Chairman's Message

Dear Shareholders,

On behalf of myself and fellow Board Members it gives me great pleasure to present the annual accounts of Noor Financial Investment Company. This is an important event for the Company as these are the first annual accounts since the commencement of its commercial operation. Noor Financial Investment Company was registered as an investment company by the Central Bank of Kuwait on November 7, 2005.

Since the beginning of the year 2005, the company has crossed a number of major milestones:

- The Company started the year 2005 with Shareholders Equity of KD 32.5 million and by year end reached KD 63.95 million, a 97 % increase.
- Book value per share increased from 130 fils to 256 fils.
- The net income for the year 2005 was KD 14.85 million indicating 31% return on equity.
- The Company succeeded in putting together a strong management team to develop its strength to act as advisor of choice for clients by offering a full spectrum of financial services.

Mission and Corporate Values

During the year 2006 Noor aims to become the premiere investment banking institution in the region through an emphasis on innovative corporate finance strategies in the emerging markets with timely and professional execution of transactions thereby assisting our clients to achieve their business and financial goals.

At Noor, we are always in pursuit of quality and professionalism, which are key factors in our mission to:

- Provide added value for our clients,
- Optimize returns for our shareholders,
- Attract, motivate and retain top caliber staff,
- Maintain the highest standards of corporate governance,
- Innovate in our approach to business,
- Perform with the utmost integrity and honesty,
- Give priority to the interests of our clients, and
- Work as a united team with our clients.

Chairman's Message (Contd.)

Business Overview

Noor operates a broad and differentiating range of financial services: Corporate Finance, Local Investments and International Investments.

Kindly allow me to give you a brief synopsis about the various departments of the Company:

First - Corporate Finance Department:

The Corporate Finance Department provides a wide spectrum of products and services. These include advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, spin-offs, underwriting, guarantee or counter guarantee services, syndications and private and public equity placements. It is responsible for attracting, establishing and maintaining relationships with clients in developing and executing their direct investment and divestiture strategies, as well as for Noor's proprietary book. The geographic focus of the business is in the Middle East and Asia, including Pakistan, China and India. The activities undertaken by the Department include:

- Investment Strategy & Implementation
- Mergers & Acquisition Advisory
- Valuations
- Hedging & Risk Management
- Capital Raising (Conventional / Islamic)
- Local / Foreign Listing
- Long-term Financial Planning
- Innovative Structuring

The nature and focus of these business lines contribute to diversifying the revenue streams of the Company, enhancing cash flow, and thus maximizing profitability to meet superior financial targets.

Second - Local Investments Department:

The main objective of the Local Investments Department at Noor is to manage proprietary and client portfolios of quoted and unquoted securities, real estate and funds in Kuwait. The Department is also establishing its own locally focused fund products to market in Kuwait. Noor closely monitors economic and financial developments in Kuwait in order to be better informed in enhancing its local investment strategies. The Department consists of numerous experienced portfolio and fund managers.

Third - International Investments Department:

The International Investments Department is responsible for managing proprietary and client portfolios comprising of listed and unlisted international securities. Some of these securities shall be real estate funds or alternative assets that are invested globally. The investments are primarily held in equity funds.

The Department follows a conservative investment strategy. The main objective is to achieve capital growth through positive returns over the medium term. The stock selection process is research driven, underpinned by detailed analysis using both qualitative and quantitative techniques.

Chairman's Message (Contd.)

The International Investments Department has a mandate to invest in managed and alternative investment products, which include the following:

- Prime Quality Marketable Securities,
- Private Equity Funds,
- Real Estate Funds,
- Hedge Funds,
- Derivatives and_ Structured Products

Outlook for 2006:

Due to the increase in financial activity in the country and the region, as well as the Company's diversification into business in Asia, the outlook for the coming year looks very promising for Noor and its shareholders. Noor remains well placed in the local market. Development of new investment products for the local market is ongoing, in collaboration with a number of the world's leading investment banks and financial institutions.

High level relationships across the Gulf and into Asia are providing Noor with an unrivalled platform from which to tender successfully for privatizations and enter into exciting IPOs. It is believed that recent success with the KESC privatization can be repeated in Pakistan, with due diligence under way on a number of industrial sector privatizations. Potential operations in India will strengthen the Noor brand name and broaden appeal for Noor's international services. Independent observers of Indian, Pakistani and Chinese economies confirm that Noor's interest in participating in these countries is well founded; rapid industrial development and strong domestic growth is predicted across the board.

Sector synergy with the parent company's core interests remains central to Noor's outlook over the coming year. Growth in the petrochemical sector, along with construction, heavy industry, energy and power is widely anticipated. Despite high oil prices, demand remains strong for a wide spectrum of petrochemical products and our group has a competitive advantage within the sector through the relatively cheap raw material prices in the region. Development projects across the Middle East region will sustain demand for heavy industry goods, in which Noor has, and seeks to expand, its holdings. Global and especially emerging markets demand for energy continues to grow year on year and remains a lucrative sector for Noor's investments.

Noor Financial Investment Company is regulated by the Central Bank of Kuwait and is expected to be listed on the Kuwait Stock Exchange within the first quarter of 2006.

In conclusion and on behalf of the Board of Directors, I would like to express my sincere appreciation and gratitude to the shareholders, the management and employees of Noor for their contribution and support in making this a very successful year.

I would also like to take this opportunity to express our gratitude and acknowledgement to the Central Bank of Kuwait, Kuwait Stock Exchange and all other Official Authorities for their support and guidance.

Husam Fawzi Al Kharafi
Chairman of the Board

Financial Statements and Auditor's Report

31 December 2005

Contents

Auditors Report

Auditors & Consultants
Kuwait Member Firm of
Grant Thornton International

Grant Thornton-Anwar Al-Qatami & Co

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

We have audited the accompanying balance sheet of Noor Financial Investment Company (A Kuwaiti Closed Shareholding Company) as at 31 December 2005, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Noor Financial Investment Company – KSC (Closed) as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applied in the State of Kuwait.

Auditors Report

Furthermore, in our opinion proper books of account have been kept by the company and the financial statements, together with the contents of the report of the board of directors relating to these 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 financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, as amended, nor of the company's articles of association have occurred during the year ended 31 December 2005 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 audit 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.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Kuwait
30 January 2006

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State of Kuwait

Statement of Income

31 December 2005

	Note	Year ended 31 Dec. 2005 KD	Year ended 31 Dec. 2004 KD
Income			
Income from investments at fair value through statement of income		15,536,970	617,036
Income from sale of available for sale investments		1,704,240	-
Loss on redemption of available for sale investments		-	(4,778)
Dividend income		1,336,182	300,373
Interest income		31,673	49
Management fees		50,486	-
Other income		52,217	-
		18,711,768	912,680
Expenses and other charges			
General, administrative and other expenses	3	2,762,242	6,850
Finance costs		910,698	-
		3,672,940	6,850
Profit for the year		15,038,828	905,830
Contribution to Kuwait Foundation for the Advancement of Sciences		(135,349)	(8,152)
Directors remuneration		(50,000)	-
Net profit for the year		**14,853,479**	897,678
Earnings per share	4	**59 Fils**	90 Fils

The notes set out on pages 18 to 28 form an integral part of these financial statements.

Consolidated Balance Sheet

31 December 2005

	Note	31 Dec. 2005 KD	Restarted 31 Dec. 2004 KD
Assets			
Cash and banks balances		934,686	28,438
Investments at fair value through statement of income	5	78,556,752	18,910,646
Accounts receivable and other assets	6	1,210,448	4,238,202
Available for sale investments	7	33,805,424	9,407,620
Equipment		143,912	-
Total assets		**114,651,222**	32,584,906
Liabilities and equity			
Liabilities			
Due to banks	8	1,453,425	-
Accounts payable and other liabilities		3,024,085	51,089
Borrowings	9	46,200,000	-
Provision for end of service indemnity		22,624	-
Total liabilities		**50,700,134**	51,089
Equity			
Share capital – authorised, issued and fully paid 250,000,000 shares of Kuwaiti Fils 100 each	10	25,000,000	25,000,000
Legal reserve	11	2,259,683	755,800
Voluntary reserve	11	1,503,883	-
Cumulative changes in fair value		16,563,792	-
Retained earnings		18,623,730	6,778,017
Total equity		**63,951,088**	32,533,817
Total liabilities and equity		**114,651,222**	32,584,906

Hussam F. Al-Kharafi
Chairman

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

The notes set out on pages 18 to 28 form an integral part of these financial statements.

Statement of changes in equity

31 December 2005

	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 2003	1,000,000	665,217	-	-	5,970,922	7,636,139
Net profit for the year	-	-	-	-	897,678	897,678
Total recognised income for the year	**-**	**-**	**-**	**-**	**897,678**	**897,678**
Issue of shares	24,000,000	-	-	-	-	24,000,000
Transfer to legal reserve	-	90,583	-	-	(90,583)	-
Balance as at 31 December 2004	**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
Total recognised income for the year	**-**	**-**	**-**	**16,563,792**	**14,853,479**	**31,417,271**
Transfer to reserves	-	1,503,883	1,503,883	-	(3,007,766)	-
Balance as at 31 December 2005	**25,000,000**	**2,259,683**	**1,503,883**	**16,563,792**	**18,623,730**	**63,951,088**

The notes set out on pages 18 to 28 form an integral part of these financial statements.

Statement of Cash Flows

31 December 2005

	Note	Year ended 31 Dec. 2005 KD	Year ended 31 Dec. 2004 KD
OPERATING ACTIVITIES			
Profit for the year		15,038,828	905,830
Adjustments:			
Depreciation		23,130	-
Provision for end of service indemnity		22,624	-
Income from sale of available for sale investments		(1,704,240)	-
Loss on redemption of available for sale investments		-	4,778
Dividend income		(1,336,182)	(300,373)
Interest income		(31,673)	(49)
Finance costs		910,698	-
Operating profit before changes in operating assets and liabilities		12,923,185	610,186
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		(59,646,106)	5,342,792
Accounts receivable and other assets		3,027,754	(6,250,636)
Accounts payable and other liabilities		2,567,984	(121)
Net cash used in operating activities		**(41,127,183)**	(297,779)
INVESTING ACTIVITIES			
Purchase of available for sale investments		(8,687,858)	-
Proceeds from sale of available for sale investments		2,558,086	25,222
Purchase of equipment		(167,042)	-
Dividend income received		1,336,182	300,373
Interest income received		31,673	49
Net cash (used in)/from investing activities		**(4,928,959)**	325,644
FINANCING ACTIVITIES			
Borrowings		46,200,000	-
Finance costs paid		(691,035)	-
Net cash from financing activities		**45,508,965**	-
Net (decrease)/increase in cash and cash equivalents		(547,177)	27,865
Cash and cash equivalents at beginning of the year		28,438	573
Cash and cash equivalents at end of the year	13	**(518,739)**	28,438

The notes set out on pages 18 to 28 form an integral part of these financial statements.

Notes to the Financial Statement

31 December 2005

1. Incorporation and activities

Noor Financial Investment Company – KSC (Closed) was incorporated in Kuwait on 1 February 1997. The company is a subsidiary of National Industries Group Holding – SAK “parent company”. The company is regulated by the Central Bank of Kuwait as an investment company. The company’s 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 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 company’s board of directors approved these financial statements for issue on 30 January 2006.

2 Significant accounting policies

Preparation of financial statements

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The financial statements are prepared on a historical cost basis, except for “investments at fair value through statement of income” and “available for sale investments” that have been measured at fair value.

In 2003 and 2004, International Accounting Standards Board (IASB) issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS). The new IFRS and revised IAS became effective for annual periods beginning 1 January 2005. All new IFRS and revised IAS have been adopted by the company but have either no or insignificant impact on these financial statements except for IAS 39 : “Financial instruments, recognition and measurement”.

Effect of adoption of revised IAS 39

In accordance with the transitional provisions of the revised IAS 39, the company reclassified certain "trading investments” to “available for sale investments” which were carried at 31 December 2004 at KD4,875,000 and the remaining “trading investments” were reclassified into “investments at fair value through statement of income”. These changes have been accounted for with retrospective effect and the comparatives have been restated accordingly.

The reclassification from “trading investments” to “available for sale investments” did not have any impact on the retained earnings at the beginning of the year since, the reclassified investments were only acquired during the end of December 2004 and there were no changes in fair value recognised in the statement of income for these investments. However the reclassification resulted in a decrease in the net profit for the year by KD4,285,500 with a corresponding increase in “cumulative changes in fair value” account.

Notes to the Financial Statement (Contd.)

31 December 2005

Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Dividend income
Dividend income is recognised when the company's right to receive payment is established.

Interest income
Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the rate applicable.

Fee income
Management fees relating to portfolio management services and other fee income are recognised when earned.

Finance cost

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

Investments

The company has adopted the revised IAS 39 from 1 January 2005, and reclassified its investments previously categorised as trading and available for sale into the following two categories;

i. Investments at fair value through statement of income

ii. Available for sale investments

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost, excluding transaction costs. These investments are either "held for trading" or "designated" as such on initial recognition.

Held for trading investments are acquired principally for the purpose of selling or repurchasing them in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Designated investments are those investments which are initially designated as investments at fair value through statement of income.

After initial recognition, investments at fair value through statement of income are re-measured at fair value. Realised and unrealised profits resulting from sale or changes in fair value of investments at fair value through statement of income are recognised in the statement of income.

Available for sale investments
Available for sale investments are initially recognised at cost plus transaction costs that are directly attributable to the acquisition.

After initial recognition, available for sale investments are re-measured at fair value except for investments whose fair value cannot be reliably measured, which are measured at cost less impairment.

Unrealised gain or loss on re-measurement of available for sale investments to fair value is recognised directly in equity in "cumulative changes in fair value" account until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income.

Notes to the Financial Statement (Contd.)

31 December 2005

Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Trade 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 company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset is de-recognised when the company loses control of the contractual rights that comprise the financial asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or a group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future cash flows, discounted at original interest rates and any impairment loss is recognised in the statement of income

Equipment and depreciation

Equipments are stated at cost less accumulated depreciation and any impairment in value. The company depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

Provisions

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

Employees' end of service benefits

End of service benefits are calculated on the basis of accumulated periods of service of employees as at the balance sheet date in accordance with the Kuwait labour law for the private sector and the companies' bye-laws.

Fiduciary assets

Assets held in a trust or fiduciary capacity are not treated as assets of the company and, accordingly, they are not included in these financial statements.

Notes to the Financial Statement (Contd.)

31 December 2005

Foreign currencies

Transactions in foreign currencies are translated into Kuwaiti Dinars at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange ruling at the balance sheet date. The resultant exchange differences are taken to the statement of income.

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows consist of cash and bank balances and due to banks.

Judgments

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

Classification of investment

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

All investments are classified either as fair value through statement of income or as available for sale.

Impairment of investments

The company treat available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" required considerable judgement. The company treats "significant" generally as 25% and "prolonged" as greater than one year. In addition, the company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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 instruments that is substantially the same; or
- the expected cash flow discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are certain investments where this estimation cannot be reliably determined, and as a result available for sale investments with a carrying amount of KD6,074,920 (2004: KD30,100) are carried at cost.

Notes to the Financial Statement (Contd.)

31 December 2005

3 General, administrative and other expenses

General, administrative and other expenses include the following charges:

	2005	2004
	KD	KD
Staff costs	1,860,766	-
Depreciation	23,130	-
Unrealised fee payable on managed portfolios for clients	449,044	-

Unrealised fee payable on managed portfolios for clients

During the quarter ended 31 December 2005 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 year by the weighted average number of shares outstanding during the year as follows:

	2005	2004
Net profit for the year (KD)	14,853,479	897,678
Weighted average number of shares outstanding during the year	250,000,000	10,000,000
Earnings per share	59 Fils	90 Fils

The weighted average number of shares outstanding during the year 2004 is 10,000,000 since the increase in capital by 240,000,000 shares occurred at the end of December 2004 (see note 10).

5 Investments at fair value through statement of income

	2005	Restated 2004
	KD	KD
Held for trading :		
Quoted shares	69,470,024	14,193,755
Designated on initial recognition :		
Local funds	9,086,728	4,716,891
	78,556,752	18,910,646

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.

Notes to the Financial Statement (Contd.)

31 December 2005

6 Accounts receivable and other assets

	2005	2004
	KD	KD
Due from parent company	310,427	4,223,206
Due from related parties	19,362	-
Due from Kuwait Clearing Company	416,360	-
Other receivables	187,587	-
Advance payments to acquire investments	219,683	-
Other assets	57,029	14,996
	1,210,448	4,238,202

7 Available for sale investments

	2005	Restated 2004
	KD	KD
Quoted shares	27,730,504	9,377,520
Unquoted shares	6,074,920	30,100
	33,805,424	9,407,620

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.

8 Due to banks

During the year the company obtained overdraft facilities amounting to KD8,000,000, out of which an amount of KD1,453,425 has been utilised at 31 December 2005. The facilities carry interest at an average rate of 8% - 8.5% per annum.

9 Borrowings

	Interest/cost rate	**2005**	2004
	%	**KD**	KD
Unsecured loans from local banks and financial institutions – Kuwaiti Dinar	5.69 – 8.5	44,200,000	-
Wakala payable – Kuwaiti Dinar	6.25	2,000,000	-
		46,200,000	

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

10 Share capital

At the end of December 2004, the company's authorised and paid up capital was increased from KD1,000,000 to KD25,000,000 by way of issuing 240,000,000 shares at 100 Kuwaiti Fils each, to the parent company.

11 Legal and voluntary reserves

In accordance with the Commercial Companies Law and the company's articles of association, 10% of the net profit for the year is to be transferred to legal reserve. The company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Notes to the Financial Statement (Contd.)

31 December 2005

Distribution of the 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 distribution of a dividend of that amount.

In accordance with company's articles of association, a certain % of the net profit for the year, if any, is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the general assembly. For the year 2005 the board of directors propose to transfer 10% of the net profit for the year to the voluntary reserve and this is to be approved by the general assembly.

12 Dividend

Subject to the approval of the general assembly, the board of directors propose not to declare any dividends for the year 2005.

13 Cash and cash equivalents

	2005	2004
	KD	KD
Cash and bank balances	934,686	28,438
Due to banks	(1,453,425)	-
	(518,739)	28,438

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

	Domestic	International	Total
	KD	KD	KD
31 December 2005			
Income	**17,982,312**	729,456	18,711,768
Net profit for the year	**14,263,924**	589,555	14,853,479
Total assets	**99,980,630**	14,670,592	114,651,222
Total liabilities	**(50,601,254)**	(98,880)	(50,700,134)
Net assets	**49,379,376**	14,571,712	63,951,088
31 December 2004			
Income	912,680	-	912,680
Net profit for the year	897,678	-	897,678
Total assets	32,584,906	-	32,584,906
Total liabilities	(51,089)	-	(51,089)
Net assets	32,533,817	-	32,533,817

Notes to the Financial Statement (Contd.)

31 December 2005

15 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:

	2005	2004
	KD	KD
Balance sheet		
Due from parent company and other related parties included in accounts receivable and other assets	329,789	4,223,206
Due to related parties included in accounts payable and other liabilities	388,015	-
Income statement		
Management fees	43,654	-
Unrealised fee payable on managed portfolios for clients	210,615	-
Finance costs	80,153	-
Compensation of key management personnel of the company		
Short term employee benefits	1,273,577	-
Terminal benefits	4,285	-

During the year the company transferred "investments at fair value through statement of income" with a fair value of KD11,254,000 to its parent company. The transfer was recorded by debiting the parent company's current account. Further during the year the company also received short term advances from the parent company which carried interest at 6% per annum.

16 Risk management

A. Credit risk

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of bank balances and accounts receivable and other assets. The company's bank balances are placed with high credit quality financial institutions and accounts receivable and other assets are presented net of appropriate provisions.

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 company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The company's management has established levels of interest rate risk by setting related limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instruments carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The company's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

Notes to the Financial Statement (Contd.)

31 December 2005

	Up to 1 month KD	1-3 months KD	3-12 months KD	Non interest bearing items KD	Total KD	Effective interest rate %
At 31 December 2005						
ASSETS						
Cash and bank balances	360,000	-	-	574,686	934,686	Upto 2%
Investments at fair value through statement of income	-	-	-	78,556,752	78,556,752	-
Accounts receivable and other assets	-	-	-	1,210,448	1,210,448	-
Available for sale investments	-	-	-	33,805,424	33,805,424	-
Equipment	-	-	-	143,912	143,912	-
	360,000	**-**	**-**	**114,291,222**	**114,651,222**	**-**
LIABILITIES						
Due to banks	-	1,453,425	-	-	1,453,425	8%-8.5%
Accounts payable and other liabilities	-	-	-	3,024,085	3,024,085	-
Borrowings	4,000,000	21,200,000	21,000,000	-	46,200,000	5.69%-8.5%
Provision for end of service indemnity	-	-	-	22,624	22,624	-
	4,000,000	22,653,425	21,000,000	3,046,709	50,700,134	-
Total interest rate sensitivity gap	(3,640,000)	(22,653,425)	(21,000,000)	-	-	-
Cumulative interest rate sensitivity gap	**(3,640,000)**	**(26,293,425)**	**(47,293,425)**	**-**	**-**	**-**
At 31 December 2004						
ASSETS						
Cash and bank balances	-	-	-	28,438	28,438	-
Investments at fair value through statement of income	-	-	-	18,910,646	18,910,646	-
Accounts receivable and other assets	-	-	-	4,238,202	4,238,202	-
Available for sale investments	-	-	-	9,407,620	9,407,620	-
	-	-	-	32,584,906	32,584,906	-
LIABILITIES						
Accounts payable and other liabilities	-	-	-	51,089	51,089	-
	-	-	-	51,089	51,089	-
Total interest rate sensitivity gap	-	-	-	-	-	-
Cumulative interest rate sensitivity gap	-	-	-	-	-	-

C. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge foreign currency exposure.

At 31 December the net open foreign exchange positions were as follows:

	2005 Equivalent KD	2004 Equivalent KD
US Dollars	3,768,515	-
Pakistani Rupees	3,022,918	-
UAE Dirhams	5,939,057	-
Hong Kong Dollars	1,936,977	-
Other currencies	247,652	-

Notes to the Financial Statement (Contd.)

31 December 2005

D. Liquidity risk

Liquidity risk is the risk that the company 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 daily basis.

The table below summarises the maturity profile of the company's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile of available for sale investments is based on planned exit dates.

Maturity profile of assets and liabilities at 31 December 2005 and 2004:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2005						
ASSETS						
Cash and bank balances	934,686	-	-	-	-	934,686
Investments at fair value through statement of income	78,556,752	-	-	-	-	78,556,752
Accounts receivable and other assets	910,641	296,807	-	3,000	-	1,210,448
Available for sale investments	-	-	-	33,805,424	-	33,805,424
Equipment	-	-	-	143,912	-	143,912
	80,402,079	**296,807**	**-**	**33,952,336**	**-**	**114,651,222**
LIABILITIES & EQUITY						
Due to banks	-	1,453,425	-	-	-	1,453,425
Accounts payable and other liabilities	2,297,085	727,000	-	-	-	3,024,085
Borrowings	4,000,000	21,200,000	21,000,000	-	-	46,200,000
Provision for end of service indemnity	-	-	-	22,624	-	22,624
Equity	-	-	-	35,206,057	28,745,031	63,951,088
	6,297,085	**23,380,425**	**21,000,000**	**35,228,681**	**28,745,031**	**114,651,222**
At 31 December 2004						
ASSETS						
Cash and bank balances	28,438	-	-	-	-	28,438
Investments at fair value through statement of income	18,910,646	-	-	-	-	18,910,646
Accounts receivable and other assets	4,238,202	-	-	-	-	4,238,202
Available for sale investments	-	-	-	9,407,620	-	9,407,620
	23,177,286	-	-	9,407,620	-	32,584,906
LIABILITIES & EQUITY						
Accounts payable and other liabilities	51,089	-	-	-	-	51,089
Provision for end of service indemnity	-	-	-	-	-	-
Equity	-	-	-	6,778,017	25,755,800	32,533,817
	51,089	**-**	**-**	**6,778,017**	**25,755,800**	**32,584,906**

Notes to the Financial Statement (Contd.)

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E. Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The group is exposed to market risk with respect to its investments securities.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity markets. In addition, the company actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investees.

17 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 December 2005 amounted to KD22,646,701 (31 December 2004 : Nil) of which assets managed on behalf of its parent company and other related parties amounted to KD16,446,361 (31 December 2004 : Nil).

18 Capital commitments

At the balance sheet date the company had capital commitments of KD858,460 towards available for sale investments (2004: KD Nil).

19 Fair value of financial instruments

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in Note 2 to the financial statements (under the heading "Estimation uncertainty") the carrying amounts of financial assets and liabilities as at 31 December 2005 and 2004 approximate their fair values.