

Consolidated interim financial information and review report

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

30 June 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 consolidated financial information

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) (the parent company) and its subsidiary (the group), as of 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended. The parent company's directors are responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim 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 consolidated 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 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 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 period that might have had a material effect on the business of the group or on its financial position.



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

Kuwait

13 August 2008



Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Consolidated statement of income

	Note	Three months ended (Unaudited)		Six months ended (Unaudited)	
		30 June 2008	30 June 2007	30 June 2008	30 June 2007
		KD	KD	KD	KD
Sales		28,577,146	20,611,465	55,072,233	38,314,854
Cost of sales		(22,819,520)	(14,871,013)	(43,432,761)	(27,758,800)
Gross profit		5,757,626	5,740,452	11,639,472	10,556,054
Other income					
Dividend income		3,207,617	626,987	7,351,606	3,677,103
Investments income		26,548	126,357	453,391	239,719
Realised gain on sale of available for sale investments		269,700	1,890,309	273,656	3,934,592
Interest income		30,976	39,314	91,142	92,799
Other revenue		18,710	22,711	19,010	22,806
(Loss)/gain on foreign exchange		(54,526)	85,796	(71,853)	147,687
Gross income		9,256,651	8,531,926	19,756,424	18,670,760
Expenses					
Administrative expenses		(473,823)	(416,394)	(898,025)	(839,104)
Commercial expenses		(548,137)	(227,995)	(909,299)	(620,158)
Provision for doubtful debts		-	(30,000)	-	(311,345)
Reversal of provision for obsolete stock		138,282	153,388	411,537	13,467
Interest expense		(460,207)	(132,268)	(1,003,540)	(231,113)
Impairment of goodwill		-	-	-	(759,684)
Profit before contribution to KFAS, NLST Zakat and Directors' remuneration		7,912,766	7,878,657	17,357,097	15,922,823
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(79,145)	(78,799)	(173,375)	(159,393)
National Labour Support Tax (NLST)		(169,165)	(181,323)	(303,063)	(306,556)
Zakat		(55,610)	-	(106,296)	-
Directors' remuneration		(77,500)	(60,000)	(155,000)	(120,000)
Profit for the period		7,531,346	7,558,535	16,619,363	15,336,874
Attributable to:					
Shareholders of the parent company		7,533,084	7,559,781	16,599,772	15,353,393
Minority interest		(1,738)	(1,246)	19,591	(16,519)
Profit for the period		7,531,346	7,558,535	16,619,363	15,336,874
Earnings per share	3	36 Fils	36 Fils	79 Fils	73 Fils

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

Consolidated balance sheet

	Notes	30 June 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	30 June 2007 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		13,563,676	11,627,112	11,639,236
Available for sale investments	4	246,772,919	248,450,493	255,079,575
		260,336,595	260,077,605	266,718,811
Current assets				
Inventories	5	39,046,553	34,712,801	27,757,822
Trade accounts receivable		28,541,741	27,518,805	19,170,986
Other receivables and prepayments		1,302,430	3,063,895	323,896
Fixed deposits	6	-	200,614	7,824,908
Cash and banks balances	6	5,651,294	2,982,536	1,667,533
		74,542,018	68,478,651	56,745,145
Total assets		334,878,613	328,556,256	323,463,956
Equity and liabilities				
Equity attributable to the shareholders of the parent company				
Share capital	7	20,993,131	16,148,562	16,148,562
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		133,751,209	163,861,329	200,773,593
Foreign currency translation reserve		(528,027)	(353,687)	(38,175)
Retained earnings		35,265,181	31,584,259	25,654,400
		263,228,078	284,987,047	310,656,404
Minority interest		321,186	311,743	357,164
		263,549,264	285,298,790	311,013,568
Non-current liabilities				
Long-term provisions		1,498,019	1,376,202	1,358,423
Long term loan	8	2,219,583	2,573,906	2,715,094
		3,717,602	3,950,108	4,073,517
Current liabilities				
Trade accounts payable		1,349,910	1,018,834	1,320,881
Other payables and accruals	4	34,187,785	5,634,751	3,904,507
Current portion of long term loan	8	554,896	571,979	905,031
Short term loans	8	27,362,857	27,398,658	1,264,408
Due to banks	6	4,156,299	4,683,136	982,044
		67,611,747	39,307,358	8,376,871
Total liabilities		71,329,349	43,257,466	12,450,388
Total equity and liabilities		334,878,613	328,556,256	323,463,956

Bader Naser Al-Khorafi
Chairman and Managing Director

The notes set out on pages 7 to 11 form an integral part of this interim consolidated 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	-	-	-	-	-	(273,656)	-	-	(273,656)	-	(273,656)
Net change in fair value	-	-	-	-	-	(29,836,464)	-	-	(29,836,464)	-	(29,836,464)
Movement in foreign currency translation reserve	-	-	-	-	-	-	(174,340)	-	(174,340)	(10,148)	(184,488)
Net loss recognised directly in equity	-	-	-	-	-	(30,110,120)	(174,340)	-	(30,284,460)	(10,148)	(30,294,608)
Profit for the period	-	-	-	-	-	-	-	16,599,772	16,599,772	19,591	16,619,363
Total recognised (expense)/income for the period	-	-	-	-	-	(30,110,120)	(174,340)	16,599,772	(13,684,688)	9,443	(13,675,245)
Payment of cash dividends (note 9)	-	-	-	-	-	-	-	(8,074,281)	(8,074,281)	-	(8,074,281)
Issue of bonus shares (note 9)	4,844,569	-	-	-	-	-	-	(4,844,569)	-	-	-
Balance at 30 June 2008	20,993,131	29,160,075	13,899,182	13,899,182	16,788,145	133,751,209	(528,027)	35,265,181	263,228,078	321,186	263,549,264

The notes set out on pages 7 to 11 form an integral part of this interim consolidated 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	-	-	-	-	-	(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/(loss) 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	120,315	2,716,268	-	-	-	-	-	-	2,836,583	-	2,836,583
Payment of cash dividend	-	-	-	-	-	-	-	(9,127,448)	(9,127,448)	-	(9,127,448)
Issue of bonus shares	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 11 form an integral part of this interim consolidated financial information.

Consolidated statement of cash flows

	Note	Six months ended 30 June 2008 (Unaudited) KD	Six months ended 30 June 2007 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		16,619,363	15,336,874
Adjustments:			
Depreciation		599,653	417,851
Provision for staff indemnity		131,805	159,218
Interest expense		1,003,540	231,113
Interest income		(91,142)	(92,799)
Dividend income		(7,351,606)	(3,677,103)
Investments income		(453,391)	(239,719)
Realised gain on sale of available for sale investments		(273,656)	(3,934,592)
Foreign exchange gain on non-operating liabilities		(128,092)	-
Impairment of goodwill		-	759,684
		10,056,474	8,960,527
Changes in operating assets and liabilities:			
Inventories		(4,333,752)	(1,703,133)
Trade accounts receivable		(1,022,936)	(634,524)
Other receivables and prepayments		1,761,465	(198,159)
Trade accounts payable		331,076	654,095
Other payables and accruals		(597,555)	(960,078)
Staff indemnity paid		(9,988)	(4,212)
Net cash from operating activities		6,184,784	6,114,516
INVESTING ACTIVITIES			
Capital expenditure		(2,739,617)	(268,637)
Purchase of available for sale investments		(137,034)	(9,134,184)
Proceeds from redemption/sale of available for sale investments		1,078,897	10,065,933
Acquisition of subsidiary		-	(136,693)
Dividend income received		7,351,606	3,677,103
Investments income received		453,391	239,719
Interest received		91,142	92,799
Net cash from investing activities		6,098,385	4,536,040
FINANCING ACTIVITIES			
Proceeds from share capital		-	2,836,583
Payment of dividends		(8,024,445)	(9,000,096)
Net (payment)/proceeds from term loans		(279,115)	1,291,958
Interest paid		(1,003,540)	(231,113)
Net cash used in financing activities		(9,307,100)	(5,102,668)
Increase in cash and cash equivalents		2,976,069	5,547,888
Foreign currency adjustment		18,912	3,565
Cash and cash equivalents at beginning of the period	6	(1,499,986)	2,958,944
Cash and cash equivalents at end of the period	6	1,494,995	8,510,397

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

Notes to the interim consolidated financial information

30 June 2008 (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 consolidated financial information for the six-month period ended 30 June 2008 was authorised for issue by the parent company’s board of directors on 13 August 2008.

2 Significant accounting policies

Basis of presentation

The interim 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 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 2007.

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

This interim consolidated 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 six month period ended 30 June 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 (Unaudited)		Six months ended (Unaudited)	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Profit for the period attributable to the shareholders of the parent company (KD)	7,533,084	7,559,781	16,599,772	15,353,393
Weighted average number of shares	209,931,308	209,931,308	209,931,308	209,505,886
Earnings per share	36 Fils	36 Fils	79 Fils	73 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 9).

4 Available for sale investments

	30 June 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	30 June 2007 (Unaudited) KD
Managed portfolios	202,180,572	212,191,444	218,170,777
Quoted shares	29,559,051	19,606,860	19,400,850
Quoted funds	5,149,828	5,339,594	5,230,966
Quoted preference shares	-	-	492,188
Unquoted shares	7,991,806	8,717,431	8,915,815
Unquoted funds	1,891,662	2,595,164	2,868,979
	246,772,919	248,450,493	255,079,575

At 30 June 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 KD1,891,662 (31 December 2007: KD2,595,164 and 30 June 2007: KD2,868,979). 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 30 June 2007: KD3,300,000) 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

	30 June 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	30 June 2007 (Unaudited) KD
Raw materials	9,295,319	10,001,005	9,270,279
Finished goods	11,976,631	12,338,840	11,976,375
Work-in-progress	8,682,530	7,324,003	3,042,469
Spare parts	1,257,253	1,217,516	1,183,536
	31,211,733	30,881,364	25,472,659
Provision for obsolete stock	(668,790)	(1,080,327)	(959,946)
	30,542,943	29,801,037	24,512,713
Goods in transit and prepaid letters of credit	8,503,610	4,911,764	3,245,109
	39,046,553	34,712,801	27,757,822

6 Cash and cash equivalents

	30 June 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	30 June 2007 (Unaudited) KD
Fixed deposits maturing within three months	-	200,614	7,824,908
Cash and banks balances	5,651,294	2,982,536	1,667,533
Due to banks	(4,156,299)	(4,683,136)	(982,044)
	1,494,995	(1,499,986)	8,510,397

7 Share capital

	30 June 2008 (Unaudited) KD	31 Dec. 2007 (Audited) KD	30 June 2007 (Unaudited) KD
Authorised share of 100 Kuwait fils each	20,993,131	16,148,562	16,148,562
Issued and fully paid, share of 100 Kuwait fils each	20,993,131	16,148,562	16,148,562

The annual general meeting of the shareholders held on 13 April 2008 approved the increase in the authorised capital from KD16,148,562 to KD20,993,131 by issue of 48,445,690 bonus shares.

8 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 30 June 2008 were obtained from local banks. The loans are unsecured and carry effective interest of 6.88% (31 December 2007: 6.42% and 30 June 2007: 6.42%) per annum. The loans are repayable within twelve months of the balance sheet date.

9 Dividend and bonus shares

The 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 and paid following that approval.

10 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 2008 (Unaudited)			
Gross income	5,850,185	3,406,466	9,256,651
Segment profit	4,867,251	3,045,515	7,912,766
Unallocated expenses			(381,420)
Profit for the period			7,531,346
Capital expenditure	1,907,609	-	1,907,609
Depreciation	302,755	-	302,755
Six months ended 30 June 2008 (Unaudited)			
Gross income	11,923,830	7,832,594	19,756,424
Segment profit	10,494,188	6,862,909	17,357,097
Unallocated expenses			(737,734)
Profit for the period			16,619,363
Capital expenditure	2,739,617	-	2,739,617
Depreciation	599,653	-	599,653
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 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.

	30 June 2008 (Unaudited) KD		30 June 2007 (Unaudited) KD	
Amounts included in consolidated balance sheet				
Purchase of property, plant and equipment	106,323		219,594	
	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2008 KD	30 June 2007 KD	30 June 2008 KD	30 June 2007 KD
Amounts included in consolidated statement of income				
Sales	383,207	292,807	712,738	732,274
Key management compensation:				
Salaries and other short term benefits	109,054	95,000	218,108	175,000
Terminal benefits	272	186	543	371
	109,326	95,186	218,651	175,371

12 Capital commitments

At the balance sheet date the group was committed to purchase investments amounting to KD2,587,660 (31 December 2007: KD2,550,713 and 30 June 2007: KD2,702,566) and to purchase new machinery and equipment amounting to KD2,147,294 (31 December 2007: KD2,769,091 and 30 June 2007: KD2,419,609).

13 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD4,040,306 (31 December 2007: KD5,679,889 and 30 June 2007: KD4,568,984).

14 Derivative financial instruments

During the period the parent company entered into a 5 year interest rate swap with a local financial institution with a notional principal amount 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 30 June 2008 was not material to the group's financial statements.