

Interim condensed consolidated financial information and review report
Noor Financial Investment Company – KSC (Closed) and Subsidiaries
Kuwait

31 March 2007 (Unaudited)

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Review report

To the board of directors of
Noor Financial Investment Company – KSC (Closed)
Kuwait

Report on review of interim condensed consolidated financial information

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Noor Financial Investment Company (A Kuwaiti Closed Shareholding Company) (“the parent company”) and subsidiaries (“the group”), as of 31 March 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended. The parent company’s management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

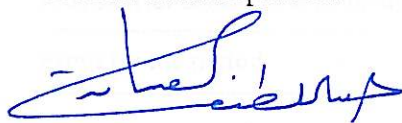
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

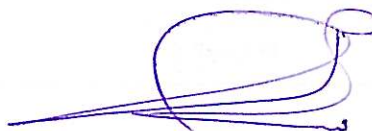
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 or of the articles of association of the parent company, as amended, have occurred during the period that might have had a material effect on the business of the group or on its financial position.



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



Bader A. Al Wazzan
Licence No. 62-A
PricewaterhouseCoopers

Condensed consolidated statement of income

	Note	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Income			
Realised gain/(loss) on sale of investments at fair value through statement of income		5,156,869	(90,990)
Unrealised gain/(loss) on investments at fair value through statement of income		4,617,071	(18,992,858)
Realised gain on sale of available for sale investments		-	25,521,500
Dividend income		1,069,254	2,045,407
Share of profit of associate		1,196,904	-
Management and placement fees		71,930	1,050,266
Interest income		75,836	11,679
Other income		436,401	5,324
Foreign exchange gain/(loss)		5,177	(9,514)
		12,629,442	9,540,814
Expenses and other charges			
General, administrative and other expenses	3	2,664,995	1,985,534
Finance costs		2,414,014	1,277,861
		5,079,009	3,263,395
Profit for the period before KFAS, NLST and directors' remuneration		7,550,433	6,277,419
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(71,663)	(56,497)
Provision for National Labour Support Tax (NLST)		(165,331)	-
Provision for directors remuneration		(12,500)	-
Profit for the period		7,300,939	6,220,922
Earnings per share	4	29 Fils	25 Fils

The notes set out on pages 6 to 11 form an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of changes in equity (Unaudited)

	Share capital KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Total KD
Balance as at 31 December 2006	25,000,000	3,594,433	2,838,633	(2,831,732)	31,524,620	60,125,954
Change in fair value of available for sale investments	-	-	-	1,153,917	-	1,153,917
Net income recognised directly in equity	-	-	-	1,153,917	-	1,153,917
Profit for the period	-	-	-	-	7,300,939	7,300,939
Total recognised income for the period	-	-	-	1,153,917	7,300,939	8,454,856
Cash dividend (Note 18)	-	-	-	-	(12,500,000)	(12,500,000)
Balance as at 31 March 2007	25,000,000	3,594,433	2,838,633	(1,677,815)	26,325,559	56,080,810
Balance as at 31 December 2005	25,000,000	2,259,683	1,503,883	16,563,792	18,623,730	63,951,088
Change in fair value of available for sale investments	-	-	-	(2,116,120)	-	(2,116,120)
Realised on sale of available for sale investments	-	-	-	(11,550,865)	-	(11,550,865)
Net expense recognised directly in equity	-	-	-	(13,666,985)	-	(13,666,985)
Profit for the period	-	-	-	-	6,220,922	6,220,922
Total recognised (expense)/income for the period	-	-	-	(13,666,985)	6,220,922	(7,446,063)
Balance as at 31 March 2006	25,000,000	2,259,683	1,503,883	2,896,807	24,844,652	56,505,025

The notes set out on pages 6 to 11 form an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period before KFAS, NLST and directors' remuneration		7,550,433	6,277,419
Adjustments:			
Realised gain on sale of available for sale investments		-	(25,521,500)
Dividend income		(1,069,254)	(2,045,407)
Share of profit of associate		(1,196,904)	-
Interest income		(75,836)	(11,679)
Depreciation		19,547	13,160
Provision for end of service indemnity		3,838	13,486
Finance costs		2,414,014	1,277,861
		7,645,838	(19,996,660)
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		(43,171,230)	2,936,296
Accounts receivable and other assets		(646,728)	(5,638,593)
Accounts payable and other liabilities		29,022,002	5,151,064
Net cash used in operating activities		(7,150,118)	(17,547,893)
INVESTING ACTIVITIES			
Decrease in blocked deposits		750,000	-
Purchase of available for sale investments		(14,657,499)	(18,021,305)
Proceeds from sale of available for sale investments		-	18,782,925
Investment in unconsolidated subsidiary		(612,588)	-
Purchase of equipment		(19,785)	(18,658)
Investment in associate		(2,984,546)	-
Dividend income received		766,990	911,798
Interest income received		66,044	10,021
Net cash (used in)/from investing activities		(16,691,384)	1,664,781
FINANCING ACTIVITIES			
Borrowings		45,580,197	21,800,000
Dividend paid		(11,829,835)	-
Finance costs paid		(1,736,974)	(913,878)
Net cash from financing activities		32,013,388	20,886,122
Net increase in cash and cash equivalents		8,171,886	5,003,010
Cash and cash equivalents at beginning of the period		(1,642,451)	(518,739)
Cash and cash equivalents at end of the period	13	6,529,435	4,484,271

The notes set out on pages 6 to 11 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information 31 March 2007

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 as an investment company. The parent company is a subsidiary of National Industries Group Holding – SAK, “ultimate parent company”, and its principal objectives are as follows:

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

Further, the parent company 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 address of the company’s registered office is 10th and 11th Floor, Mohammed Abdul Mohsin Al-Kharafi Complex, Building 6, Block – 14, Qibla, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The board of directors of the parent company approved this interim condensed consolidated financial information for issuance on 3 May 2007.

2 Significant accounting policies

Basis of presentation

These interim condensed consolidated financial information of the company have 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 preparation of the annual financial statements for the year ended 31 December 2006, except for the new accounting policy adopted for “investment in associate”.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2007.

2 Significant accounting policies (continued)

Investment in associates

An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate, arising from changes in the associates equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

3 General, administrative and other expenses

General, administrative and other expenses includes the following charge:

	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Unrealised fee payable on managed portfolios for clients	167,988	1,427,068

Unrealised fee payable on managed portfolios for clients

In 2005, the parent company entered into local portfolio management contracts with a related party and another company. This unrealised fee is payable in accordance with the terms of the contracts dependent on the market value of the shares in the portfolio and the clause in the contract that guarantees the capital and a minimum return.

4 Earnings per share

Earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March 2007 (Unaudited)	Three months ended 31 March 2006 (Unaudited)
Profit for the period (KD)	7,300,939	6,220,922
Weighted average number of shares outstanding during the period	250,000,000	250,000,000
Earnings per share	29 Fils	25 Fils

5 Investments at fair value through statement of income

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited)	31 March 2006 (Unaudited) KD
Held for trading :			
Quoted shares	143,318,316	101,196,820	68,276,961
Designated on initial recognition :			
Local funds	10,144,770	9,095,036	7,343,495
	153,463,086	110,291,856	75,620,456

Quoted shares with a fair value of KD25,722,079 (31 December 2006: KD23,361,205 and 31 March 2006: Nil) and KD31,891,000 (31 December 2006 and 31 March 2006: Nil) are secured against bank loans (see note 11) and a loan from the ultimate parent company (see note 10) respectively.

Certain quoted shares are held in the name of the parent company and another related company with letters of assignments in the company's favour.

6 Accounts receivable and other assets

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited)	31 March 2006 (Unaudited) KD
Due from ultimate parent company	32,987	18,836	19,686,941
Due from related parties	895,639	129,435	15,281
Due from Investment Brokerage Companies	226,199	1,566,238	-
Due from Kuwait Clearing Company	8,673,189	4,454,886	2,498,787
Payments towards formation of subsidiaries	-	-	3,450,000
Advance payments to acquire investments	853,872	3,806,180	219,683
Dividend receivable	302,264	-	1,128,648
Other assets	233,142	282,933	310,514
	11,217,292	10,258,508	27,309,854

7 Available for sale investments

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Quoted shares	28,138,225	27,041,391	22,056,629
Unquoted shares	16,010,670	11,146,989	3,516,142
Local and foreign funds	10,411,610	560,709	-
	54,560,505	38,749,089	25,572,771

During the current quarter the parent company entered into agreements with a related party to purchase shares of a foreign unquoted company and units of a local fund for a total consideration of KD7,260,449. As per the agreements the total consideration is due in July 2007 and consequently the above amount has been included in due to other related parties at the balance sheet date.

Certain quoted and unquoted shares are held in the name of the ultimate parent company with letters of assignment in the parent company's favour.

8 Investment in unconsolidated subsidiaries

The parent company invested an amount of KD612,588, representing the capital contribution required, to incorporate the following subsidiary:

	Country of incorporation	Percentage ownership	Principal activity
Noor Jordanian Kuwaiti Financial Investment Co. Ltd.	Jordan	100%	Investment activities

9 Investment in associated company

Details of the associated company in which the company invested an amount of KD2,984,546 are as follows:

	Country of incorporation	Percentage ownership	Principal activity
Al-Raya Global Real Estate Co.	Jordan	50%	Real estate development

10 Accounts payable and other liabilities

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Unrealised fee payable on managed portfolios :			
- Related parties	1,023,345	959,761	785,615
- Others	104,404	1,769,643	1,090,497
Due to key management personnel	616,066	1,178,459	-
Due to ultimate parent company	30,109,896	-	-
Due to other related parties	14,363,847	16,266,419	-
Due to investment brokerage companies	510,002	1,059,647	27,281
Dividend payable	670,165	-	-
Accrued interest	955,446	278,406	363,983
Accrued expenses	1,798,683	518,607	4,463,901
Other payables	3,072,867	575,078	1,864,350
	53,224,721	22,606,020	8,595,627

Due to ultimate parent company includes a short term loan of KD30,015,968 (31 December 2006 and 31 March 2006: Nil) availed by the subsidiaries with an effective interest rate of 6.25% per annum and it is secured by investments at fair value through statement of income (see note 5).

Due to other related parties include a short term loan of KD7,000,000 (31 December 2006: KD16,000,000 and 31 March 2006: Nil) availed by the parent company with an effective interest rate of 7.8125% per annum.

11 Borrowings

	Effective interest/cost rate p.a %	Security	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Loans from local banks and financial institutions					
Loan payable – Kuwaiti Dinar	7.12 – 8.25	Unsecured	60,143,013	28,529,918	66,000,000
Loan payable – Kuwaiti Dinar	8.25	Secured	20,000,000	20,000,000	-
Loan payable – US Dollars	7.12 – 7.33	Unsecured	40,922,602	28,955,500	-
Wakala payable – Kuwaiti Dinar	8.125	Unsecured	2,000,000	-	2,000,000
			123,065,615	77,485,418	68,000,000

Loans amounting to KD20,000,000 are secured by investments at fair value through statement of income (see note 5). All loans are repayable within one year.

12 Share capital

At the annual general assembly held on 20 February 2007, the shareholders of the parent company resolved to increase the share capital to KD50,000,000 by the issuance of 250,000,000 shares, at par value of 100 fils per share and premium of 200 fils per share. The share issue will be open for subscription on 1 April 2007.

13 Cash and cash equivalents

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Cash and bank balances	4,348,760	4,553,291	1,752,736
Short-term deposits	8,934,688	4,188,211	4,094,819
Due to banks	(5,339,013)	(8,218,953)	(1,363,284)
	7,944,435	522,549	4,484,271
Blocked balances	(1,415,000)	(2,165,000)	-
	6,529,435	(1,642,451)	4,484,271

14 Segment analysis

The company primarily operates in one area of business activity, investments and its primary basis for segmental reporting is by geographical segment.

The company operates in two geographical markets: Domestic (Kuwait) and International (outside Kuwait). The geographical analysis is as follows:

	Domestic KD	International KD	Total KD
Three months ended 31 March 2007 (unaudited)			
Income	11,485,094	1,144,348	12,629,442
Profit for the period	6,297,726	1,003,213	7,300,939
Three months ended 31 March 2006 (unaudited)			
Income	(7,935,113)	17,475,927	9,540,814
Profit for the period	(11,011,259)	17,232,181	6,220,922

15 Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the group, and companies of which they 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.

Details of significant related party transactions and balances are as follows:

	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Balance sheet		
Due from related parties included in accounts receivable and other assets	928,626	19,702,222
Due to related parties included in accounts payable and other liabilities	46,113,154	963,015
Purchase of available for sale investments (see note 7)	7,260,449	-

15 Related party transactions (continued)

	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Income statement		
Management and placement fees	62,971	1,035,044
Unrealised fee payable on managed portfolios for clients included in general, administrative and other expenses	63,583	785,615
Realised gain on sale of available for sale investments	-	15,726,106
Finance costs	248,630	-
Compensation of key management personnel of the group		
Short term employee benefits	642,391	26,775
End of service benefits	2,097	2,097

16 Capital commitments

At the balance sheet date the group had capital commitments of KD1,295,729 (31 December 2006 : KD1,295,752 and 31 March 2006: Nil) towards available for sale investments

17 Fiduciary assets

The group manages portfolios on behalf of its ultimate parent company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 31 March 2007 amounted to KD133,315,533 (31 December 2006 : KD72,119,237 and 31 March 2006: KD22,567,073) of which assets managed on behalf of its ultimate parent company and other related parties amounted to KD122,468,458 (31 December 2006 : KD63,339,094 and 31 March 2006: KD16,480,909). In addition, the parent company also manages investment portfolios of its subsidiaries totalling KD32,289,360 (31 December 2006 and 31 March 2006 : Nil) which are reflected as investments at fair value through statement of income in the condensed consolidated balance sheet.

18 Dividend distribution

Following approval by the annual general assembly on 20 February 2007 the parent company made a cash distribution of 50 Fils per share amounting to KD12,500,000 for the year ended 31 December 2006.