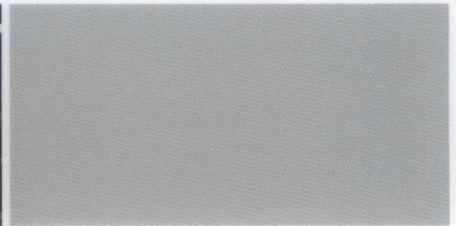
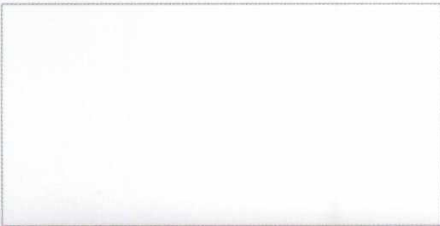


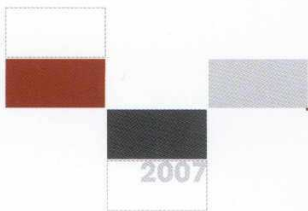
شركة الخليج للكابلات والصناعات الكهربائية ش.م.ك.
Gulf Cable & Electrical Industries Co. K.S.C.

Annual Report

2007



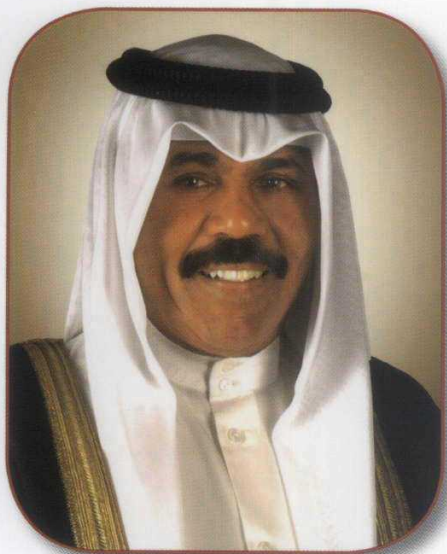
**In The Name of God
most Gracious.
Most Merciful**





H. H. Sheikh
Sabah Al Ahmad Al Jaber
Al Sabah

The Amir of the State of Kuwait



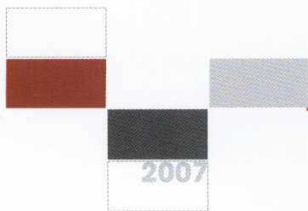
H. H. Sheikh
Nawaf Al Ahmad
Al Jaber Al Sabah

The Crown Prince
of the State of Kuwait



H. H. Sheikh
Naser Al Mohammad
Al Ahmad Al Sabah

The Prime Minister of the
State of Kuwait



Members of the Board of Directors

Mr. Bader Naser Mohammad Al-Kharafi

Chairman of the Board and Managing Director

Mr. Asaad Ahmad Omran Al-Banwan

Vice Chairman

Mr. Bader Mohammad Abdul-Wahab Al-Juan

Member

Mr. Sabah Khalid Saleh Al-Ghunaim

Member

Mr. Jaheel Mohammad Abdul Rahman Al-Jaheel

Member

Mr. Jamal Naser Hamad Al-Falah

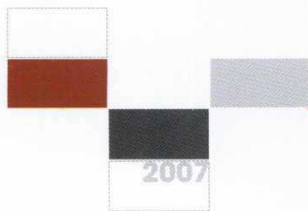
Member

Mr. Yusuf Ibrahim Yusuf Al-Raqm

Member

Mr. Mohammad Saad Mohammad Al-Saad

Member



2007

Gulf Cable and Electrical Industries Company

KSC - Kuwait

Commercial Registration No. 23213

Telephones : 4675244 (7 Lines)

Fax No. : 4675305 - 4675850

P.O. Box: 1196 Safat - 13012 Kuwait

Website : www.gulfcable.com

E-mail: info@gulfcable.com

Address

Al-Sulaibiya - Fifth Street - Area 11 A

Main Banks

National Bank of Kuwait

Gulf Bank

Bank of Kuwait and the Middle East

Burgan Bank

Commercial Bank of Kuwait

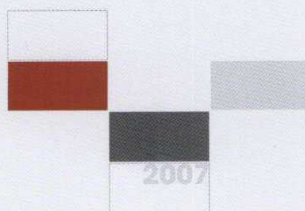
Industrial Bank of Kuwait

External Auditors

Anwar Al-Qatami - Grant Thornton

UHY-Fawzia Mubarak Al-Hassawi

2007



Thirty First Annual Report of the Board of Directors

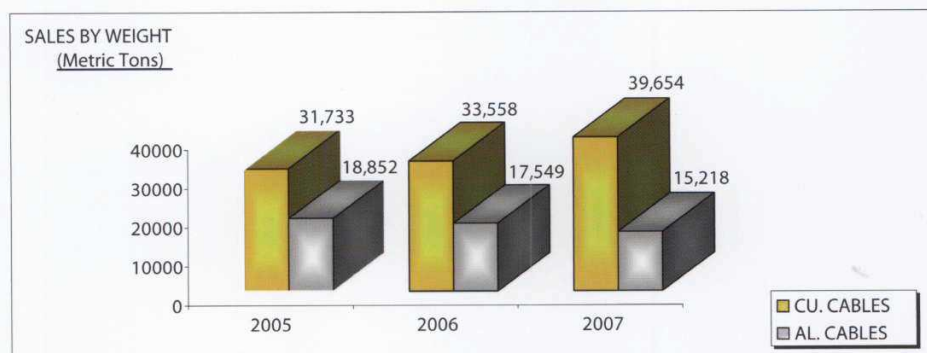
For The Year Ended
December 31, 2007

Dear Shareholders,

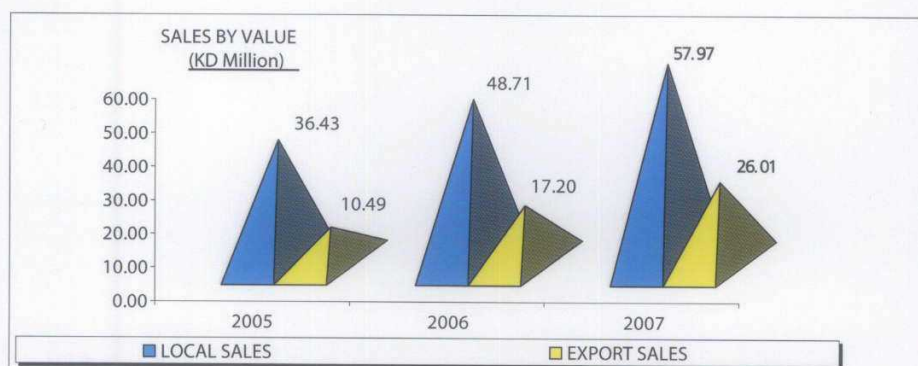
Once again we have the pleasure to welcome you to this general assembly, to review the company's achievements during the year ended December 31, 2007.

Dear Brothers,

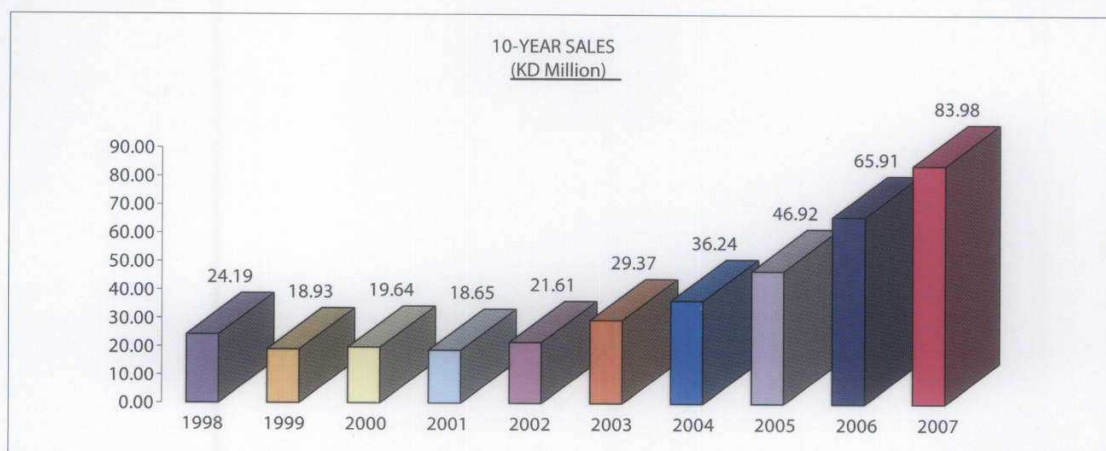
As you all know, production is the main concern of the company. Therefore, taking care of the quality on one hand and being able to meet the demands of the markets on the other constitute the main focus of all the company's departments. Your company, with the help of God and then the efforts exerted by all levels of personnel, was able to achieve the highest standards of quality and to again exceed the limits of the licensed capacity of fifty thousand tons a year. The production this year was 54.05 thousand tons compared to 50.83 thousand tons the year before, i.e. an increase of approximately 6.34%.



This increase in production allowed an increase in sales in a percentage of 27.42% where total sales increased from 65.91 to 83.98 million KD in 2007, export sales increased from 17.20 to 26.01 million KD i.e. an increase of 51.22% over the sales of 2006, and local sales increased from 48.71 to 57.97 million KD, i.e. an increase of 19.01 %.

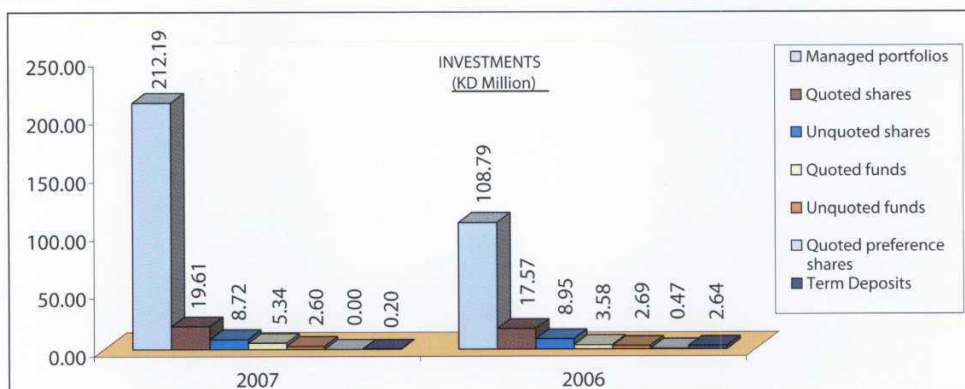
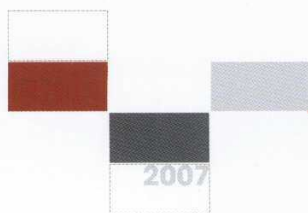


In this field, we would like to inform you that four out of our nine factories in Jordan started production operations, namely Cables, Enameled Wires, BOPP Film and Carton Core Factories. The administrative and technical staffs are exerting every possible effort to operate these factories to full capacity as soon as possible, in order to be able to meet the demands of the Jordanian and neighboring markets. Our subsidiary in Jordan realized, since the commencement of production and until the end of the year, total sales of around three million Jordanian Dinars being a part of total purchase orders of about five million Jordanian Dinars that will be supplied in addition to new orders during 2008, God willing.



Dear Shareholders,

As for investments, the market value rose from 144.68 in 2006 to 248.65 million KD in 2007 as a result of capital enhancement and rise in market value. The net revenues of investments reached 8.43 million KD approximately in 2007 in comparison with 3.44 million KD in 2006.



Dear Shareholders,

During last year, the different departments of the company realized many achievements, including, but not limited to, the following:

The technical and IT departments:

- The new administration building was executed and handed over by the contractor and is currently being furnished and equipped with computers and office furniture and office requirements. The main yards, car parking lots and other external complementary works are also underway.
- The contractor started works of the cement floors to expand the open storage areas.
- Plans were made and several purchase orders were issued for suppliers to equip the factories in Kuwait and Jordan with new machines and equipment during 2008 to develop the work in the production and maintenance departments and in the laboratories.
- Raise the production efficiency which led to the decrease in the scrap ratio in the raw materials. New methods were also found to benefit from these materials.
- Obtaining of the ISO certification 14001-2004 for the Environmental Management System.
- Obtaining of the OHSAS certification 18001-1999 for the Occupational Health & Safety Management System
- Renewal of the ISO certification 9001-2000 for Quality Management system.
- New resources for raw materials were found which guarantees the continuity of procurement and decrease of cost.
- The cost of cable drums was reduced through the repair and recycling of old drums, scrap woods and wires.
- New communication and computer systems were introduced and the existing systems were developed including the use of BlackBerry to communicate between the Chairman and department managers thus facilitating and speeding the process of taking the appropriate decision at the right moment.

Human Resources and Administrative Affairs Department:

First: Labor

1. Kuwait

The changes in the technical and administrative sector during 2007 resulted in the increase of total number of technical and administrative employees from 496 to 520. The increase mainly targeted the technical sector due to the continuing expansions the company witnessed in 2007 in the production sectors and supporting departments. The expansion also included the Information Systems Department whereas the project of electronic archiving of all the documents of the several company departments was initiated.

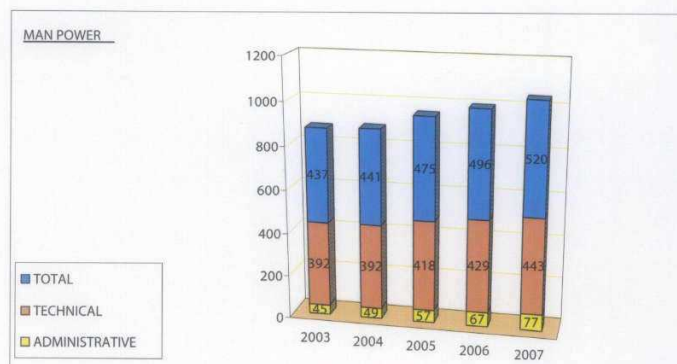
Moreover, the company constantly cooperates with the Government Labor Restructuring Program for the employment of Kuwaiti nationals in the different departments as per the requirements available from time to time. The company's management works hard to prepare the national cadres who are suitable to the company's future plans. The following table shows the development of manpower during the preceding five years:

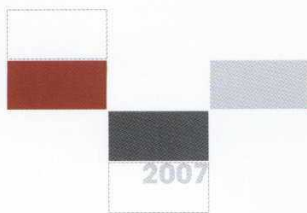
	New employment		Total in 31 December		Technical	Administrative
2003	92	345	437	6	392	45
2004	25	416	441	7	392	49
2005	55	420	475	11	418	57
2006	62	434	596	10	429	67
2007	55	465	520	15	443	77

2. Jordan

The number of laborers in Jordan complex (Gulf Cables and Multi Industries Company - Al-Mafraq area), our subsidiary company, reached, until 31/12/2007, 232 employees distributed as follows:

Nationality	Number
Arabs	200 employees
Foreigners	32 employees





The Human Resources and Administrative Affairs Department is working hard to attract the technical and administrative candidates who have good experience in these two fields. The company management in Kuwait is also sending some of the skilled technicians to train the Jordanians in order to develop their standards.

The Human Resources Department participated in one of the specialized exhibitions (Jordanian Exhibition for Jobs and Training) during the period from 13 to 15 November 2007 to create a database for those qualified to work in the company's factories in the future.

Second: Training

The company constantly cooperates with the Kuwait Foundation for the Advancement of Sciences with regards to the participation of the employees in the training courses held by specialized institutions and academies. The employees of the Administrative Affairs, Sales, Quality and Information Systems departments participated in training courses to develop their skills and experience in such a manner that goes along with the development in the occupational requirements in their areas of work. As a completion of the works of the Internal Training Section, under the Administrative Affairs Department, we organized several internal courses in 2007 for a number of the company employees especially in the fields of (security and health policy system 18001, Environmental Management System 14001-2004, first aids, and monthly training sessions on fire fighting and methods of dealing with fires of all kinds. The total duration of training reached 1705 hours during 2007.

In addition, the company is always cooperating with Kuwait University - College of Engineering and Petroleum - and with the Public Authority for Applied Education and Training by offering more services to the students through field visits during the year to closely study the production chain and the technical work in the mechanical and electrical maintenance departments.

Third: General activities

The company managed to participate in external and local exhibitions to widen the local and regional customers' base, whereas the Marketing Department participated in an exhibition in the State of Kuwait (Reconstruction Iraq Exhibition) as well as in external exhibitions in Jordan, Bahrain and the United Arab Emirates.

The company, represented by its Chairman and Managing Director, honored engineer Abdul Mohsin Ibrahim Al-Fares, the former Chairman and General Manager, for his efforts during the period of his management of this big industrial company, thus making it one of the biggest industrial landmarks and becoming the pride of the Gulf region and of the national industry due to the quality of its products resulting from the implementation of international quality controls 9001.

On this occasion, the company also honored more than 51 employees who served in the company for more

than 25 continuous years. Moreover, another 21 employees were honored for their excellent performance during 2007. No doubt that this nice gesture did leave a big impression on the employees. The company's senior management is creating an atmosphere of fair competition thus making the employees feel that they are working within one family, and thus do their best efforts for the advancement of the company on regional and then on an international level, especially after owning the huge industrial complex in Jordan.

Dear Shareholders,

The industrial and investment activities of the company resulted in the realization of net profits amounting to 26.87 million KD in 2007, i.e. an increase of 33.97% compared to last year, including 18.44 million KD from the industrial activity and 8.43 million KD from the returns on investments, that after the deduction of the share of Kuwait Foundation for the Advancement of Sciences, the national labor support tax, Zakat and the Board of Directors remunerations totaling amount of 1.23 million KD. The administrative and general expenses reached 3.33 million KD approximately, the finance burdens 0.91 million KD approximately and the increase in the allowances 0.45 million KD approximately. Note that the profits of 2007 did not include any return of provisions.

Based on these results, the Board of Directors decided in its meeting held on January 03, 2008 to propose a recommendation for your approval to distribute cash dividends in a percentage of 50% per share (i.e. 50 Fils per share) and to distribute bonus shares in a percentage of 30% per share (i.e. 30 shares per one hundred shares) compared to the distributions of last year being 65% cash and 15% bonus shares.

The Board of Directors approved the closing financial statements on 16 March 2008, which shows that the total partners' equity for the year ended December 31, 2007 amounted to about 285.30 million KD approximately compared with 192.12 million KD in 2006, i.e. an increase of about 48.50%.

Finally, I ask the Supreme and Almighty God to grant us continuous success. We look forward to more advancement and development with the help of God and then with your permanent support and assistance to the management. I would like to close my word by expressing my deepest thanks to all the managers, technicians and staff in both Kuwait and Jordan for their efforts and dedicated work. We hope all this will continue for the best of all of us.

Thank you,



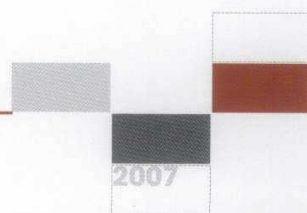
Bader Naser Al-Kharafi

Chairman Managing Director

**Consolidated financial statements and
independent auditors report**

**Gulf Cable and Electrical Industries Company - KSC
and Subsidiary**

**Kuwait
31 December 2007**



2007

Consolidated financial statements and independent auditors report

**for the year ending in
31 December 2007**

Independent auditors' report

To the shareholders of

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

Report on the Consolidated Financial Statements

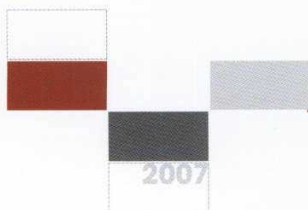
We have audited the accompanying consolidated financial statements of Gulf Cable and Electrical Industries Company (A Kuwaiti Shareholding Company) (the parent company) and its Subsidiary (the group), which comprise the consolidated balance sheet as at 31 December 2007, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and the explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The parent company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2007, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, nor of the articles of association of the parent company, as amended, have occurred during the year that might have had a material effect on the business of the group or on its financial position.

Anwar Y. Al-Qatami, F.C.C.A.

(Licence No. 50-A)

of Grant Thornton – Anwar Al-Qatami & Co.

Fawzia Mubarak Al-Hassawi

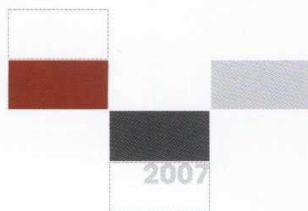
(Licence No. 80-A)

of UHY-Fawzia Mubarak Al-Hassawi

Consolidated statement of income

	Notes	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Sales		83,982,574	65,913,777
Cost of sales	5	(58,765,272)	(44,495,889)
Gross profit		25,217,302	21,417,888
Dividend income		3,730,277	2,921,454
Investment income		358,605	310,269
Realised gain/(loss) on sale of available for sale of investments		4,138,017	(28,471)
Interest income	6	200,588	241,649
Other revenue		30,429	42,388
(Loss)/gain on foreign exchange		(128,058)	299,074
		33,547,160	25,204,251
Expenses and other charges			
Administrative expenses	5	(1,855,340)	(1,288,316)
Commercial expenses	5	(1,472,724)	(809,887)
Provision for doubtful debts		(342,095)	(382,961)
Provision for obsolete stock		(106,914)	(402,397)
Interest expense	8	(911,181)	(1,354,239)
Impairment of goodwill	12	(759,684)	-
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		28,099,222	20,966,451
Contribution to KFAS		(281,428)	(209,877)
NLST		(624,113)	(461,526)
Zakat		(15,447)	-
Directors' remuneration		(310,000)	(240,000)
Profit for the year		26,868,234	20,055,048
Attributable to:			
Shareholders of the parent company		26,911,812	20,076,316
Minority interest		(43,578)	(21,268)
Profit for the year		26,868,234	20,055,048
Earnings per share	9	167 Fils	134 Fils

The notes set out on pages 8 to 24 form an integral part of these consolidated financial statements.



Consolidated balance sheet

	Notes	31 Dec. 2007 KD	31 Dec. 2006 KD
Assets			
Non-current assets			
Property, plant and equipment	10	11,627,112	11,849,389
Available for sale investments	11	248,450,493	142,039,113
Goodwill	12	-	759,684
		260,077,605	154,648,186
Current assets			
Inventories	13	34,712,801	26,054,689
Trade accounts receivable	14	27,518,805	18,536,462
Other receivables and prepayments		3,063,895	125,737
Fixed deposits	21	200,614	2,639,245
Cash and bank balances	21	2,982,536	1,008,681
		68,478,651	48,364,814
Total assets		328,556,256	203,013,000
Equity and liabilities			
Equity attributable to the shareholders of the parent company			
Share capital	15	16,148,562	13,921,913
Share premium	16	29,160,075	26,443,807
Legal reserve	17	13,899,182	11,084,902
Voluntary reserve	17	13,899,182	11,084,902
General reserve		16,788,145	16,788,145
Fair value reserve		163,861,329	90,735,973
Foreign currency translation reserve		(353,687)	15,705
Retained earnings		31,584,259	21,534,789
		284,987,047	191,610,136
Minority interest		311,743	513,871
Total equity		285,298,790	192,124,007
Non-current liabilities			
Long-term provisions	18	1,376,202	1,203,417
Long term loan	19	2,573,906	3,233,318
		3,950,108	4,436,735
Current liabilities			
Trade accounts payable		1,018,834	666,786
Other payables and accruals	20	5,634,751	4,737,233
Current portion of long term loan	19	571,979	359,257
Short term loans	19	27,398,658	-
Due to banks	21	4,683,136	688,982
		39,307,358	6,452,258
Total liabilities		43,257,466	10,888,993
Total equity and liabilities		328,556,256	203,013,000

Bader Naser Al-Kharafi
Chairman and Managing Director

The notes set out on pages 8 to 24 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to shareholders of the parent company							Minority interest	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	General reserve	Fair value reserve	Foreign currency translation reserve		
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2005	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	-	-	-	-	-	15,174,623	-	-	15,174,623
Movement in foreign currency translation reserve	-	-	-	-	-	-	15,705	-	15,705
Net income recognised directly in equity	-	-	-	-	-	15,174,623	15,705	1,274	15,191,602
Profit/(loss) for the year	-	-	-	-	-	-	-	20,076,316	20,076,316
Total recognised income and expense for the year	-	-	-	-	-	15,174,623	15,705	(19,994)	35,246,650
Payment of cash dividend	-	-	-	-	-	-	-	(4,842,147)	(4,842,147)
Issue of bonus shares	1,452,644	-	-	-	-	-	-	(1,452,644)	-
Issue of share capital	2,784,974	26,443,807	-	-	-	-	-	-	29,228,781
Transfer to reserves	-	-	2,098,772	2,098,772	-	-	-	(4,197,544)	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	533,865
Balance at 31 December 2006	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

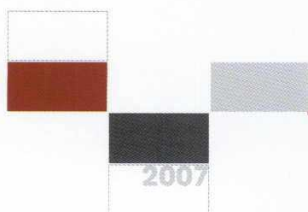
Consolidated statement of changes in equity (continued)

	Attributable to shareholders of the parent company							Minority interest	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	General reserve	Fair value reserve	Foreign currency translation reserve		
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2006	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
Realised gain from sale of available for sale investments	-	-	-	-	-	(4,138,017)	-	-	(4,138,017)
Change in fair value	-	-	-	-	-	77,263,373	-	-	77,263,373
Movement in foreign currency translation reserve	-	-	-	-	-	-	(369,392)	(21,858)	(391,250)
Net income/(loss) recognised directly in equity	-	-	-	-	-	73,125,356	(369,392)	-	72,755,964
Profit/(loss) for the year	-	-	-	-	-	-	-	26,911,812	26,911,812
Total recognised income and expense for the year	-	-	-	-	-	73,125,356	(369,392)	(65,436)	99,602,340
Payment of cash dividend (Note 22)	-	-	-	-	-	-	-	(9,127,448)	(9,127,448)
Issue of bonus shares (Note 22)	2,106,334	-	-	-	-	-	-	(2,106,334)	-
Issue of share capital (Note 15)	120,315	2,716,268	-	-	-	-	-	-	2,836,583
Transfer to reserves	-	-	2,814,280	2,814,280	-	-	-	(5,628,560)	-
Acquisition of subsidiary	-	-	-	-	-	-	-	(136,692)	(136,692)
Balance at 31 December 2007	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

The notes set out on pages 8 to 24 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
OPERATING ACTIVITIES			
Profit for the year		26,868,234	20,055,048
Adjustments:			
Depreciation		913,596	1,128,214
Provision for staff indemnity		201,811	133,858
Interest expense		911,181	1,354,239
Interest income		(200,588)	(241,649)
Dividend income		(3,730,277)	(2,921,454)
Investment income		(358,605)	(310,269)
Realised (gain)/loss on sale of available for sale investments		(4,138,017)	28,471
Impairment of goodwill		759,684	-
Gain on disposal of property, plant and equipment		-	(1,447)
		21,227,019	19,225,011
Changes in operating assets and liabilities:			
Inventories		(8,658,112)	(12,717,516)
Trade accounts receivable		(8,982,343)	(9,135,172)
Other receivables and prepayments		(2,938,158)	(48,667)
Trade accounts payable		352,048	(317,908)
Other payables and accruals		831,209	(127,783)
Staff indemnity paid		(29,026)	(27,568)
Net cash from/(used in) operating activities		1,802,637	(3,149,603)



Consolidated statement of cash flows (continued)

INVESTING ACTIVITIES

Capital expenditure	(1,141,311)	(644,382)
Net book value of property, plant and equipment disposed	3,364	-
Proceeds from disposal of property, plant and equipment	-	1,447
Purchase of available for sale investments	(40,063,375)	(3,597,827)
Proceeds from redemption / sale of available for sale investments	10,915,367	383,078
Acquisition of subsidiary	(136,692)	(7,344,025)
Dividend income received	3,730,277	2,921,454
Investment income received	358,605	310,269
Interest received	200,588	241,649
Net cash used in investing activities	(26,133,177)	(7,728,337)

FINANCING ACTIVITIES

Proceeds from share capital	2,836,583	29,228,781
Payment of dividends	(9,055,466)	(4,858,804)
Proceeds from/(payment of) term loans	26,951,968	(12,985,744)
Interest paid	(911,181)	(1,354,239)
Net cash from financing activities	19,821,904	10,029,994
Decrease in cash and cash equivalents	(4,508,636)	(847,946)
Foreign currency translation	49,706	16,979
Cash and cash equivalents at beginning of the year	21	2,958,944
Cash and cash equivalents at end of the year	21	(1,499,986)

The notes set out on pages 8 to 24 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ending in
31 December 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 94.5% 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

The board of directors approved these consolidated financial statements for issue on 16 march 2008 and are subject to the approval of the general assembly of the shareholders.

2 - Adoption of new and revised International Financial Reporting Standards

In the current year, the group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements, and IFRIC 10 Interim Financial Reporting and Impairment effective for annual reporting periods beginning 1 November 2006.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the group’s financial statements now feature:

- A sensitivity analysis, to explain the group's market risk exposure in regards to its financial instruments, and
- Net gain or loss on each category of financial assets each at the balance sheet date. The first time adoption of IFRS 7, however, has not resulted in any prior-period adjustments of cash flows, net income or balance sheet line items.

IAS 1 Presentation of Financial Statements

In accordance with the amendments to IAS 1 Presentation of Financial Statements, the group now reports on its capital management's objectives, policies and procedures in each annual financial report.

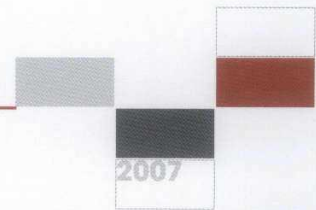
IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 10 Interim Financial Reporting and Impairment prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at amortised cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the group's financial statements.

The following new Standards and Interpretations which are yet to become effective have not been adopted:

- IAS 1 (Revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)
- IAS 23 (Revised) Borrowing costs (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

Based on the group's current business model and accounting policies, management does not expect material impact on the group's financial statements in the period of initial applications of the above interpretations.



IFRS 8 Operating Segments is a disclosure standard which may result in a redesignation of the group's reportable segments but is not expected to have any impact on the results or financial position of the group.

IAS 1 Presentation of Financial Statements has been revised to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as changes in revaluation surplus, gains and losses on remeasuring available for sale investments and gains and losses arising from translating the financial statements of foreign operation may not be presented in the statement of changes in equity. The application of the revised standard is not expected to result in any prior period adjustments of cash flow, net income or balance sheet line items in the initial period of application.

IAS 23 Borrowing Costs has been amended resulting into elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard is not expected to have a material impact on the financial statements in the period of initial application.

The group does not intend to apply any of the above pronouncements early.

The following standards, amendments and interpretations are mandatory for reporting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies; and

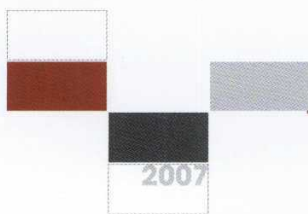
IFRIC 9 Reassessment of Embedded Derivatives.

3 - Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2006. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under historical cost convention, modified to



include measurement at fair value of available for sale investments.

The consolidated financial statements have been presented in Kuwaiti Dinar which is the functional currency of the parent company.

Basis of consolidation

Subsidiaries are those enterprises controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter company balances and transactions, including inter company profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Revenue recognition

Sales represent the invoiced value of goods, net of discounts, supplied by the group during the year. Interest income is recognised on a time proportion basis taking account of the principal outstanding and the rate applicable. Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment is depreciated with effect from the date of purchase by equal annual instalments over the estimated useful lives of the assets.

Capital expenditure on assets in the course of construction are carried under "assets under construction" and are capitalised and transferred to the appropriate asset category once completed, from which time depreciation is applied using the rate applicable to the category concerned.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given including all acquisition costs associated with the investments.

After initial recognition, available for sale investments are remeasured at fair value. For investments traded in organised financial markets, fair value is determined based on the closing bid prices on the balance sheet date.

For investments where there is no quoted market price, reasonable estimate of the fair value is determined

by reference to an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company. Fair value estimates take into account liquidity constraints and assessments for any permanent impairment. Investments whose fair value can not be reliably measured are carried at cost. Any gain or loss arising from remeasurement to fair value for available for sale investments is recognized in the shareholders' equity under fair value reserve account until the investment is sold, collected, or otherwise disposed of or the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in the equity is included in the consolidated statement of income.

Trade date and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the assets. Regular way purchases or sales are transactions that require the delivery of asset within the time frame generally established by regulation or convention in the market place concerned.

Impairment

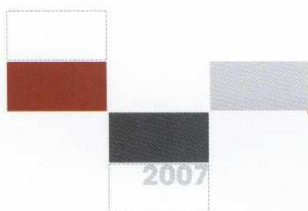
At each consolidated balance sheet date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in the consolidated statement of income.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis. In the case of finished goods and work-in-progress, cost comprises direct materials, direct labour and an appropriate allocation of manufacturing fixed and variable overheads.

Provision for doubtful receivables

Specific provision is made at the balance sheet date for those balances where recovery is considered to be doubtful.



Provision for staff indemnity

Provision is made for amounts payable under the Kuwait labour law applicable to employees' accumulated periods of service as at the consolidated balance sheet date.

Warranty provision

A warranty provision is made to cover potential costs for the replacement of cables previously supplied, which may prove to be defective. The provision is based upon the total sales of the last ten years multiplied by a rate of 0.14% (2006: 0.16%).

Provisions

Provisions are recognised where the group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Cash and cash equivalents

Cash and cash equivalents as presented in the consolidated statement of cash flows consist of fixed deposits maturing within three months, cash and bank balances and due to banks. Those fixed deposits which are due to mature after three months are considered as operating assets.

Foreign currencies

Foreign currency transactions are converted into functional currency of each company at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the rates of exchange ruling at the balance sheet date. All exchange differences arising are reflected in the consolidated statement of income.

As at the reporting date, the assets and liabilities of foreign subsidiary are translated into the parent company's presentation currency (the KD) at the rate of exchange ruling at the balance sheet date, and the statement of income items are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Derivative financial instruments

The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being

the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

4 - Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

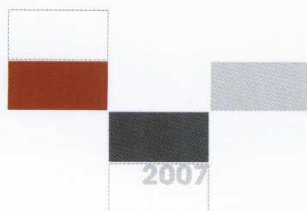
Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same; or
- other valuation models.



Impairment of account receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were KD28,850,895 (2006: KD19,526,457), and the provision for doubtful debts was KD1,332,090 (2006: KD989,995). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories were KD30,881,365 (2006: KD24,707,384), with provision for old and obsolete inventories of KD1,080,327 (2006: KD973,413). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

Critical judgement in applying accounting policies

In the process of applying the group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investment at fair value through income statement depends on how management monitor the performance of these investments. When they are not classified as held for trading

but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

5 - Staff costs

Costs relating to the salaries and benefit entitlements of the group's employees are included in the following accounts:

	2007 KD	2006 KD
Cost of sales	1,653,139	1,376,965
Administrative expenses	1,306,146	915,624
Commercial expenses	271,473	232,537
	3,230,758	2,525,126

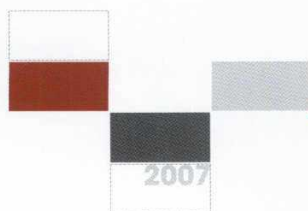
6 - Interest income

	2007 KD	2006 KD
Bank balances	48,479	53,380
Fixed deposits	152,109	188,269
Interest income on financial assets not at fair value	200,588	241,649

7 - Net gain on financial assets

Net gain on financial assets, analysed by category, is as follows:

	2007 KD	2006 KD
Bank balances	48,479	53,380
Fixed deposits	152,109	188,269
Available for sale investments	8,226,899	3,203,252
Net realised gain	8,427,487	3,444,901
Net unrealised gain recognised in equity	73,125,356	15,174,623
	81,552,843	18,619,524



8 - Interest expense

Total interest expense relates to term loans which are financial liabilities stated at amortised cost.

9 - Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the parent company by weighted average number of shares as follows:

	2007	2006
Profit for the year attributable to the shareholders of the parent company (KD)	26,911,812	20,076,316
Weighted average shares in issue during the year (number)	161,274,660	149,716,154
Earnings per share	167 Fils	134 Fils

The weighted average number of shares for the calculation of earnings per share has been adjusted to reflect the bonus issue in April 2007 (Note 22).

10 - Property, plant and equipment

	Land	Buildings	Plant and machinery	Vehicles, furniture and equipment	Agriculture farm and related facilities	Assets under construction	Total
Cost	KD	KD	KD	KD	KD	KD	KD
At 1 January 2007	284,947	5,505,523	14,973,616	942,435	585,487	6,248,896	28,540,904
Additions	-	-	81,046	102,500	-	957,765	1,141,311
Transfer	-	372,396	4,100,438	-	-	(4,472,834)	-
Disposals	-	-	(4,270)	(500)	-	-	(4,770)
Foreign currency adjustment	(17,996)	(39,855)	(257,429)	(2,125)	(36,976)	(104,398)	(458,779)
At 31 December 2007	266,951	5,838,064	18,893,401	1,042,310	548,511	2,629,429	29,218,666
Accumulated depreciation							
At 1 January 2007	-	4,450,373	11,423,459	796,521	21,162	-	16,691,515
Charge for the year	-	113,650	716,684	53,145	30,117	-	913,596
Relating to disposals	-	-	(1,281)	(125)	-	-	(1,406)
Foreign currency adjustment	-	(681)	-	-	(11,470)	-	(12,151)
At 31 December 2007	-	4,563,342	12,138,862	849,541	39,809	-	17,591,554
Net book value							
At 31 December 2007	266,951	1,274,722	6,754,539	192,769	508,702	2,629,429	11,627,112

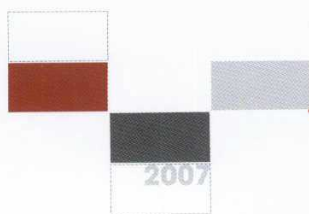
10 - Property, plant and equipment (continued)

	Land	Buildings	Plant and machinery	Vehicles, furniture and equipment	Agriculture farm and related facilities	Assets under construction	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January 2006	-	5,245,198	14,364,543	852,396	-	329,381	20,791,518
Additions	284,947	260,325	1,507	103,241	585,487	6,527,081	7,762,588
Transfer	-	-	607,566	-	-	(607,566)	-
Disposals	-	-	-	(13,202)	-	-	(13,202)
At 31 December 2006	284,947	5,505,523	14,973,616	942,435	585,487	6,248,896	28,540,904
Accumulated depreciation							
At 1 January 2006	-	4,344,842	10,470,204	761,457	-	-	15,576,503
Charge for the year	-	105,531	953,255	48,266	21,162	-	1,128,214
Relating to disposals	-	-	-	(13,202)	-	-	(13,202)
At 31 December 2006	-	4,450,373	11,423,459	796,521	21,162	-	16,691,515
Net book value							
At 31 December 2006	284,947	1,055,150	3,550,157	145,914	564,325	6,248,896	11,849,389

The estimated useful lives for the calculation of depreciation are as follows:

Buildings	20 to 25 years
Plant and machinery	10 years
Vehicles, furniture and equipment	4 to 10 years
Agriculture farm and related facilities	5 to 10 years

The buildings are situated on land leased from the Ministry of Finance on long-term leases, commencing from 1977 and for periods of either 5 or 25 years. The five year leases are renewed periodically and the 25 year lease was renewed in 2002 for five years.



11 - Available for sale investments

	2007 KD	2006 KD
Managed portfolios	212,191,444	108,788,537
Quoted shares	19,606,860	17,568,810
Quoted funds	5,339,594	3,577,357
Quoted preference shares	-	466,073
Unquoted shares	8,717,431	8,948,440
Unquoted funds	2,595,164	2,689,896
	248,450,493	142,039,113

Unquoted investments include investments in private equity funds amounting to KD2,595,164 (2006: KD2,689,896). 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 (2006: KD1,650,000) 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.

12 - Goodwill

During the year, management performed impairment review, based on value in use, of its subsidiary. As a result of review, goodwill was determined to be impaired which was charged to the consolidated statement of income.

13 - Inventories

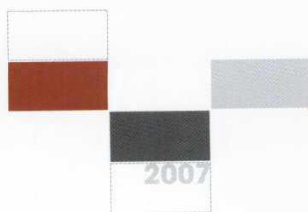
	2007 KD	2006 KD
Raw materials	10,001,005	10,876,949
Finished goods	12,338,840	8,436,006
Work-in-progress	7,324,003	4,283,655
Spare parts	1,217,516	1,110,774
	30,881,364	24,707,384
Provision for obsolete stock	(1,080,327)	(973,413)
	29,801,037	23,733,971
Goods in transit and prepaid letters of credit	4,911,764	2,320,718
	34,712,801	26,054,689

14 - Trade accounts receivable

	2007 KD	2006 KD
Trade account receivable	28,850,895	19,526,457
Provision for doubtful debts	(1,332,090)	(989,995)
	27,518,805	18,536,462

The carrying values of the financial assets included above approximate their fair values and all of them are due within one year.

Trade receivables are non-interest bearing and generally on 30 – 90 days terms.



As at 31 December the aging analysis of trade receivables is as follows;

	2007 KD	2006 KD
Neither past due nor impaired		
Past due but not impaired		
- less than 3 months	25,396,322	13,118,913
- 3 – 6 months	928,874	5,282,618
Impaired		
- over 6 months	2,525,699	1,124,926
Total trade receivables	28,850,895	19,526,457

15 - Share capital

	2007 KD	2006 KD
Authorised, shares of 100 Kuwaiti Fils each	16,148,562	14,042,228
Issued and fully paid, shares of 100 Kuwaiti Fils each	16,148,562	13,921,913

The annual general meeting of the shareholders held on 1 April 2007 approved the increase in the authorised capital from KD14,042,228 to KD16,148,562 by issue of 21,063,342 bonus shares.

During the year, 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 the nominal value was credited to share premium account.

16 - Share premium

Share premium is not available for distribution.

17 - Reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit of the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve. The shareholders of parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the company's articles of association and the Commercial Companies Law 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve. There were no restrictions on distribution of voluntary reserve.

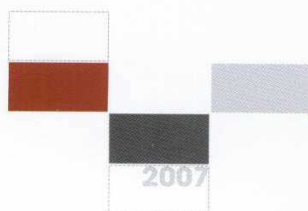
18 - Long term provisions

	2007 KD	2006 KD
Provision for staff indemnity	879,931	707,146
Warranty provision	496,271	496,271
	1,376,202	1,203,417

19 - Term loans

Long term loan amounting to US\$12,500,000 was obtained during the period from a regional bank. The loans are unsecured and carry interest of 1.25% above 3 months LIBOR. The loan is repayable in twelve semi-annual instalments of US\$1,041,667 ending on 01 May 2013. Instalments due within the next twelve months are shown under current liabilities.

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



20 - Other payables and accruals

	2007 KD	2006 KD
Kuwait Foundation for the Advancement of Sciences	281,428	209,877
Provision for National Labour Support Tax	624,113	461,526
Zakat	15,447	-
Directors' remuneration	370,000	280,000
Uncollected dividends	1,479,597	1,407,613
Accrued staff dues	1,882,987	1,305,124
Other liabilities	981,179	1,073,093
	5,634,751	4,737,233

21 - Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise the following consolidated balance sheet accounts:

	2007 KD	2006 KD
Fixed deposits maturing within three months	200,614	2,639,245
Cash and bank balances	2,982,536	1,008,681
Due to banks	(4,683,136)	(688,982)
	(1,499,986)	2,958,944

22 - Proposed dividends and bonus shares

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose a cash dividend of 50 Fils per share and bonus shares of 30% of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The proposed cash dividend of 65 Fils per share amounting to KD9,127,448 and bonus shares of 15% paid up capital for the year ended 31 December 2006 were approved by the general assembly of the shareholders held on 1 April 2007 and paid following that approval.

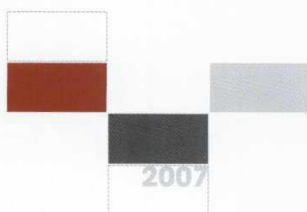
23 - Segmental information

The group's primary basis of segment reporting is by business segments, which consist of cable manufacture and investment activities.

An analysis of gross income, profit, 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
At 31 December 2007			
Gross income	25,499,221	8,047,939	33,547,160
Segment profit	21,553,152	6,546,070	28,099,222
Unallocated expenses			(1,230,988)
Profit for the year			26,868,234
Total assets	79,905,111	248,651,145	328,556,256
Total liabilities	(12,712,923)	(30,544,543)	(43,257,466)
Net assets employed	67,192,188	218,106,602	285,298,790
Capital expenditure	1,141,311	-	1,141,311
Depreciation	913,596	-	913,596
Impairment loss	759,684	-	759,684

	Cable manufacture KD	Investment KD	Total KD
At 31 December 2006			
Gross income	21,752,607	3,451,644	25,204,251
Segment profit	18,792,830	2,173,621	20,966,451
Unallocated expenses			(911,403)
Profit for the year			20,055,048
Total assets	57,547,447	145,465,553	203,013,000
Total liabilities	(10,888,993)	-	(10,888,993)
Net assets employed	46,658,454	145,465,553	192,124,007
Capital expenditure	644,382	-	644,382
Depreciation	1,128,214	-	1,128,214



The group reports its secondary segmental information according to geographical location of its customers and assets, as follows:

	Kuwait and Middle East	International	Total
	KD	KD	KD
At 31 December 2007			
Gross income	33,188,555	358,605	33,547,160
Net assets employed	244,123,386	41,175,404	285,298,790
Capital expenditure	1,141,311	-	1,141,311
At 31 December 2006			
Gross income	24,812,879	391,372	25,204,251
Net assets employed	159,335,646	32,788,361	192,124,007
Capital expenditure	644,382	-	644,382

24 - 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.

	2007 KD	2006 KD
Amounts included in the balance sheet:		
Purchase of property, plant and equipment	724,683	82,000
Amounts included in the consolidated statement of income:		
Sales	1,475,839	2,103,652
Industrial expenses	250,065	-
Key management compensation:		
Salaries and other short term benefits	500,000	349,000
Terminal benefits	3,357	2,127
	503,357	351,127

25 - Capital commitments

At the consolidated balance sheet date the group committed to purchase investments amounting to KD2,550,713 (2006: KD2,003,549) and purchase new machinery and equipment amounting to KD 2,769,091 (2006 : KD3,050,371).

26 - Contingent liabilities

Contingent liabilities at the balance sheet date in respect of outstanding letters of guarantee amounted to KD5,679,889 (2006: KD3,781,987).

27 - Derivative financial instruments

During the year the parent company entered into a 5 year interest rate swap with a local financial institution with a notional principal amounts 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 31 December 2007 was not material to the group's financial statements.

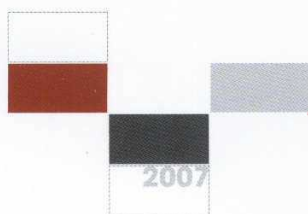
28 - Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed to are described below.



28.1 Market risk

a) Foreign currency risk

The group mainly operates in the GCC and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and Jordanian Dinar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2007 KD	2006 KD
US Dollar	23,108,691	21,233,926
Jordanian Dinar	-	(3,682,575)

The foreign currency sensitivity is determined based on 5% increase or decrease in exchange rate.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year, There is no impact on the group's Equity.

	Profit for the year	
	2007	2006
	KD	KD
US Dollar	98,884	98,457
Jordanian Dinar	-	(184,128)
	98,884	(85,671)

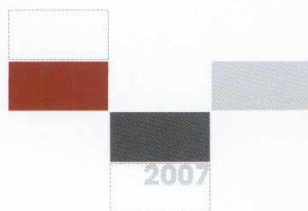
If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the group's profit for the year would have been equal and opposite as disclosed above.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than fixed deposits. The group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. The board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.



The following table illustrates the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2006: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each balance sheet date. All other variables are held constant. There is no impact on the group's Equity.

	2007		2006	
	+1% KD	-1% KD	+1% KD	-1% KD
Profit for the year	(608,885)	608,885	(44,859)	44,859

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as available for sale.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower, the effect on equity would have been as follows:

	Equity	
	2007 KD	2006 KD
5% Increase	12,277,775	6,986,871
5% Decrease	(12,277,775)	(6,986,871)

There is no impact on group's profit for the year,

28.2 Credit risk

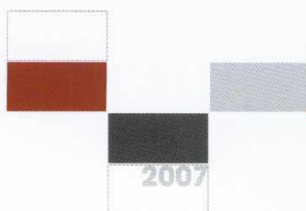
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as summarized below:

	2007 KD	2006 KD
Available for sale investments	217,531,038	112,365,894
Trade accounts receivable	27,518,805	18,536,462
Other receivables and prepayments	3,063,895	125,737
Fixed deposits	200,614	2,639,245
Bank balances	2,736,052	973,029
	251,050,404	134,640,367

Bank balances and fixed deposits are maintained with high credit quality financial institutions. Trade accounts Receivables are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

Information on other significant concentrations of credit risk is set out in note 23.



28.3 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2007 and 2006:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
2007					
Assets					
Property, plant and equipment	-	-	-	11,627,112	11,627,112
Available for sale investments	-	-	-	248,450,493	248,450,493
Inventories	4,339,100	8,678,200	21,695,501	-	34,712,801
Trade accounts receivable	6,879,701	11,007,522	9,631,582	-	27,518,805
Other receivables and prepayments	765,965	1,225,558	1,072,372	-	3,063,895
Fixed deposits	200,614	-	-	-	200,614
Cash and bank balances	2,982,536	-	-	-	2,982,536
	15,167,916	20,911,280	32,399,455	260,077,605	328,556,256
Liabilities					
Long term provisions	-	-	-	1,376,202	1,376,202
Term loans	-	22,970,637	5,000,000	2,573,906	30,544,543
Trade accounts payable	-	1,018,834	-	-	1,018,834
Other payables and accruals	1,145,666	1,718,500	2,770,585	-	5,634,751
Due to banks	4,683,136	-	-	-	4,683,136
	5,828,802	25,707,971	7,770,585	3,950,108	43,257,466

2006**Assets**

Property, plant and equipment	-	-	-	11,849,389	11,849,389
Available for sale investments	-	-	-	142,039,113	142,039,113
Goodwill	-	-	-	759,684	759,684
Inventories	3,256,836	6,513,672	16,284,181	-	26,054,689
Trade accounts receivable	4,634,116	7,414,585	6,487,761	-	18,536,462
Other receivables and prepayments	-	125,737	-	-	125,737
Fixed deposits	-	2,639,245	-	-	2,639,245
Cash and bank balances	1,008,681	-	-	-	1,008,681
	8,899,633	16,693,239	22,771,942	154,648,186	203,013,000

Liabilities

Long term provisions	-	-	-	1,203,417	1,203,417
Term loans	-	359,257	-	3,233,318	3,592,575
Trade accounts payable	-	666,786	-	-	666,786
Other payables and accruals	951,286	1,426,931	2,359,016	-	4,737,233
Due to banks	688,982	-	-	-	688,982
	1,640,268	2,452,974	2,359,016	4,436,735	10,888,993

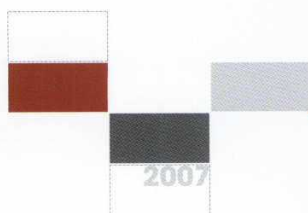
29 - Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated balance sheet may also be categorized as follows:

	2007 KD	2006 KD
Available for sale investments	248,450,493	142,039,113
Trade accounts receivable	27,518,805	18,536,462
Other receivables and prepayments	3,063,895	125,737
Fixed deposits	200,614	2,639,245
Cash and bank balances	2,982,536	1,008,681
	282,216,343	164,349,238

Financial liabilities at amortised cost:

· Term loans	30,544,543	3,592,575
· Due to banks	4,683,136	688,982
Trade accounts payable	1,018,834	666,786
Other payables and accruals	5,634,751	4,737,233
	41,881,264	9,685,576



30 - Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group comprises equity attributable to the shareholders of the parent company. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2007	2006
	KD	KD
Long term loans (note 19)	3,145,885	3,592,575
Short term loans (note 19)	27,398,658	-
Less: Cash and cash equivalents (note 21)	1,499,986	(2,958,944)
Net debt	32,044,529	633,631
Equity attributable to the shareholders of the parent company	284,987,047	191,610,136

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital as follows:

	2007	2006
	KD	KD
Net debt	32,044,529	633,631
Total capital	284,987,047	191,610,136
Gearing ratio	11.2	0.3

Social Activities

The New Administration Building



