)			
Gross income	4,373,489	298,165	4,671,654
Profit from operations	4,050,921	245,968	4,296,889
Six months ended 30 June 2005 (Unaudited)			
Gross income	7,846,358	2,535,055	10,381,413
Profit from operations	7,064,871	2,535,055	9,599,926
At 30 June 2005 (Unaudited)			
Total assets	29,296,321	83,437,993	112,734,314
Total liabilities	(8,340,218)	-	(8,340,218)
Net assets employed	20,956,103	83,437,993	104,394,096
Capital expenditure	112,772	-	112,772
Depreciation	384,073	-	384,073

12 Capital commitments

At the balance sheet date the company was committed to purchase investments amounting to KD5,975,797 (31 December 2005 : KD2,903,581 and 30 June 2005 : KD2,579,640) and for capital expenditure amounting to KD27,703 (31 December 2005 : KD330,069 and 30 June 2005 : KD293,087).

13 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD3,852,305 (31 December 2005 : KD3,348,412 and 30 June 2005 : KD3,520,141).

14 Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.