

Registration No. 1505579

Registered Office:
13 George Street
London
W1U 3QJ

NBK INVESTMENT MANAGEMENT LIMITED

Report and Accounts

31 December 2005

Ernst & Young LLP
1 More London Place
London
SE1 2AF



NBK INVESTMENT MANAGEMENT LIMITED

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NBK INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2005.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$601,958 (2004: \$411,012).

During the year, no dividends were paid (2004: \$2,000,000).

The \$601,958 profit (2004: \$1,588,988 loss) will be carried to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of NBK Investment Management Limited (the "Company") is the management of private, corporate and institutional investment portfolios and the provision of investment advisory services. The Company is authorised and regulated by the Financial Services Authority. Both the level of business during the year and the financial position at the end of year were satisfactory. No significant changes in the Company's principal business activity are anticipated.

The Company's ultimate parent undertaking and controlling entity is National Bank of Kuwait SAK.

The profit and loss account for the year is set out on page 4.

DIRECTORS

The following Directors held office throughout the year (except where otherwise shown):

S K Al-Bahar

S Y Al-Fulaij

I Al-Sagar (Chairman)

M Green

P J W Harrison (resigned 29 April 2005)

D J Herbert

G Y A Nasra (resigned 12 November 2005)

R Ricciardi (appointed 06 December 2005)

DIRECTORS' INTERESTS

The Directors had no disclosable interests in the share and loan capital of the Company or any other body corporate in the same group at the beginning of the year, at the date of their appointment during the year, or at the end of the year.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the Company and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

NBK INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

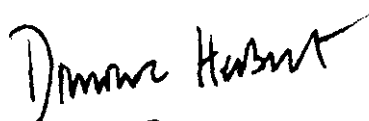
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will *continue in business*.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on



Director

5 April 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NBK INVESTMENT MANAGEMENT LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash flows, and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

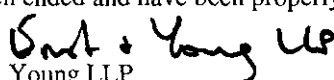
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

Date: 5 April 2006

NBK INVESTMENT MANAGEMENT LIMITED

PROFIT & LOSS ACCOUNT

For the year ended 31 December 2005

	Note	2005 \$	2004 \$
REVENUE	2, 3	5,422,926	4,810,107
Staff Costs	4	(546,157)	(665,687)
Other operating charges		<u>(4,446,659)</u>	<u>(3,984,511)</u>
OPERATING PROFIT	5	430,110	159,909
Income from shares in subsidiary undertakings		225,000	280,000
Other interest receivable and similar income	7	107,087	45,248
Foreign exchange gain		<u>16,996</u>	<u>27,051</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		779,193	512,208
Tax on profit on ordinary activities	8	<u>(177,235)</u>	<u>(101,196)</u>
PROFIT FOR THE FINANCIAL YEAR		601,958	411,012
Dividends on ordinary shares	9	<u>-</u>	<u>(2,000,000)</u>
PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR		<u><u>601,958</u></u>	<u><u>(1,588,988)</u></u>

All operations were continuing in the current and prior year.

A reconciliation of the movement in shareholders' funds has been prepared in note 15 to the accounts.

The notes on pages 7 to 14 form an integral part of the accounts.

Statement of Total Recognised Gains and Losses

There were no recognised gains or losses during the current year or prior year other than those disclosed above. Accordingly, no statement of total recognised gains and losses has been prepared.

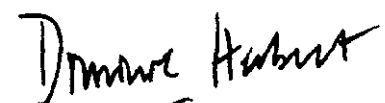
NBK INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET 31 December 2005

	Note	2005 \$	2004 \$
FIXED ASSETS			
Investments	10	40,300	40,300
CURRENT ASSETS			
Debtors	11	2,801,865	2,104,236
Cash at bank		3,028,492	2,768,151
		<u>5,830,357</u>	<u>4,872,387</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	13	<u>(1,827,317)</u>	<u>(1,471,305)</u>
NET CURRENT ASSETS		4,003,040	3,401,082
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,043,340</u>	<u>3,441,382</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,948,908	1,948,908
Profit and loss account	15	2,094,432	1,492,474
EQUITY SHAREHOLDERS' FUNDS		<u>4,043,340</u>	<u>3,441,382</u>

These accounts were approved by the Board on

Signed on behalf of the Board



Director

5 April 2006

The notes on pages 7 to 14 form an integral part of the accounts.

NBK INVESTMENT MANAGEMENT LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2005

	Note	2005 \$	2004 \$
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	88,493	852,408
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		107,087	45,248
Dividends received from subsidiary undertaking		225,000	280,000
Foreign exchange		16,996	27,051
TAXATION		(177,235)	(101,196)
EQUITY DIVIDENDS PAID		-	(2,000,000)
INCREASE/(DECREASE) IN CASH		<u>260,341</u>	<u>(896,489)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS			
INCREASE/(DECREASE) IN CASH IN THE YEAR		260,341	(896,489)
NET FUNDS AS AT 1 JANUARY 2005		2,768,151	3,664,640
NET FUNDS AS AT 31 DECEMBER 2005		<u>3,028,492</u>	<u>2,768,151</u>

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom company law and accounting standards.

b) Functional currency

The accounts are prepared in US dollars, the currency of the primary economic environment in which the Company operates.

c) Foreign currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Transactions in currencies other than US dollars are recorded at the rates ruling at the dates of the transactions. All translation differences are taken through the profit and loss account.

d) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment.

e) Taxation

UK corporation tax is provided at amounts expected to be paid / recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Full provision has been made for deferred tax assets and liabilities arising from timing differences. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

f) Netting

All assets and liabilities have been disclosed gross unless the Company's ability to insist on net settlement is assured beyond doubt.

2. REVENUE

Net revenue represents fees and commissions receivable for investment management, custody, transaction and performance services supplied by the Company and is stated after deduction of value added tax.

3. SEGMENTAL REPORTING

The Directors are of the opinion that it would be seriously prejudicial to the interests of the Company to give separate disclosure in respect of each geographical market within which it operates. The Company has only one class of business, as described in the Directors' Report.

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

4. STAFF COSTS

	2005 \$	2004 \$
Wages and salaries	447,365	563,392
Social security costs	45,748	48,451
Pension costs	53,044	53,844
	<u>546,157</u>	<u>665,687</u>

The Company employed six staff during the year (2004: seven). Five employees are seconded by National Bank of Kuwait (International) PLC and one employee is seconded by Morgan Stanley UK Limited.

5. OPERATING PROFIT

	2005 \$	2004 \$
Operating profit is stated after charging :		
Auditors' remuneration - audit fees	<u>20,627</u>	<u>16,491</u>

6. DIRECTORS' EMOLUMENTS

The Company had eight directors who held office at some point during the year ended 31 December 2005 (2004: eight), none of whom received any remuneration or other emoluments from the Company (2004: nil).

The Company paid no remuneration to its directors during the year but incurred management charges in respect of directors' services provided to the Company. The management charges for these services are included within the management charges disclosed in note 18.

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 \$	2004 \$
Bank interest receivable	96,469	45,248
Interest on taxes	10,618	-
	<u>107,087</u>	<u>45,248</u>

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2005 \$	2004 \$
UK corporation tax at 30% (2004: – 30%)		
- Current year	253,490	177,556
- Adjustment in respect of prior years	(14,916)	(197)
	<u>238,574</u>	<u>177,359</u>
Double taxation relief		
- Current year	(61,366)	(76,201)
	<u>177,208</u>	<u>101,158</u>
Total current tax	177,208	101,158
Deferred taxation		
- Current year	28	38
- Adjustment in respect of prior years	(1)	-
	<u>27</u>	<u>38</u>
Tax on profit on ordinary activities	<u>177,235</u>	<u>101,196</u>

Factors affecting the tax charge for the year

The current year UK taxation charge is lower than that resulting from applying the standard UK corporation tax rate of 30% (2004:30%). The main differences are explained below:

	2005 \$	2004 \$
Profit on ordinary activities before tax	<u>779,193</u>	<u>512,208</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	233,758	153,662
Effects of:		
Expenses not deductible for tax purposes	1,350	1,072
Capital allowances for the year in excess of depreciation	(28)	(38)
Tax gross-ups on overseas dividends received	18,410	22,860
Underlying tax relief on overseas dividends received	(61,366)	(76,201)
Prior year adjustment	(14,916)	(197)
	<u>177,208</u>	<u>101,158</u>
Current tax charge for the year	<u>177,208</u>	<u>101,158</u>

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

9. DIVIDENDS

	2005 \$	2004 \$
Dividends on 'A' ordinary shares	-	1,200,000
Dividends on 'B' ordinary shares	-	800,000
	<u>-</u>	<u>2,000,000</u>

10. FIXED ASSET INVESTMENTS

	Subsidiary undertakings \$
Year ended 31 December 2005	
Cost	
At 1 January 2005 and 31 December 2005	<u>40,300</u>

The Company's unlisted investment in subsidiary undertakings consists of a 100% holding in the ordinary shares of NBK Investment Management (Jersey) Limited, an investment management company registered in Jersey. NBK Investment Management (Jersey) Limited is a provider of Investment Management Services.

Consolidated accounts are not produced, since the Company itself is a subsidiary of NBK Overseas (London) Limited, a company registered in England & Wales, which will prepare consolidated accounts for the year to 31 December 2005.

The Directors are of the opinion that the aggregate value of the subsidiary's assets is not less than the amount at which they are included in the accounts.

11. DEBTORS

	2005 \$	2004 \$
Trade Debtors from external counterparties	2,597,259	1,972,736
Amounts due from group undertakings	177,198	102,925
Deferred taxation (see note 12)	84	111
Prepayments and accrued income	<u>27,324</u>	<u>28,464</u>
	<u>2,801,865</u>	<u>2,104,236</u>

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

12. DEFERRED TAX

Deferred tax has been fully recognised and is analysed as follows:

	2005 \$	2004 \$
Accelerated capital allowances	84	111

The movement in deferred tax asset during the year is analysed as follows:

	\$
At 1 January 2005	111
Current year timing differences	(28)
Adjustment in respect of prior years	1
At 31 December 2005	<u>84</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 \$	2004 \$
Amounts owing to group undertakings	1,477,953	1,204,224
Corporation tax	120,689	42,961
Accruals and deferred income	<u>228,675</u>	<u>224,120</u>
	<u>1,827,317</u>	<u>1,471,305</u>

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

14. CALLED UP SHARE CAPITAL

	2005 \$	2004 \$
Authorised:		
Equity shares		
3,000,000 'A' ordinary shares of £0.39 each	1,170,000	1,170,000
2,000,000 'B' ordinary shares of £0.39 each	780,000	780,000
	<u>1,950,000</u>	<u>1,950,000</u>
 Allotted and fully paid:		
Equity shares		
1,860,000 'A' ordinary shares of £0.39 each	1,169,345	1,169,345
1,240,000 'B' ordinary shares of £0.39 each	779,563	779,563
	<u>1,948,908</u>	<u>1,948,908</u>

All ordinary shares are recorded at the rates of exchange ruling at the date the shares were paid up.

The A and B shares rank pari passu in all respects, other than those listed below, but constitute separate share classes.

A Shareholders' rights

- Majority can appoint/remove up to 6 A Directors
- Cannot vote on removal of a Director appointed by any other class
- Chairman shall be an A Director

B Shareholders' rights

- Majority can approve/remove up to 4 B Directors
- Cannot vote on removal of a Director appointed by any other class
- Class consent required before any variation of rights can be voted at a general meeting.

The general meeting quorum requires at least one A and one B shareholder, and the Board quorum requires at least one A and one B Director.

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$	Profit and loss account \$	Total \$
At 1 January 2004	1,948,908	3,081,462	5,030,370
Profit for the year	-	411,012	411,012
Dividends paid	-	(2,000,000)	(2,000,000)
At 31 December 2004	1,948,908	1,492,474	3,441,382
Profit for the year	-	601,958	601,958
At 31 December 2005	1,948,908	2,094,432	4,043,340

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 \$	2004 \$
Operating profit	430,110	159,909
(Increase)/Decrease in debtors	(697,629)	1,601,432
Increase/(Decrease) in creditors	356,012	(908,933)
	88,493	852,408

17. PENSIONS

The employees are members of the defined contribution scheme administered by National Bank of Kuwait (International) PLC.

The assets of the scheme are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable to the fund and amounted to \$53,044 (2004: \$53,855). Contributions of 15% were paid in respect of members of the scheme. There were no amounts outstanding at the balance sheet date (2004: \$nil).

NBK INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

18. RELATED PARTY TRANSACTIONS

Under the terms of agreements with National Bank of Kuwait SAK, the ultimate parent company, and a subsidiary undertaking, \$760,000 (2004: \$760,000) was payable by the Company in respect of marketing and management services provided during the year, of which \$190,000 (2004: \$190,000) was outstanding at the balance sheet date.

Fees in respect of administration and security transactions services of \$2,914,120 (2004: \$2,636,904) were incurred during the year to Morgan Stanley Investment Management Limited, a company of which NBK Investment Management Limited is an associated undertaking, \$1,260,717 (2004: \$1,014,224), of which was outstanding at the balance sheet date.

At the year end, debtors include \$177,198 (2004: \$121,304) due from Morgan Stanley Investment Management Limited in respect of a foreign exchange contract

19. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling party is National Bank of Kuwait SAK, which is incorporated in Kuwait. The parent undertaking of the smallest group of undertakings for which group accounts are prepared and of which the Company is a member is NBK Overseas (London) Limited, a company registered in England and Wales. Copies of the accounts of NBK Overseas (London) Limited and National Bank of Kuwait SAK can be obtained from the Company's office at 13 George Street, London, W1U 3QJ.