

Noor Financial Investment Company K.S.C. (Closed) and Subsidiaries
Kuwait

Independent Auditors' Review Report

and

Interim Condensed Consolidated Financial Information (Unaudited)

31 March 2012

Contents

| | Page |
|---|--------|
| Independent Auditors' Review Report | 1 |
| Interim Condensed Consolidated Statement of Income (unaudited) | 2 |
| Interim Condensed Consolidated Statement of Comprehensive Income (unaudited) | 3 |
| Interim Condensed Consolidated Statement of Financial Position (unaudited) | 4 |
| Interim Condensed Consolidated Statement of Changes in Equity (unaudited) | 5 - 6 |
| Interim Condensed Consolidated Statement of Cash Flows (unaudited) | 7 |
| Notes to the Interim Condensed Consolidated financial information (unaudited) | 8 - 16 |

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NOOR FINANCIAL INVESTMENT COMPANY K.S.C. (CLOSED)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Noor Financial Investment Company K.S.C. (Closed), Kuwait ("the Parent Company") and its subsidiaries ("the Group") as at 31 March 2012 and the related interim condensed consolidated statements of income and comprehensive income for three month period then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim 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 condensed consolidated financial information is not prepared in all material respects, in accordance with the basis of presentation set out in note 2.

Report on review of Other Legal and Regulatory Requirements


Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Commercial Companies' Law of 1960, or of the Parent Company's Articles of Association, as amended, have occurred during the three month period ended 31 March 2012 that might have had a material effect on the business or financial position of the Group.

We further report that, during the course of our review, we have not become aware of any material violation of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the three month period ended 31 March 2012.



Talal Y. Al Muzaini
Licence No. 209A
Deloitte & Touche
Al-Fahad Al-Wazzan & Co.

Kuwait
9 July 2012



Abdullatif M. Al-Aiban (CPA)
Licence No. 94A
Grant Thornton - Al-Qatami
Al-Aiban & Partners

Interim Condensed Consolidated Statement of Income - period ended 31 March 2012 (Unaudited)

| | Note | Kuwaiti Dinars | |
|--|------|--------------------|--------------------|
| | | Three months ended | |
| | | 31 March | |
| | | 2012 | 2011 |
| Income | | | |
| Realised gain on investments at fair value through profit or loss | | 518,345 | 427,332 |
| Unrealised gain/(loss) on investments at fair value through profit or loss | | 332,097 | (3,854,296) |
| Realised gain on sale of available for sale investments | | 197,844 | - |
| Dividend income | | 728,957 | 1,148,921 |
| Share of results of associates | | 2,119,741 | 492,861 |
| Management and placement fees | | 452,280 | 323,773 |
| Interest and other income | 3 | 2,859,777 | 668,863 |
| Foreign exchange loss | | (24,651) | (108,217) |
| | | <u>7,184,390</u> | <u>(900,763)</u> |
| Expenses and other charges | | | |
| General, administrative and other expenses | | 1,084,806 | 1,119,924 |
| Finance costs | | 1,857,865 | 2,065,335 |
| Impairment in value of available for sale investments | 8 | 1,739,014 | 1,311,746 |
| | | <u>4,681,685</u> | <u>4,497,005</u> |
| Profit/(loss) before Zakat and NLST | | 2,502,705 | (5,397,768) |
| Zakat provision | | 17,765 | - |
| National Labour Support Tax (NLST) provision | | 44,857 | - |
| | | <u>62,622</u> | <u>-</u> |
| Profit/(loss) for the period | | <u>2,440,083</u> | <u>(5,397,768)</u> |
| Attributable to: | | | |
| Owners of the Parent Company | | 2,543,828 | (5,125,485) |
| Non-controlling interests | | (103,745) | (272,283) |
| | | <u>2,440,083</u> | <u>(5,397,768)</u> |
| Basic and diluted earnings/(loss) per share (Fils) | 4 | <u>3.47</u> | <u>(6.98)</u> |

The attached notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income – period ended 31 March 2012 (Unaudited)

| | Kuwaiti Dinars | |
|---|--------------------|-------------|
| | Three months ended | |
| | 31 March | |
| | 2012 | 2011 |
| Profit/(loss) for the period | 2,440,083 | (5,397,768) |
| Other comprehensive income | | |
| Exchange differences arising on translation of foreign operations | (417,596) | 44,961 |
| <i>Available for sale investments:</i> | | |
| - Net changes in fair value arising during the period | (502,452) | (4,728,371) |
| - Transferred to consolidated statement of income on impairment | 1,739,014 | 1,311,746 |
| Share of other comprehensive income of associates | (186,176) | (96,660) |
| Total other comprehensive income/(expense) for the period | 632,790 | (3,468,324) |
| Total comprehensive income/(expense) for the period | 3,072,873 | (8,866,092) |
| Total comprehensive income/(expense) attributable to: | | |
| Owners of the Parent Company | 3,395,443 | (8,523,799) |
| Non-controlling interests | (322,570) | (342,293) |
| | 3,072,873 | (8,866,092) |

The attached notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.


Noor Financial Investment Company K.S.C. (Closed) and Subsidiaries
Kuwait

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2012 (Unaudited)

| | | Kuwaiti Dinars | | |
|--|----|---------------------------------|----------------------------------|---------------------------------|
| | | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Note | | | | |
| ASSETS | | | | |
| Cash and bank balances | 5 | 16,765,935 | 24,604,419 | 17,234,622 |
| Short term deposits | 5 | 2,125,992 | 531,652 | 844,965 |
| Murabaha and wakala investments | 5 | 7,295,148 | 6,881,081 | 12,944,206 |
| Investments at fair value through profit or loss | 6 | 24,362,551 | 25,410,548 | 33,404,712 |
| Accounts receivable and other assets | 7 | 39,644,171 | 36,066,153 | 30,350,555 |
| Available for sale investments | 8 | 75,989,175 | 79,195,140 | 90,665,488 |
| Investments in associates | | 47,203,712 | 45,700,541 | 46,283,034 |
| Investment properties | 9 | 14,170,549 | 12,738,998 | 26,043,704 |
| Equipment | | 2,875,207 | 2,971,219 | 2,826,105 |
| Total assets | | 230,432,440 | 234,099,751 | 260,597,391 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Due to banks | 5 | 985,524 | 979,895 | 3,467,495 |
| Accounts payable and other liabilities | | 7,353,698 | 11,984,330 | 3,731,751 |
| Borrowings from banks and financial institutions | 10 | 157,975,422 | 159,944,187 | 158,956,209 |
| Provision for end of service indemnity | | 292,990 | 282,551 | 398,494 |
| Total liabilities | | 166,607,634 | 173,190,963 | 166,553,949 |
| Equity | | | | |
| Equity attributable to owners of the Parent Company | | | | |
| Share capital | 11 | 75,000,000 | 75,000,000 | 75,000,000 |
| Share premium | 11 | 5,896,598 | 5,896,598 | 41,728,788 |
| Treasury shares | | (5,870,926) | (5,870,926) | (5,854,320) |
| Gain on sale of treasury shares | | 71,321 | 71,321 | 71,321 |
| Cumulative changes in fair value | | 5,982,171 | 4,712,960 | 5,080,267 |
| Foreign currency translation reserve | | (8,432,139) | (8,014,543) | (6,420,048) |
| Accumulated losses | | (34,992,914) | (37,536,742) | (63,341,025) |
| Equity attributable to the owners of the Parent Company | | 37,654,111 | 34,258,668 | 46,264,983 |
| Non-controlling interests | | 26,170,695 | 26,650,120 | 47,778,459 |
| Total Equity | | 63,824,806 | 60,908,788 | 94,043,442 |
| Total liabilities and equity | | 230,432,440 | 234,099,751 | 260,597,391 |

The attached notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.


Abdullatif A. Al-Asfour
Chairman & Managing Director


Abdulghani M.S. Behbehani
Vice Chairman

The attached notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity - period ended 31 March 2012 (Unaudited)

| | Kuwaiti Dinars | | | | | | | | |
|--|--|---------------|-----------------|---------------------------------|----------------------------------|--------------------------------------|--------------------|---------------------------|-------------|
| | Attributable to owners of the Parent Company | | | | | | | Non-controlling Interests | Total |
| | Share capital | Share Premium | Treasury shares | Gain on sale of treasury shares | Cumulative changes in fair value | Foreign currency translation reserve | Accumulated losses | Total | |
| Balance as at 1 January 2011 | 75,000,000 | 41,728,788 | (5,896,598) | 109,397 | 8,523,542 | (6,465,009) | (58,215,540) | 54,784,580 | 103,140,490 |
| Disposal of treasury shares | - | - | 42,278 | (38,076) | - | - | - | 4,202 | 4,202 |
| Dividend paid to non-controlling interests by subsidiary | - | - | - | - | - | - | - | - | (12,042) |
| Net change in non-controlling interests | - | - | - | - | - | - | - | - | (223,116) |
| Transactions with owners | - | - | 42,278 | (38,076) | - | - | - | 4,202 | (235,158) |
| Loss for the period | - | - | - | - | - | - | (5,125,485) | (5,125,485) | (272,283) |
| Total other comprehensive income for the period | - | - | - | - | (3,443,275) | 44,961 | - | (3,398,314) | (70,010) |
| Total comprehensive income for the period | - | - | - | - | (3,443,275) | 44,961 | (5,125,485) | (8,523,799) | (342,293) |
| Balance as at 31 March 2011 | 75,000,000 | 41,728,788 | (5,854,320) | 71,321 | 5,080,267 | (6,420,048) | (63,341,025) | 46,264,983 | 47,778,459 |
| | | | | | | | | | 94,043,442 |

The attached notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows - period ended 31 March 2012 (Unaudited)

| | Kuwaiti Dinars | |
|--|--------------------|--------------------|
| | Three months ended | |
| | 31 March | |
| | 2012 | 2011 |
| Operating activities | | |
| Profit/(loss) for the period | 2,440,083 | (5,397,768) |
| <i>Adjustments:</i> | | |
| Realised gain on sale of available for sale investments | (197,844) | - |
| Dividend income | (756,815) | (1,148,921) |
| Share of results of associates | (2,119,741) | (492,861) |
| Interest income and income from wakala and murabaha investments | (41,758) | (76,155) |
| Effect of un-winding of discount on receivables | (274,467) | (199,981) |
| Depreciation | 31,636 | 137,244 |
| Provision for end of service indemnity | 10,439 | 28,767 |
| Finance costs | 1,857,865 | 2,065,335 |
| Impairment in value of available for sale investments | 1,739,014 | 1,311,746 |
| | <u>2,688,412</u> | <u>(3,772,594)</u> |
| <i>Changes in operating assets and liabilities:</i> | | |
| Investments at fair value through profit or loss | 1,047,997 | 6,327,525 |
| Accounts receivable and other assets | (2,590,619) | 1,693,659 |
| Accounts payable and other liabilities | (1,857,116) | (712,947) |
| Net cash (used in)/from operating activities | <u>(711,326)</u> | <u>3,535,643</u> |
| Investing activities | | |
| Proceeds from sale of available for sale investments | 2,901,357 | 164,481 |
| (Acquisition of)/proceeds from wakala investments | (414,066) | 1,819,062 |
| Acquisition of available for sale investment | - | (436,786) |
| Acquisition of investment property | (1,431,551) | (2,204,727) |
| Net change in non-controlling interests | - | (223,116) |
| Dividends received | 138,864 | 1,133,715 |
| Proceed from disposal of equipments | - | 271,678 |
| Interest income | 50,338 | 15,234 |
| Net cash from investing activities | <u>1,244,942</u> | <u>539,541</u> |
| Financing activities | | |
| Repayment of short term borrowings (net) | (1,968,765) | (306,032) |
| Proceeds from disposal of treasury shares | - | 4,202 |
| Dividends paid | (9,840) | (29,766) |
| Payment to subsidiary's shareholders on account of capital reduction | (2,871,141) | - |
| Redemption of units by non controlling interests | (147,015) | - |
| Finance costs paid | (1,786,628) | (2,309,561) |
| Net cash used in financing activities | <u>(6,783,389)</u> | <u>(2,641,157)</u> |
| <i>Net (decrease)/increase in cash and cash equivalents</i> | <u>(6,249,773)</u> | <u>1,434,027</u> |
| Cash and cash equivalents at the beginning of period | 24,041,176 | 13,168,065 |
| Cash and cash equivalents at the end of period (note 5) | <u>17,791,403</u> | <u>14,602,092</u> |

The attached notes on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

1. Incorporation and activities

Noor Financial Investment Company KSC (Closed) ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and from 13 September 2011, also by the Capital Market Authority (CMA), as an investment company and is a subsidiary of National Industries Group Holding SAK ("the Ultimate Parent Company").

The principal objectives of the Parent Company are as follows:

- Investment in various economic sectors through participating in establishing specialized companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others;
- Act as intermediary in borrowing operations in return for commission;

The Parent Company also has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The Parent Company's registered office is at Basement floor, Noor Investment Co. Complex, building 2, block 13, Al-Qibla, Kuwait (P. O. Box 3311, Safat 13034, State of Kuwait).

The Parent Company's Board of Directors approved and authorised this interim consolidated financial information for issue on 9 July 2012.

The annual consolidated financial statements for the year ended 31 December 2011 are approved by the Board of Directors of the Parent Company on 29 May 2012 and subsequently by the Parent Company's shareholders at the Annual General Meeting of the Parent Company's shareholders on 25 June 2012.

2. Basis of presentation and significant accounting policies

2.1 Basis of presentation

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting. The accounting policies used in preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011.

The annual consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

This interim condensed consolidated financial information does not contain all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

Operating results for the interim period are not indicative of the results that may be expected for the year ending 31 December 2012. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2011.

Adoption of new and revised International Financial Reporting Standards

New standards, revisions and amendments to IFRS issued by the International Accounting Standards Board for the annual period beginning on 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but not effective.

3. Interest and other income

| | Kuwaiti Dinars | |
|---|--|----------------|
| | Three months ended 31 March (Unaudited) | |
| | 2012 | 2011 |
| Interest income | | |
| (from call accounts included under bank balances and short term deposits) | 27,507 | 62,822 |
| Income from murabaha and wakala investments | 14,251 | 13,333 |
| Loss from hotel/transportation business of a foreign subsidiary | (269,909) | (71,068) |
| Effect of un-winding of discount on receivables (note 7) | 274,467 | 199,981 |
| Income from financing future trade by customers | 148,765 | 121,654 |
| Rental income | 121,230 | 135,250 |
| Reversal of impairment provision on account receivables (note 7) | 2,500,000 | - |
| Others | 43,466 | 206,891 |
| | <u>2,859,777</u> | <u>668,863</u> |

Details of loss from hotel/transportation business of a foreign subsidiary are as follows:

| | Kuwaiti Dinars | |
|-----------------------|--|-----------------|
| | Three months ended 31 March (Unaudited) | |
| | 2012 | 2011 |
| Revenue | 473,219 | 163,084 |
| Less: Operating costs | (743,128) | (234,152) |
| | <u>(269,909)</u> | <u>(71,068)</u> |

4. Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the owners of the Parent Company for the period by the weighted average number of shares outstanding during the period as follows:

| | Three months ended 31 March (Unaudited) | |
|--|--|--------------------|
| | 2012 | 2011 |
| Profit/(loss) for the period attributable to the owners of Parent Company (KD) | 2,543,828 | (5,125,485) |
| Weighted average number of shares outstanding during the period | 750,000,000 | 750,000,000 |
| Less: Weighted average number of treasury shares outstanding during the period | (16,209,211) | (15,580,241) |
| | <u>733,790,789</u> | <u>734,419,759</u> |
| Basic and diluted earnings/ (loss) per share (Fils) | 3.47 | (6.98) |

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

5. Cash and cash equivalents, murabaha and wakala investments

Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated statement of cash flows are made up of the following:

| | Kuwaiti Dinars | | |
|--|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Cash and bank balances | 16,765,935 | 24,604,419 | 17,234,622 |
| Short term deposits | 2,125,992 | 531,652 | 844,965 |
| Due to banks | (985,524) | (979,895) | (3,467,495) |
| | 17,906,403 | 24,156,176 | 14,612,092 |
| Less: Blocked balances | (115,000) | (115,000) | (10,000) |
| Cash and cash equivalents as per cash flow statement | 17,791,403 | 24,041,176 | 14,602,092 |

KD 1,976,247 as at 31 December 2011 and KD 1,959,831 as at 31 March 2011 included in cash and bank balances was secured against bank loans.

Murabaha and wakala investments

| | Kuwaiti Dinars | | |
|--|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Due from a local Islamic investment company/ due from related parties | 14,968,250 | 14,968,250 | 14,968,250 |
| Provision for impairment in value | (14,968,250) | (14,968,250) | (14,968,250) |
| | - | - | - |
| Placed with local Islamic bank | 7,295,148 | 6,881,081 | 12,944,206 |
| | 7,295,148 | 6,881,081 | 12,944,206 |

No profit was recognised on impaired wakala investments during the current period (31 December 2011 and 31 March 2011: Nil).

Wakala investments of KD 14,968,250 (31 December 2011: KD 14,968,250 and 31 March 2011: KD 14,968,250) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date. Of the above, KD 5,000,000 relates to the subsidiary acquired in 2010. Full provision has been made for these receivables in accordance with the Central Bank of Kuwait credit provisioning rules.

During previous years, the Group violated Articles 148 and 151 of the Commercial Companies Law of 1960 when it assumed the financial and legal obligations on these wakala investments of KD 9,968,250 that the Group had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group has initiated legal proceedings against the parties to recover KD 9,968,250 including profits thereon.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

6. Investments at fair value through profit or loss

| | Kuwaiti Dinars | | |
|---|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| <i>Held for trading:</i> | | | |
| Quoted shares | 21,547,649 | 22,764,647 | 30,518,682 |
| <i>Designated on initial recognition:</i> | | | |
| Local funds | 2,814,902 | 2,645,901 | 2,886,030 |
| | <u>24,362,551</u> | <u>25,410,548</u> | <u>33,404,712</u> |

Quoted shares with a fair value of KD 3,954,855 (31 December 2011: KD 3,849,759 and 31 March 2011: KD 15,601,944) are secured against short term bank loans. Quoted shares with a fair value of KD 9,953,760 (31 December 2011: KD 10,324,418 and 31 March 2011: KD Nil) are secured against long term bank loans.

7. Accounts receivable and other assets

| | Kuwaiti Dinars | | |
|---|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| <i>Financial assets</i> | | | |
| Due from the Ultimate Parent Company (net of discount and provision) | 10,981,721 | 10,793,086 | 11,612,520 |
| Due from other related parties | 537,747 | 944,441 | 583,728 |
| Due from future trade clients | 4,812,463 | 4,556,014 | 4,006,522 |
| Due on sale of investment properties (net) | 7,889,476 | 7,819,434 | - |
| Due from investment brokerage companies | 9,049,684 | 7,436,017 | 9,575,697 |
| Accrued income | 1,614,085 | 1,030,461 | 2,488,998 |
| Advance payments to acquire investments | 1,863,314 | 1,582,784 | 481,516 |
| Other financial assets | 401,793 | 504,511 | 431,380 |
| | <u>37,150,283</u> | <u>34,666,748</u> | <u>29,180,361</u> |
| <i>Non financial assets</i> | | | |
| Advance payments to acquire properties | 800,000 | - | 1,170,194 |
| Other assets | 1,693,888 | 1,399,405 | - |
| | <u>2,493,888</u> | <u>1,399,405</u> | <u>1,170,194</u> |
| | <u>39,644,171</u> | <u>36,066,153</u> | <u>30,350,555</u> |

Due from the Ultimate Parent Company is shown net of discount of KD 737,710 (31 December 2011: KD 942,135 and 31 March 2011: KD 1,553,190). The effect of unwinding of this discount for the period ended 31 March 2012 amounting to KD 204,425 (31 December 2011: KD 811,036 and 31 March 2011: KD 199,981) is recognised as other income (note: 3).

Due on sale of investment properties has been discounted based on an effective interest rate of 5.5% p.a to give effect to the deferred payment term. A charge of KD Nil (31 December 2011: KD 555,748 and 31 March 2011: Nil) has been recognised in the consolidated statement of income. The effect of unwinding of discount on this receivable amounted to KD 70,042 for the period ended at 31 March 2012 (31 December 2011: KD 70,245 and 31 March 2011: Nil), recognised in other income (note 3).

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

Due from the Ultimate Parent Company represents management fee and other receivables of KD 1,333,056 and KD 14,726,097 (31 December 2011: KD 1,224,752 and KD 14,834,400) respectively paid by the Parent Company for the purpose of acquiring certain investments on behalf of the Parent Company. As this transaction could not be concluded, the Ultimate Parent Company has agreed to repay KD 17,250,000 over twenty six months and has provided collateral in the form of shares of an unlisted local entity.

In 2010, an impairment provision of KD 4,323,932 was recognised on the balance due from the Ultimate Parent Company and KD 8,751,373 on balance due from other related parties in the consolidated statement of income based on Central Bank of Kuwait's instructions. In 2011, the Group recognised an impairment loss of KD 846,482 against the due from the Ultimate Parent Company relating to accrued management fees. During the current quarter, based on the agreement between the parties concerned, the Group recovered KD 2,500,000 from the other related parties and consequently reversed the provision made against the receivable.

8. Available for sale investments

| | Kuwaiti Dinars | | |
|------------------|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Quoted shares | 58,014,146 | 61,005,303 | 66,263,007 |
| Unquoted shares | 10,315,259 | 10,325,059 | 18,034,177 |
| Funds (foreign): | 7,659,770 | 7,864,778 | 6,368,304 |
| | <u>75,989,175</u> | <u>79,195,140</u> | <u>90,665,488</u> |

- Available for sale investments include investments in unquoted shares and foreign funds where their fair values cannot be reliably determined and as a result investments with a carrying value of KD 3,885,420 (31 December 2011: KD 3,894,712 and 31 March 2011: KD 1,081,697) are carried at cost. The Group's management is not aware of any circumstance that would indicate impairment/further impairment in value of these investments.
- Quoted shares with a fair value of KD 313,969 (31 December 2011: KD 258,329 and 31 March 2011: 14,444,143) are secured against short term bank loans (note 10a) and KD 11,978,733 (31 December 2011: KD 12,702,936 and 31 March 2011: Nil) are secured against long term bank loans (note 10c).
- During the period, the Group recognized an impairment loss of KD 1,739,014 (31 December 2011: KD 5,166,883 and 31 March 2011: KD 1,311,746) for certain local quoted shares as the market value of these shares at the reporting date declined significantly below their costs.

9. Investment properties

Investment properties comprise of land and buildings in the following countries:

| | Kuwaiti Dinars | | |
|--------------|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Kuwait | 13,816,650 | 12,400,000 | 11,598,125 |
| Saudi Arabia | - | - | 14,105,434 |
| Jordan | 353,899 | 338,998 | 340,145 |
| | <u>14,170,549</u> | <u>12,738,998</u> | <u>26,043,704</u> |

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

During the current quarter, the Group acquired a real estate property in Kuwait through a local subsidiary whose the legal formalities of transfer was completed on 8 April 2012.

The consideration due on sale of the Group's investment property in Saudi Arabia amounting to KD 12,404,655 is due in installments. In October 2011, the Group received KD 4,099,718 and balance installments are due in November 2012 and November 2013. The remaining balance due on sale of investment property is included in account receivables and other assets (Note 7).

10. Borrowings from banks and financial institutions

| | | | Kuwaiti Dinars | | |
|---------------------|---|-----------|---------------------------------|----------------------------------|---------------------------------|
| | Effective interest/ cost rate per annum (%) | Security | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Short term | | | | | |
| Loans payable - KD | 5.00 – 6.00 | Unsecured | 36,574,000 | 36,574,000 | 87,574,000 |
| Loans payable - KD | 5.00 – 6.00 | Secured | 3,540,000 | 3,540,000 | 23,540,000 |
| Wakala payable - KD | 6.00 – 6.00 | Unsecured | 44,000,000 | 44,000,000 | 44,000,000 |
| Loans payable - JD | 3.90 – 5.90 | Secured | 366,422 | 2,335,187 | 1,959,831 |
| | | | 84,480,422 | 86,449,187 | 157,073,831 |
| Long term | | | | | |
| Loans payable – KD | 5.00 – 6.00 | Secured | 73,495,000 | 73,495,000 | 1,882,378 |
| | | | 157,975,422 | 159,944,187 | 158,956,209 |

The above loans are due as follows:

| | Kuwaiti Dinars | | |
|--------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Short term loans due within one year | 84,480,422 | 86,449,187 | 157,073,831 |
| <i>Long term loans</i> | | | |
| Due within one year | 7,349,500 | 7,349,500 | 253,132 |
| Due after one year | 66,145,500 | 66,145,500 | 1,629,246 |
| | 157,975,422 | 159,944,187 | 158,956,209 |

- Short term loans amounting to KD 3,540,000 (31 December 2011: KD 3,540,000 and 31 March 2011: KD 23,540,000) are secured by investments at fair value through profit or loss (refer note 6) and available for sale investments (note 8).
- KD 2,335,187 as at 31 December 2011 and KD 1,959,831 as at 31 March 2011 was secured by cash and bank balances (note 5).
- During 2011, the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD 73,495,000 were converted into secured long term facilities. As per restructured loan agreements, these loans are required to be 100% secured. As of 31 March 2012, these are partly secured (notes 6 and 8) and the process of identification and securitization of the required balance investment portfolios is currently underway.

11. Share capital

- The authorised and issued share capital of the Parent Company comprise of 750,000,000 shares of 100 Fils each (31 December 2011 and 31 March 2011: 750,000,000 of 100 Fils each), fully paid up in cash.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

- b. On 29 September 2011, the shareholders of one of the subsidiaries of the Group, (Noor Telecommunication Company KSCC) decided to decrease its share capital and hence an amount of KD 18,190,173 due to its non-controlling interests was transferred from non-controlling interests to "accounts payable and other liabilities", net of cash distribution of KD 13,486,221 (31 December 2011: KD 10,615,080).
- c. The shareholders of the Parent Company at their Extra Ordinary General Meeting held on 25 June 2012 approved set off of accumulated losses of KD 37,536,742 as at 31 December 2011 against the share capital (KD 37,439,749), share premium (KD 2,486,025), treasury shares (KD 2,460,353) and gain on sale of treasury shares reserve (KD 71,321).

12. Segment analysis

The Group is organized into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the business units into the following operating segments:

Domestic & GCC investments - Comprising of investment activities in the Kuwait and GCC

International investments - Comprising of investment activities outside the GCC and Kuwait

Segment results include operating revenue and expenses directly attributable to a segment. Net operating income includes operating revenue directly attributable to a segment. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Segmental information for the periods ended 31 March 2012 and 31 March 2011 are as follows:

Three months ended 31 March 2012 (unaudited)

| | Kuwaiti Dinars | | |
|---|----------------|---------------|-------------|
| | Domestic & GCC | International | Total |
| Income | 4,622,757 | 2,561,633 | 7,184,390 |
| Share of results of associates | 403,451 | 1,716,290 | 2,119,741 |
| Impairment in value of available for sale investments | (1,739,014) | - | (1,739,014) |
| Profit for the period | 1,784,647 | 655,436 | 2,440,083 |
| Total assets | 165,401,569 | 65,030,871 | 230,432,440 |
| Total liabilities | 165,326,721 | 1,280,913 | 166,607,634 |
| Net assets | 74,848 | 63,749,958 | 63,824,806 |

Three months ended 31 March 2011 (unaudited)

| | Kuwaiti Dinars | | |
|---|----------------|---------------|-------------|
| | Domestic & GCC | International | Total |
| Income | (1,430,429) | 529,666 | (900,763) |
| Share of (loss)/ profit of associates | (535,422) | 1,028,283 | 492,861 |
| Impairment in value of available for sale investments | (1,311,746) | - | (1,311,746) |
| Loss for the period | (4,523,080) | (874,688) | (5,397,768) |
| Total assets | 165,847,978 | 94,749,413 | 260,597,391 |
| Total liabilities | 159,147,748 | 7,406,201 | 166,553,949 |
| Net assets | 6,700,230 | 87,343,212 | 94,043,442 |

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

13. Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company, major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions and balances included in this consolidated financial information are as follows:

| | Kuwaiti Dinars | | |
|---|---------------------------------|----------------------------------|---------------------------------|
| | 31 March 2012 (Unaudited) | 31 December 2011 (Audited) | 31 March 2011 (Unaudited) |
| Interim condensed consolidated statement of financial position | | | |
| Due from Ultimate Parent Company and other related parties included in accounts receivable and other assets (note: 7) (net) | 12,469,464 | 12,670,924 | 15,136,551 |
| Due to other related parties included in accounts payable and other liabilities | 5,000 | 2,504,821 | - |
| | | | |
| | | Kuwaiti Dinars | |
| | | Three months ended | |
| | | 31 March (Unaudited) | |
| | | 2012 | 2011 |
| Interim condensed consolidated statement of income | | | |
| <i>Management and placement fees</i> | | | |
| - earned from the Ultimate Parent Company | | 13,596 | 148,583 |
| - earned from other related parties | | 93,007 | 107,431 |
| Effect of un-winding of discount on receivables | | 204,425 | 199,981 |
| <i>Reversal of impairment provision on account receivable</i> | | 2,500,000 | - |
| <i>Key management compensation</i> | | | |
| Short term employee benefits | | 47,100 | 15,600 |
| End of service benefits | | 5,984 | 2,567 |
| | | <u>53,084</u> | <u>18,167</u> |

14. Commitments and contingencies

At the statement of financial position date, the Group had capital commitments of KD 2,738,619 towards available for sale investments (31 December 2011: KD 2,385,374 and 31 March 2011: KD 713,881).

On 1 December 2011, the Parent Company's Jordanian subsidiary, Noor Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiary (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they have defaulted on fulfilling the terms and conditions of the sale agreement and also filed legal cases against the Seller. The Seller also filed legal cases against the Buyers. The Parent Company has also provided a corporate guarantee to this disposed subsidiary for a loan obtained by them of JD 718,000 (KD 280,000) from a local Jordanian bank at the time of the sale transaction. The Parent Company was informed that this loan is not being serviced by the Buyer and is of the opinion that it would not incur any loss on account of this.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2012 (Unaudited)

15. Fiduciary assets

The Group manages mutual funds and portfolios on behalf of the Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 March 2012 amounted to KD 154,728,095 (31 December 2011: KD 155,895,031 and 31 March 2011: KD 254,404,166) of which assets managed on behalf of the Ultimate Parent Company and other related parties amounted to KD 123,067,665 (31 December 2011: KD 121,792,803 and 31 March 2011: KD 190,609,568).

16. Comparative information

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period. Such classifications did not affect previously reported results, total assets and equity.