

Interim financial information and review report

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

30 June 2007 (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 Closed Shareholding Company) (the parent company) and its subsidiary (the group), as of 30 June 2007 and the related consolidated statements of income, changes in equity and cash flows for the six-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

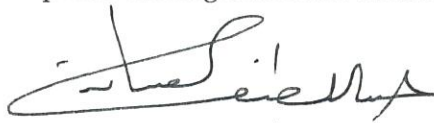
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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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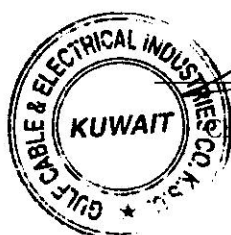
Consolidated statement of income

	Notes	Three months ended		Six months ended	
		30 June 2007	30 June 2006	30 June 2007	30 June 2006
		(Unaudited) KD	(Unaudited) KD	(Unaudited) KD	(Unaudited) KD
Sales		20,611,465	16,148,287	38,314,854	28,956,946
Cost of sales		(14,871,013)	(10,722,451)	(27,758,800)	(19,005,516)
Gross profit		5,740,452	5,425,836	10,556,054	9,951,430
Other income					
Dividend income		626,987	536,837	3,677,103	2,791,271
Investment income		126,357	45,554	239,719	69,041
Realised gain/(loss) on sale of available for sale investments		1,890,309	(21,416)	3,934,592	(28,471)
Interest income		39,314	22,568	92,799	35,430
Other revenue		22,711	999	22,806	29,182
Gain on foreign exchange		85,796	70,164	147,687	114,546
Gross income		8,531,926	6,080,542	18,670,760	12,962,429
Expenses					
Administrative expenses		(416,394)	(172,558)	(839,104)	(416,092)
Commercial expenses		(227,995)	(171,873)	(620,158)	(341,818)
Provision for doubtful debts		(30,000)	(64,152)	(311,345)	(184,869)
Reversal/(provision) for obsolete stock		153,388	(23,810)	13,467	(23,810)
Interest expense		(132,268)	(333,618)	(231,113)	(632,298)
Impairment of goodwill	3	-	-	(759,684)	-
Profit before contribution to KFAS, Directors' remuneration and NLST		7,878,657	5,314,531	15,922,823	11,363,542
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(78,799)	(53,145)	(159,393)	(113,635)
Directors' remuneration		(60,000)	(60,000)	(120,000)	(120,000)
Provision for National Labour Support Tax (NLST)		(181,323)	(122,176)	(306,556)	(215,081)
Profit for the period		7,558,535	5,079,210	15,336,874	10,914,826
Attributable to:					
Shareholders of the parent company		7,559,781	5,079,210	15,353,393	10,914,826
Minority interest		(1,246)	-	(16,519)	-
Profit for the period		7,558,535	5,079,210	15,336,874	10,914,826
Earnings per share	4	47 Fils	38 Fils	95 Fils	82 Fils

The notes set out on pages 7 to 10 form an integral part of this interim financial information.

Consolidated balance sheet

	Notes	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		11,639,236	11,849,389	5,137,939
Available for sale investments	5	255,079,575	142,039,113	119,265,739
Goodwill		-	759,684	-
Investment in unconsolidated subsidiary		-	-	3,591,324
		266,718,811	154,648,186	127,995,002
Current assets				
Inventories	6	27,757,822	26,054,689	18,088,320
Trade accounts receivable		19,170,986	18,536,462	10,603,959
Other receivables and prepayments		323,896	125,737	126,059
Fixed deposits	7	7,824,908	2,639,245	2,905,000
Bank and cash balances	7	1,667,533	1,008,681	3,095,631
		56,745,145	48,364,814	34,818,969
Total assets		323,463,956	203,013,000	162,813,971
Equity and liabilities				
Equity attributable to the shareholders of the parent company				
Share capital	8	16,148,562	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		200,773,593	90,735,973	70,807,733
Foreign currency translation reserve		(38,175)	15,705	-
Retained earnings		25,654,400	21,534,789	16,570,843
		310,656,404	191,610,136	133,275,920
Minority interest		357,164	513,871	-
		311,013,568	192,124,007	133,275,920
Non-current liabilities				
Long-term provisions		1,358,423	1,203,417	1,184,453
Long term loan	9	2,715,094	3,233,318	-
		4,073,517	4,436,735	1,184,453
Current liabilities				
Trade accounts payable		1,320,881	666,786	1,054,119
Other payables and accruals		3,904,507	4,737,233	7,058,338
Current portion of long term loan	9	905,031	359,257	-
Short term loan	9	1,264,408	-	20,138,319
Due to banks	7	982,044	688,982	102,822
		8,376,871	6,452,258	28,353,598
Total equity and liabilities		323,463,956	203,013,000	162,813,971



Bader Naser Al-Khorafi
Chairman and Managing Director

The notes set out on pages 7 to 10 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 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	-	-	-	-	-	(3,946,379)	-	-	(3,946,379)	-	(3,946,379)
Net change in fair value	-	-	-	-	-	113,983,999	-	-	113,983,999	-	113,983,999
Movement in foreign currency translation reserve	-	-	-	-	-	-	(53,880)	-	(53,880)	(3,495)	(57,375)
Net income recognised directly in equity	-	-	-	-	-	110,037,620	(53,880)	-	109,983,740	(3,495)	109,980,245
Profit/(loss) for the period	-	-	-	-	-	-	-	15,353,393	15,353,393	(16,519)	15,336,874
Total recognised income and expense for the period	-	-	-	-	-	110,037,620	(53,880)	15,353,393	125,337,133	(20,014)	125,317,119
Issue of share capital (Note 8)	120,315	2,716,268	-	-	-	-	-	-	2,836,583	-	2,836,583
Payment of cash dividend (Note 10)	-	-	-	-	-	-	-	(9,127,448)	(9,127,448)	-	(9,127,448)
Issue of bonus shares (Note 10)	2,106,334	-	-	-	-	-	-	(2,106,334)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(136,693)	(136,693)
Balance at 30 June 2007	16,148,562	29,160,075	11,084,902	11,084,902	16,788,145	200,773,593	(38,175)	25,654,400	310,656,404	357,164	311,013,568

The notes set out on pages 7 to 10 form an integral part of this interim financial information.

Consolidated statement of changes in equity (Unaudited) (continued)

	Attributable to shareholders of the parent company						
	Share capital KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Fair value reserve 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
Net change in fair value	-	-	-	-	(4,753,617)	-	(4,753,617)
Net loss recognised directly in equity	-	-	-	-	(4,753,617)	-	(4,753,617)
Profit for the period	-	-	-	-	-	10,914,826	10,914,826
Total recognised income and expense for the period	-	-	-	-	(4,753,617)	10,914,826	6,161,209
Payment of cash dividend	-	-	-	-	-	(4,842,147)	(4,842,147)
Issue of bonus shares	1,452,644	-	-	-	-	(1,452,644)	-
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

The notes set out on pages 7 to 10 form an integral part of this interim financial information.

Consolidated statement of cash flows

	Note	Six months ended 30 June 2007 (Unaudited) KD	Six months ended 30 June 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		15,336,874	10,914,826
Adjustments:			
Depreciation		417,851	417,261
Provision for staff indemnity		159,218	100,751
Interest expense		231,113	632,298
Interest income		(92,799)	(35,430)
Dividend income		(3,677,103)	(2,791,271)
Investment income		(239,719)	(69,041)
Realised (gain)/loss on sale of available for sale investments		(3,934,592)	28,471
Impairment of goodwill		759,684	-
Profit from disposal of property, plant and equipment		-	(1,000)
		8,960,527	9,196,865
Changes in operating assets and liabilities:			
Inventories		(1,703,133)	(4,751,147)
Trade accounts receivable		(634,524)	(1,202,669)
Other receivables and prepayments		(198,159)	(48,989)
Trade accounts payable		654,095	69,425
Other payables and accruals		(960,078)	2,118,052
Staff indemnity paid		(4,212)	(13,425)
Net cash from operating activities		6,114,516	5,368,112
INVESTING ACTIVITIES			
Capital expenditure		(268,637)	(340,185)
Investment in unconsolidated subsidiary		-	(3,591,324)
Purchase of available for sale investments		(9,134,184)	(515,653)
Proceeds from disposal of property, plant and equipment		-	1,000
Proceeds from redemption/ net sale of available for sale investments		10,065,933	146,039
Purchase of subsidiary		(136,693)	-
Dividend income received		3,677,103	2,791,271
Investment income received		239,719	69,041
Interest received		92,799	35,430
Net cash from/(used in) investing activities		4,536,040	(1,404,381)
FINANCING ACTIVITIES			
Proceeds from share capital		2,836,583	-
Payment of dividends		(9,000,096)	(4,783,535)
Proceeds from term loans		1,291,958	3,560,000
Interest paid		(231,113)	(632,298)
Net cash used in financing activities		(5,102,668)	(1,855,833)
Increase in cash and cash equivalents		5,547,888	2,107,898
Foreign currency translation		3,565	-
Cash and cash equivalents at the beginning of the period	7	2,958,944	3,789,911
Cash and cash equivalents at the end of the period	7	8,510,397	5,897,809

The notes set out on pages 7 to 10 form an integral part of this interim financial information.

Notes to the interim financial information

30 June 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 six month period ended 30 June 2007 was authorised for issue by the parent company’s board of directors on 7 August 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 six-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:

	Three months ended		Six months ended	
	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)
Profit for the period attributable to the shareholders of the parent company (KD)	7,559,781	5,079,210	15,353,393	10,914,826
Weighted average number of shares outstanding	161,485,622	132,432,736	161,060,200	132,432,736
Earnings per share	47 Fils	38 Fils	95 Fils	82 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 (Note 10).

5 Available for sale investments

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Managed portfolios	218,170,777	108,788,537	93,757,661
Quoted shares	19,400,850	17,568,810	11,862,000
Quoted funds	5,230,966	3,577,357	3,309,896
Quoted preference shares	492,188	466,073	466,073
Unquoted shares	8,915,815	8,948,440	6,923,440
Unquoted funds	2,868,979	2,689,896	2,946,669
	255,079,575	142,039,113	119,265,739

6 Inventories

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Raw materials	9,270,279	10,876,949	9,123,793
Finished goods	11,976,375	8,436,006	4,382,217
Work-in-progress	3,042,469	4,283,655	3,419,895
Spare parts	1,183,536	1,110,774	996,982
	25,472,659	24,707,384	17,922,887
Provision for obsolete stock	(959,946)	(973,413)	(594,826)
	24,512,713	23,733,971	17,328,061
Goods in transit and prepaid letters of credit	3,245,109	2,320,718	760,259
	27,757,822	26,054,689	18,088,320

7 Cash and cash equivalents

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Fixed deposit maturing within three months	7,824,908	2,639,245	2,905,000
Bank and cash balances	1,667,533	1,008,681	3,095,631
Due to banks	(982,044)	(688,982)	(102,822)
	8,510,397	2,958,944	5,897,809

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 Term loans

Long term loan amounting to US\$12,500,000 was obtained during the period from a regional bank. The loan is unsecured and carry interest of 6.650% per annum. The loan is repayable in eight instalments of US\$1,562,500 and repayable by 30 April 2011. Instalments due within the next twelve months are shown under current liabilities.

Short term loan outstanding at 30 June 2007 was obtained from a local bank. The loan is unsecured and carry interest of 6.423% (31 December 2006: 6.75% and 30 June 2006: 7.25%) per annum. The loan is repayable by 13 February 2008.

10 Dividend paid

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.

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 30 June 2007 (Unaudited)			
Gross income	5,838,277	2,693,649	8,531,926
Segment profit	5,317,276	2,561,381	7,878,657
Unallocated expenses			(320,122)
Profit for the period			7,558,535
Capital expenditure	143,470	-	143,470
Depreciation	210,188	-	210,188
Six months ended 30 June 2007 (Unaudited)			
Gross income	10,729,344	7,941,416	18,670,760
Segment profit	8,941,930	6,980,893	15,922,823
Unallocated expenses			(585,949)
Profit for the period			15,336,874
Capital expenditure	268,637	-	268,637
Depreciation	417,851	-	417,851
Impairment of goodwill	759,684	-	759,684

11 Segmental information (continued)

	Cable manufacture KD	Investment KD	Total KD
Three months ended 30 June 2006 (Unaudited)			
Gross income	5,496,999	583,543	6,080,542
Segment profit	5,064,606	249,925	5,314,531
Unallocated expenses			(235,321)
Profit for the period			5,079,210
Capital expenditure	251,734	-	251,734
Depreciation	216,096	-	216,096
Six months ended 30 June 2006 (Unaudited)			
Gross income	10,088,748	2,873,681	12,962,429
Segment profit	9,112,758	2,250,784	11,363,542
Unallocated expenses			(448,716)
Profit for the period			10,914,826
Capital expenditure	340,185	-	340,185
Depreciation	417,261	-	417,261

12 Capital commitments

At the balance sheet date the group was committed to purchase investments amounting to KD2,702,566 (31 December 2006 : KD2,003,549 and 30 June 2006 : KD5,975,797) and to purchase new machinery and equipment amounting to KD2,419,609 (31 December 2006 : to KD3,050,371 and 30 June 2006 : KD27,703).

13 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD4,568,984 (31 December 2006 : KD3,781,987 and 30 June 2006 : KD3,852,305).