

Interim condensed financial statements and review report

**Noor Financial Investment Company – KSC (Closed)**

**Kuwait**

31 March 2006 (Unaudited)

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## Review report

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

We have reviewed the accompanying balance sheet of Noor Financial Investment Company (A Kuwaiti Closed Shareholding Company) as at 31 March 2006, and the related statements of income, changes in equity and cash flows for the three month period then ended. These interim condensed financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with the basis of presentation set out in Note 2.

Furthermore, based on our review the interim condensed financial statements are in agreement with the books of the company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the company have occurred during the three months ended 31 March 2006 that might have had a material effect on the business of the company or on its financial position.

We further report that, during the course of our review we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.



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Kuwait  
3 May 2006

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## Statement of income

	Note	Three months ended 31 March 2006 (Unaudited) KD	Year ended 31 Dec. 2005 (Audited) KD
<b>Income</b>			
Unrealised (loss)/gain on investments at fair value through statement of income		(18,992,858)	9,019,577
Realised (loss)/gain on sale of investments at fair value through statement of income		(90,990)	6,517,393
Realised gain on sale of available for sale investments	7	25,521,500	1,704,240
Dividend income		2,045,407	1,336,182
Management and placement fees		1,050,266	50,486
Interest income		11,679	31,673
Other income		5,324	54,374
Foreign exchange loss		(9,514)	(2,157)
		<b>9,540,814</b>	<b>18,711,768</b>
<b>Expenses and other charges</b>			
General, administrative and other expenses	3	1,985,534	2,762,242
Finance costs		1,277,861	910,698
		<b>3,263,395</b>	<b>3,672,940</b>
<b>Profit for the period/year</b>		<b>6,277,419</b>	<b>15,038,828</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(56,497)	(135,349)
Directors remuneration		-	(50,000)
<b>Net profit for the period/year</b>		<b>6,220,922</b>	<b>14,853,479</b>
<b>Earnings per share</b>	4	<b>25 Fils</b>	<b>59 Fils</b>

*The notes set out on pages 6 to 10 form an integral part of these interim condensed financial statements.*

## Balance sheet

	Note	31 March 2006 (Unaudited) KD	31 Dec. 2005 (Audited) KD
<b>Assets</b>			
Cash and banks balances		1,752,736	934,686
Short-term deposits		4,094,819	-
Investments at fair value through statement of income	5	75,620,456	78,556,752
Accounts receivable and other assets	6	27,309,854	1,210,448
Available for sale investments	7	25,572,771	33,805,424
Equipment		149,410	143,912
<b>Total assets</b>		<b>134,500,046</b>	<b>114,651,222</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks		1,363,284	1,453,425
Accounts payable and other liabilities	8	8,595,627	3,024,085
Borrowings	9	68,000,000	46,200,000
Provision for end of service indemnity		36,110	22,624
<b>Total liabilities</b>		<b>77,995,021</b>	<b>50,700,134</b>
<b>Equity</b>			
Share capital – authorised, issued and fully paid 250,000,000 shares of Kuwaiti Fils 100 each		25,000,000	25,000,000
Legal reserve		2,259,683	2,259,683
Voluntary reserve		1,503,883	1,503,883
Cumulative changes in fair value		2,896,807	16,563,792
Retained earnings		24,844,652	18,623,730
<b>Total equity</b>		<b>56,505,025</b>	<b>63,951,088</b>
<b>Total liabilities and equity</b>		<b>134,500,046</b>	<b>114,651,222</b>

  
Hussam F. Al-Kharafi  
Chairman

  
Naser A. Al-Marri  
Deputy Chairman & M.D.

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## 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
<b>Balance as at 31 December 2004</b>	25,000,000	755,800	-	-	6,778,017	32,533,817
Change in fair value of available for sale investments	-	-	-	16,563,792	-	16,563,792
Net income recognised directly in equity	-	-	-	16,563,792	-	16,563,792
Net profit for the year	-	-	-	-	14,853,479	14,853,479
<b>Total recognised income for the year</b>	-	-	-	16,563,792	14,853,479	31,417,271
Transfer to reserves	-	1,503,883	1,503,883	-	(3,007,766)	-
<b>Balance as at 31 December 2005</b>	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)
Net profit for the period	-	-	-	-	6,220,922	6,220,922
<b>Total recognised (expense)/income for the period</b>	-	-	-	(13,666,985)	6,220,922	(7,446,063)
<b>Balance as at 31 March 2006</b>	<b>25,000,000</b>	<b>2,259,683</b>	<b>1,503,883</b>	<b>2,896,807</b>	<b>24,844,652</b>	<b>56,505,025</b>

*The notes set out on pages 6 to 10 form an integral part of these interim condensed financial statements.*

## Statement of cash flows

	Note	Three months ended 31 March 2006 (Unaudited) KD	Year ended 31 Dec. 2005 (Audited) KD
<b>OPERATING ACTIVITIES</b>			
<b>Profit for the period/year</b>		<b>6,277,419</b>	15,038,828
Adjustments:			
Depreciation		13,160	23,130
Provision for end of service indemnity		13,486	22,624
Realised gain on sale of available for sale investments		(25,521,500)	(1,704,240)
Dividend income		(2,045,407)	(1,336,182)
Interest income		(11,679)	(31,673)
Finance costs		1,277,861	910,698
<b>Operating (loss)/profit before changes in operating assets and liabilities</b>		<b>(19,996,660)</b>	12,923,185
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		2,936,296	(59,646,106)
Accounts receivable and other assets		(5,638,593)	3,027,754
Accounts payable and other liabilities		5,151,064	2,567,984
<b>Net cash used in operating activities</b>		<b>(17,547,893)</b>	(41,127,183)
<b>INVESTING ACTIVITIES</b>			
Purchase of available for sale investments		(18,021,305)	(8,687,858)
Proceeds from sale of available for sale investments		18,782,925	2,558,086
Purchase of equipment		(18,658)	(167,042)
Dividend income received		911,798	1,336,182
Interest income received		10,021	31,673
<b>Net cash from/(used in) investing activities</b>		<b>1,664,781</b>	(4,928,959)
<b>FINANCING ACTIVITIES</b>			
Borrowings		21,800,000	46,200,000
Finance costs paid		(913,878)	(691,035)
<b>Net cash from financing activities</b>		<b>20,886,122</b>	45,508,965
Net increase/(decrease) in cash and cash equivalents		5,003,010	(547,177)
Cash and cash equivalents at beginning of the period/year		(518,739)	28,438
<b>Cash and cash equivalents at end of the period/year</b>	10	<b>4,484,271</b>	(518,739)

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# Notes to the interim condensed financial statements

31 March 2006

## 1 Incorporation and activities

Noor Financial Investment Company – KSC (Closed) was incorporated in Kuwait on 1 February 1997. The company is regulated by the Central Bank of Kuwait as an investment company. The company is a subsidiary of National Industries Group Holding – SAK “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;
- Act as intermediary in borrowing operations in return for commission;

Further, the 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 company has obtained the necessary approvals and is planning to list in the Kuwait Stock Exchange during the 2<sup>nd</sup> Quarter of 2006.

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

The company’s board of directors approved these interim condensed financial statements for issue on .....

## 2 Significant accounting policies

### **Basis of presentation**

These interim condensed financial statements of the company have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the Central Bank of Kuwait regulations regarding general provisions against credit facilities. The accounting policies used in preparation of the interim condensed financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 December 2005.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2006.

The company did not prepare interim financial statements for three months period ended 31 March 2005 and accordingly comparative information are given for the year ended 31 December 2005.



### 3 General, administrative and other expenses

General, administrative and other expenses includes the following charge:

	<b>Three months ended 31 March 2006 (Unaudited) KD</b>	Year ended 31 Dec. 2005 (Audited) KD
Unrealised fee payable on managed portfolios for clients	<b>1,427,068</b>	449,044

During the previous year the 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 net profit for the period/year by the weighted average number of shares outstanding during the period/year as follows:

	<b>Three months ended 31 March 2006 (Unaudited)</b>	Year ended 31 Dec. 2005 (Audited)
Net profit for the period/year (KD)	<b>6,220,922</b>	14,853,479
Weighted average number of shares outstanding during the period/year	<b>250,000,000</b>	250,000,000
Earnings per share	<b>25 Fils</b>	59 Fils

### 5 Investments at fair value through statement of income

	<b>31 March 2006 (Unaudited) KD</b>	31 Dec. 2005 (Audited) KD
<b>Held for trading :</b>		
Quoted shares	<b>68,276,961</b>	69,470,024
<b>Designated on initial recognition :</b>		
Local funds	<b>7,343,495</b>	9,086,728
	<b>75,620,456</b>	78,556,752

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

	<b>31 March 2006 (Unaudited) KD</b>	31 Dec. 2005 (Audited) KD
Due from parent company	<b>19,686,941</b>	310,427
Due from related parties	<b>15,281</b>	19,362
Due from Kuwait Clearing Company	<b>2,498,787</b>	416,360
Payments towards formation of subsidiaries	<b>3,450,000</b>	-
Dividend receivables	<b>1,128,648</b>	-
Other receivables	<b>260,080</b>	187,587
Advance payments to acquire investments	<b>219,683</b>	219,683
Other assets	<b>50,434</b>	57,029
	<b>27,309,854</b>	1,210,448

## 7 Available for sale investments

	<b>31 March 2006 (Unaudited) KD</b>	31 Dec. 2005 (Audited) KD
Quoted shares	<b>22,056,629</b>	27,730,504
Unquoted shares	<b>3,516,142</b>	6,074,920
	<b>25,572,771</b>	33,805,424

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

On 6 March 2006 the company entered into a "share sale agreement" with its parent company to sell one of its foreign unquoted investments which was carried at cost, for a sales consideration of KD19,325,547 which resulted in a profit of KD15,726,108. According to the agreement, the sales consideration is due within 45 days from the date of the agreement and as a result the amount of KD19,325,547 has been debited to the parent company's current account.

## 8 Accounts payable and other liabilities

During March 2006 the company received advances totalling KD3,582,084 from investors to acquire investments outside Kuwait and these funds have been deposited in the company's bank accounts and they have been included under short-term deposits in the balance sheet.

## 9 Borrowings

	<b>Interest rate %</b>	<b>31 March 2006 (Unaudited) KD</b>	31 Dec. 2005 (Audited) KD
<b>Unsecured loans from local banks and financial institutions</b>			
Loan payable – Kuwaiti Dinar	5.69 – 9	<b>66,000,000</b>	44,200,000
Wakala payable – Kuwaiti Dinar	6.25	<b>€ 2,000,000</b>	2,000,000
		<b>68,000,000</b>	46,200,000

The above includes a loan of KD10,000,000 guaranteed by the parent company.

## 10 Cash and cash equivalents

	<b>31 March 2006 (Unaudited) KD</b>	31 Dec. 2005 (Audited) KD
Cash and bank balances	1,752,736	934,686
Short-term deposits	4,094,819	-
Due to banks	(1,363,284)	(1,453,425)
	<b>4,484,271</b>	<b>(518,739)</b>

## 11 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 (Middle East, East and South East Asia). The geographical analysis is as follows:

	<b>Domestic KD</b>	<b>International KD</b>	<b>Total KD</b>
<b>Three months ended 31 March 2006 (unaudited)</b>			
Income	(7,935,113)	17,475,927	9,540,814
Net profit for the period	(11,011,259)	17,232,181	6,220,922
<b>Year ended 31 December 2005 (audited)</b>			
Income	17,982,312	729,456	18,711,768
Net profit for the year	14,263,924	589,555	14,853,479

## 12 Related party transactions

Related party transactions are entered on terms approved by the company's management. Significant related party transactions and balances included in the financial statements are as follows:

	<b>Three months ended 31 March 2006 (Unaudited) KD</b>	Year ended 31 Dec. 2005 (Audited) KD
<b>Balance sheet</b>		
Due from parent company and other related parties included in accounts receivable and other assets	19,702,222	329,789
Due to related parties included in accounts payable and other liabilities	963,015	388,015
<b>Income statement</b>		
Management fees	1,035,044	43,654
Unrealised fee payable on managed portfolios for clients included in general, administrative and other expenses	785,615	210,615
Finance costs	-	80,153
Realised gain on sale of available for sale investments (see also Note 7)	15,726,106	-
<b>Compensation of key management personnel of the company</b>		
Short term employee benefits	26,775	1,273,577
Terminal benefits	2,097	4,285

### 13 Fiduciary assets

The company manages portfolios on behalf of its parent company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the company's balance sheet. Assets under management at 31 March 2006 amounted to KD22,567,073 (31 December 2005 : KD22,646,701) of which assets managed on behalf of its parent company and other related parties amounted to KD16,480,909 (31 December 2005 : KD16,446,361).