

Interim financial information and review report

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

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

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2007	30 Sept. 2006	30 Sept. 2007	30 Sept. 2006
	KD	KD	KD	KD
Sales	22,622,350	17,584,259	60,937,204	46,541,205
Cost of sales	(14,511,976)	(10,718,529)	(42,270,776)	(29,724,045)
Gross profit	8,110,374	6,865,730	18,666,428	16,817,160
Other income				
Dividend income	53,174	50,640	3,730,277	2,841,911
Investment income	116,315	235,778	356,034	304,819
Realised gain/(loss) on sale of available for sale investments	211,704	-	4,146,296	(28,471)
Interest income	76,508	58,446	169,307	93,876
Other revenue	501	478	23,307	29,660
Gain on foreign exchange	125,738	106,948	273,425	221,494
Gross income	8,694,314	7,318,020	27,365,074	20,280,449
Expenses				
Administrative expenses	(407,890)	(274,609)	(1,246,994)	(690,701)
Commercial expenses	(312,440)	(237,179)	(932,598)	(578,997)
Provision for doubtful debts	(15,000)	-	(326,345)	(184,869)
Reversal/(provision) for obsolete stock	39,196	(200,913)	52,663	(224,723)
Interest expense	(153,775)	(419,182)	(384,888)	(1,051,480)
Impairment of goodwill	-	-	(759,684)	-
Profit before contribution to KFAS, Directors' remuneration and NLST	7,844,405	6,186,137	23,767,228	17,549,679
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(78,602)	(61,862)	(237,995)	(175,497)
Directors' remuneration	(60,000)	(60,000)	(180,000)	(180,000)
Provision for National Labour Support Tax (NLST)	(208,974)	(151,607)	(515,530)	(366,688)
Profit for the period	7,496,829	5,912,668	22,833,703	16,827,494
Attributable to:				
Shareholders of the parent company	7,512,557	5,912,668	22,865,950	16,827,494
Minority interest	(15,728)	-	(32,247)	-
Profit for the period	7,496,829	5,912,668	22,833,703	16,827,494
Earnings per share	47 Fils	44 Fils	142 Fils	126 Fils

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

Consolidated balance sheet

	Notes	30 Sept. 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 Sept. 2006 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		11,562,813	11,849,389	4,985,969
Available for sale investments	5	256,249,133	142,039,113	129,299,536
Goodwill		-	759,684	-
Investment in unconsolidated subsidiary		-	-	3,591,324
		267,811,946	154,648,186	137,876,829
Current assets				
Inventories	6	34,488,233	26,054,689	25,389,749
Trade accounts receivable		23,553,507	18,536,462	14,029,830
Other receivables and prepayments		915,765	125,737	136,828
Due from subsidiary		-	-	1,849
Fixed deposits	7	6,479,408	2,639,245	2,910,850
Cash and bank balances	7	1,476,843	1,008,681	2,831,980
		66,913,756	48,364,814	45,301,086
Total assets		334,725,702	203,013,000	183,177,915
Equity and liabilities				
Equity attributable to the shareholders of the parent company				
Share capital	8	16,148,562	13,921,913	11,332,959
Share premium		29,160,075	26,443,807	1,862,191
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		186,178,339	90,735,973	79,307,571
Foreign currency translation reserve		(239,681)	15,705	-
Retained earnings		33,166,957	21,534,789	22,483,511
		303,372,201	191,610,136	149,746,637
Minority interest		329,708	513,871	-
		303,701,909	192,124,007	149,746,637
Non-current liabilities				
Long-term provisions		1,350,744	1,203,417	1,190,261
Long term loan	9	2,925,000	3,233,318	-
		4,275,744	4,436,735	1,190,261
Current liabilities				
Trade accounts payable		1,358,698	666,786	1,012,122
Other payables and accruals		4,535,461	4,737,233	4,801,953
Current portion of long term loan	9	585,000	359,257	-
Short term loans	9	12,075,945	-	25,138,319
Due to banks	7	8,192,945	688,982	1,288,623
		26,748,049	6,452,258	32,241,017
Total equity and liabilities		334,725,702	203,013,000	183,177,915

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	-	-	-	-	-	(4,157,745)	-	-	(4,157,745)	-	(4,157,745)
Net change in fair value	-	-	-	-	-	99,600,111	-	-	99,600,111	-	99,600,111
Movement in foreign currency translation reserve	-	-	-	-	-	-	(255,386)	-	(255,386)	(15,224)	(270,610)
Net income/(loss) recognised directly in equity	-	-	-	-	-	95,442,366	(255,386)	-	95,186,980	(15,224)	95,171,756
Profit/(loss) for the period	-	-	-	-	-	-	-	22,865,950	22,865,950	(32,247)	22,833,703
Total recognised income and expense for the period	-	-	-	-	-	95,442,366	(255,386)	22,865,950	118,052,930	(47,471)	118,005,459
Issue of share capital (Note 8)	120,315	2,716,268	-	-	-	-	-	-	2,836,583	-	2,836,583
Payment of 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	-	-	-	-	-	-	-	-	-	(136,692)	(136,692)
Balance at 30 September 2007	16,148,562	29,160,075	11,084,902	11,084,902	16,788,145	186,178,339	(239,681)	33,166,957	303,372,201	329,708	303,701,909

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	Share premium 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	-	-	-	-	-	3,746,221	-	3,746,221
Net income recognised directly in equity	-	-	-	-	-	3,746,221	-	3,746,221
Profit for the period	-	-	-	-	-	-	16,827,494	16,827,494
Total recognised income and expense for the period	-	-	-	-	-	3,746,221	16,827,494	20,573,715
Payment of dividend	-	-	-	-	-	-	(4,842,147)	(4,842,147)
Issue of bonus shares	1,452,644	-	-	-	-	-	(1,452,644)	-
Issue of share capital	196,020	1,862,191	-	-	-	-	-	2,058,211
Balance at 30 September 2006	11,332,959	1,862,191	8,986,130	8,986,130	16,788,145	79,307,571	22,483,511	149,746,637

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

Consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2007 (Unaudited) KD	Nine months ended 30 Sept. 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		22,833,703	16,827,494
Adjustments:			
Depreciation		709,137	640,251
Provision for staff indemnity		179,101	120,702
Interest expense		384,888	1,051,480
Interest income		(169,307)	(93,876)
Dividend income		(3,730,277)	(2,841,911)
Investment income		(356,034)	(304,819)
Realised (gain)/loss on sale of available for sale investments		(4,146,296)	28,471
Impairment of goodwill		759,684	-
Gain on disposal of property, plant and equipment		-	(1,000)
		16,464,599	15,426,792
Changes in operating assets and liabilities:			
Inventories		(8,433,544)	(12,052,576)
Trade accounts receivable		(5,017,045)	(4,628,540)
Other receivables and prepayments		(790,029)	(59,758)
Due from subsidiary company		-	(1,849)
Trade accounts payable		691,912	27,428
Other payables and accruals		(279,943)	(78,829)
Staff indemnity paid		(31,774)	(27,568)
Net cash from/(used in) operating activities		2,604,176	(1,394,900)
INVESTING ACTIVITIES			
Capital expenditure		(726,375)	(411,205)
Investment in unconsolidated subsidiary		-	(3,591,324)
Purchase of available for sale investments		(25,481,309)	(2,220,689)
Proceeds from disposal of property, plant and equipment		-	1,000
Proceeds from redemption/ sale of available for sale investments		10,859,950	317,115
Purchase of subsidiary		(136,692)	-
Dividend income received		3,730,277	2,841,911
Investment income received		356,034	304,819
Interest received		169,307	93,876
Net cash used in investing activities		(11,228,808)	(2,664,497)
FINANCING ACTIVITIES			
Proceeds from share capital		2,836,583	2,058,211
Payment of dividends		(9,049,279)	(4,843,038)
Proceeds from term loans		11,993,370	8,560,000
Interest paid		(384,888)	(1,051,480)
Net cash from financing activities		5,395,786	4,723,693
(Decrease)/increase in cash and cash equivalents		(3,228,846)	664,296
Foreign currency translation		33,208	-
Cash and cash equivalents at beginning of the period	7	2,958,944	3,789,911
Cash and cash equivalents at end of the period	7	(236,694)	4,454,207

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 September 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 nine-month period ended 30 September 2007 was authorised for issue by the parent company’s board of directors on 12 November 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 nine-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 (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2007	30 Sept. 2006	30 Sept. 2007	30 Sept. 2006
Profit for the period attributable to the shareholders of the parent company (KD)	7,512,557	5,912,668	22,865,950	16,827,494
Weighted average number of shares outstanding	161,485,626	133,592,915	161,203,566	133,562,432
Earnings per share	47 Fils	44 Fils	142 Fils	126 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 Sept. 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 Sept. 2006 (Unaudited) KD
Managed portfolios	221,837,377	108,788,537	95,938,846
Quoted shares	17,282,160	17,568,810	18,055,350
Quoted funds	5,655,603	3,577,357	3,474,829
Quoted preference shares	-	466,073	466,073
Unquoted shares	8,915,815	8,948,440	8,573,440
Unquoted funds	2,558,178	2,689,896	2,790,998
	256,249,133	142,039,113	129,299,536

6 Inventories

	30 Sept. 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 Sept. 2006 (Unaudited) KD
Raw materials	8,776,519	10,876,949	9,696,615
Finished goods	17,550,516	8,436,006	6,352,134
Work-in-progress	4,446,347	4,283,655	2,700,782
Spare parts	1,234,537	1,110,774	1,056,816
	32,007,919	24,707,384	19,806,347
Provision for obsolete stock	(920,750)	(973,413)	(795,739)
	31,087,169	23,733,971	19,010,608
Goods in transit and prepaid letters of credit	3,401,064	2,320,718	6,379,141
	34,488,233	26,054,689	25,389,749

7 Cash and cash equivalents

	30 Sept. 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 Sept. 2006 (Unaudited) KD
Fixed deposit maturing within three months	6,479,408	2,639,245	2,910,850
Cash and bank balances	1,476,843	1,008,681	2,831,980
Due to banks	(8,192,945)	(688,982)	(1,288,623)
	(236,694)	2,958,944	4,454,207

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 6.65% per annum. The loan is repayable in twelve instalments of US\$1,041,667 and repayable by 30 April 2011. Instalments due within the next twelve months are shown under current liabilities.

Short term loans outstanding at 30 September 2007 were obtained from local banks. The loans are unsecured and carry interest of 6.42% (31 December 2006: 6.75% and 30 September 2006: 7.25%) per annum. The loans are repayable within twelve months of the balance sheet date.

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 (Unaudited) KD	Investment (Unaudited) KD	Total (Unaudited) KD
Three months ended 30 September 2007			
Gross income	8,160,881	533,433	8,694,314
Segment profit	7,432,087	412,318	7,844,405
Unallocated expenses			(347,576)
Profit for the period			7,496,829
Capital expenditure	457,737	-	457,737
Depreciation	291,286	-	291,286
Nine months ended 30 September 2007			
Gross income	18,890,225	8,474,849	27,365,074
Segment profit	16,374,017	7,393,211	23,767,228
Unallocated expenses			(933,525)
Profit for the period			22,833,703
Capital expenditure	726,375	-	726,375
Depreciation	709,137	-	709,137
Impairment of goodwill	759,684	-	759,684

11 Segmental information (continued)

	Cable manufacture (Unaudited) KD	Investment (Unaudited) KD	Total (Unaudited) KD
Three months ended 30 September 2006			
Gross income	6,979,566	338,454	7,318,020
Segment profit/(loss)	6,225,484	(39,347)	6,186,137
Unallocated expenses			(273,469)
Profit for the period			5,912,668
Capital expenditure	71,020	-	71,020
Depreciation	222,990	-	222,990
Nine months ended 30 September 2006			
Gross income	17,068,314	3,212,135	20,280,449
Segment profit	15,338,242	2,211,437	17,549,679
Unallocated expenses			(722,185)
Profit for the period			16,827,494
Capital expenditure	411,205	-	411,205
Depreciation	640,251	-	640,251

12 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 Sept. 2007 (Unaudited) KD	30 Sept. 2006 (Unaudited) KD
Amounts included in consolidated balance sheet		
Purchase of property, plant and equipment	475,201	82,000
Amounts included in consolidated statement of income		
Sales	1,246,878	1,426,661
Industrial expenses	146,942	-
Key management compensation:		
Salaries and other short term benefits	240,000	112,500
Terminal benefits	1,125	1,125

13 Capital commitments

At the balance sheet date the group was committed to purchase investments amounting to KD2,699,778 (31 December 2006 : KD2,003,549 and 30 September 2006 : KD5,927,160) and to purchase new machinery and equipment amounting to KD2,470,521 (31 December 2006: to KD3,050,371 and 30 September 2006 : KD847,842).

14 Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD5,344,157 (31 December 2006 : KD3,781,987 and 30 September 2006 : KD4,147,710).