

YIACO MEDICAL COMPANY – KSC (CLOSED) AND SUBSIDIARIES

Interim consolidated financial information

31 March 2007 (Unaudited)

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF YIACO MEDICAL COMPANY –KSC (CLOSED)

Introduction

We have reviewed the accompanying consolidated balance sheet of YIACO Medical Company – KSC (Closed) [the “parent company”] and subsidiaries (the “group”) as at 31 March 2007 and the related consolidated statements of income, changes in shareholders’ equity and cash flows for the three month period then ended. The directors of the parent company are responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim 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.

We did not review the interim financial information of Al-Kamal Import and Marketing Company – WLL and Universal Industrial Medical Company – E.S.C. Those financial information have been reviewed by other independent auditors whose review report thereon has been furnished to us and our report, in so far as it relates to the amounts included for the subsidiaries is based solely on the report of other auditors. The total assets and profits of these subsidiaries included in these interim consolidated financial information are KD 3,372,455 and KD 40,915 respectively.

Conclusion


Based on our review, and the review report of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim 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, as amended, or of the articles of association of the parent company have occurred during the three month period ended 31 March 2007 that might have had a material effect on the business of the parent company or on its financial position.



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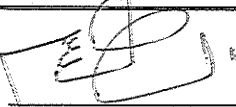
Consolidated statement of income (Unaudited)

	Notes	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Sales		11,523,858	11,460,733
Cost of sales		(8,184,629)	(8,789,504)
Gross profit		3,339,229	2,671,229
Other operating income		182,095	141,510
Selling and distribution costs		(406,097)	(463,677)
Administration expenses		(1,924,949)	(1,613,198)
Profit from operations		1,190,278	735,864
Share in result of associates		-	(99,598)
Unrealised profit(loss) on investments at fair value through statement of income		24,000	(581,558)
Dividend income		35,650	22,000
Finance costs		(145,498)	(233,773)
Management remuneration		(90,762)	(51,798)
Profit/loss for the period before income taxes		1,013,668	(208,863)
Income taxes		(19,103)	(1,394)
Profit (loss) from continuing operations		994,565	(210,257)
Profit from discontinued operation	4	-	180,525
Profit(loss) for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		994,565	(29,732)
Contribution to KFAS		(8,930)	-
Profit (loss) for the period		985,635	(29,732)
Attributable to:			
Shareholders of the parent company		983,308	(29,906)
Minority interest		2,327	174
		985,635	(29,732)
Basic and diluted earnings (loss) per share			
- From continuing operations	3	6.57 fils	(1.40) fils
- From discontinued operations		-	1.20 fils
		6.57 fils	(0.20) fils

The notes set out on pages 6 to 8 form an integral part of the interim consolidated financial information.

Consolidated balance sheet (Unaudited)

	Notes	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Assets				
Non-current assets				
Property and equipment		8,310,482	8,546,906	10,283,744
Intangible assets		466,251	533,001	-
Key money		94,260	104,794	89,147
Deferred costs		1,144,161	1,094,271	1,471,857
Investment in associate		12,500	12,500	12,500
Investments at fair value through statement of income	5	2,472,100	2,448,100	4,510,195
Available for sale investments		5,138,379	5,138,379	5,138,379
		17,638,133	17,877,951	21,505,822
Current assets				
Inventories		9,559,896	8,362,285	10,722,695
Accounts receivable and prepayments		18,007,148	16,870,587	11,634,389
Cash and bank balances	6	1,254,546	1,731,421	1,904,420
		28,821,590	26,964,293	24,261,504
Total assets		46,459,723	44,842,244	45,767,326
Equity and liabilities				
Equity				
Share capital		15,000,000	15,000,000	15,000,000
Legal reserve		1,721,982	1,721,982	1,476,890
Voluntary reserve		120,622	120,622	120,622
General reserve		637,472	637,472	637,472
Retained earnings		4,520,903	3,537,595	1,320,255
Foreign currency translation reserve		151,120	149,654	140,130
Equity attributable to the shareholders of the parent company		22,152,099	21,167,325	18,695,369
Minority interest		94,813	92,413	91,770
Total equity		22,246,912	21,259,738	18,787,139
Non-current liabilities				
Long term loans	7	825,000	900,000	1,125,000
Provision for staff indemnity		925,045	926,379	1,130,770
Provisions		800,000	800,000	-
Murabaha payable	8	1,592,342	1,807,801	2,476,994
		4,142,387	4,434,180	4,732,764
Current liabilities				
Current portion of term loans	7	1,300,000	1,300,000	2,564,000
Accounts payable and accruals		14,483,821	14,052,248	13,807,446
Current portion of murabaha payable	8	3,158,609	3,307,232	4,670,059
Bank overdrafts	6	1,127,994	488,846	1,205,918
		20,070,424	19,148,326	22,247,423
Total liabilities		24,212,811	23,582,506	26,980,187
Total equity and liabilities		46,459,723	44,842,244	45,767,326


Ibrahim Yousef Al Ghanim
Chairman

The notes set out on pages 6 to 8 form an integral part of the interim consolidated financial information.

Consolidated statement of changes in equity (Unaudited)

	Attributable to shareholders of the parent company						Minority interest KD	Total equity KD
	Share capital KD	Legal reserve KD	Voluntary reserve KD	General reserve KD	Foreign currency translation reserve KD	Retained earnings KD		
Balance at 1 January 2007	15,000,000	1,721,982	120,622	637,472	149,654	3,537,595	92,413	21,259,738
Foreign currency translation reserve	-	-	-	-	1,466	-	73	1,539
Total income for the period recognised directly in equity	-	-	-	-	1,466	-	73	1,539
Profit for the period	-	-	-	-	-	983,308	2,327	985,635
Total income recognised for the period	-	-	-	-	1,466	983,308	2,400	987,174
Balance at 31 March 2007	15,000,000	1,721,982	120,622	637,472	151,120	4,520,903	94,813	22,246,912
Balance at 1 January 2006	15,000,000	1,476,890	120,622	637,472	140,130	1,350,161	91,596	18,816,871
Loss for the period	-	-	-	-	-	(29,906)	174	(29,732)
Balance at 31 March 2006	15,000,000	1,476,890	120,622	637,472	140,130	1,320,255	91,770	18,787,139

The notes set out on pages 6 to 8 form an integral part of the interim consolidated financial information.

Consolidated statement of cash flows (Unaudited)

	Note	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit (loss) for the period		985,635	(29,732)
Adjustments:			
Depreciation and amortisation		348,936	341,473
Share in result of associates		-	99,598
Unrealised (profit) loss from investments at fair value through statement of income		(24,000)	620,958
Provision for staff indemnity		48,601	62,943
Dividend income		(35,650)	(26,000)
Finance cost		145,498	234,647
Loss (gain) on disposal of property and equipment		4,251	(3,996)
Income tax		19,103	1,394
		1,492,374	1,301,285
Working capital changes:			
Inventories		(1,197,611)	(308,159)
Accounts receivable and prepayments		(1,136,561)	(1,217,638)
Accounts payable and accruals		444,327	1,230,500
Cash (used in) from operations		(397,471)	1,005,988
Income tax paid		(31,857)	(1,394)
Staff indemnity paid		(49,935)	(10,939)
Net cash (used in) from operating activities		(479,263)	993,655
INVESTING ACTIVITIES			
Purchase of property and equipment		(52,963)	(300,454)
Proceeds from disposal of property and equipment		13,484	34,015
Payment of deferred costs		(180,427)	(10,468)
Recovery of deferred costs		130,537	150,358
Purchase of investments at fair value through statement of income		-	(1,025,458)
Disposal of investment in associate		-	27,738
Dividend received		35,650	26,000
Net cash used in investing activities		(53,719)	(1,098,269)
FINANCING ACTIVITIES			
Finance cost paid		(145,498)	(234,647)
Net payment for Murabaha		(364,082)	(353,610)
Net payment for term loans		(75,000)	(103,000)
Net cash used in financing activities		(584,580)	(691,257)
Net impact of foreign currency translation adjustments		1,539	-
Decrease in cash and cash equivalents		(1,116,023)	(795,871)
Cash and cash equivalents at the beginning of the period		1,242,575	1,494,373
Cash and cash equivalents at the end of the period	6	126,552	698,502

The notes set out on pages 6 to 8 form an integral part of the interim consolidated financial information.

Notes to the interim consolidated financial information (Unaudited)

1 Incorporation and activities

YIACO Medical Company – KSC (Closed) (parent company) was incorporated on 15 January 1969 in accordance with the Commercial Companies Law in Kuwait to carry out general trading only. Its principal activities are the import and sale of medical, chemical and dental products and equipment. The parent company also operates a number of pharmacies in Kuwait and a medical clinic.

The parent company is a subsidiary of The Securities House, a Kuwaiti closed shareholding company.

The address of the parent company's registered office is PO Box 435, Safat 13005, State of Kuwait.

The group comprises of the parent company and its following subsidiaries:

- a) Al Kamal Import and Marketing Company – WLL (KIMC) Egypt, a 95% subsidiary, is engaged in import, marketing and manufacturing medical raw material and medical and chemical equipment.
- b) Universal Industrial Medical Company, Egypt, a 100% subsidiary, is engaged in manufacturing laboratory chemicals, medical supplies, pharmaceuticals and children's food and packing of the company's products in Egypt.
- c) Gulf International Company for Tourism – WLL, Kuwait, a 100% subsidiary, engaged in providing private travel services.

The group mainly operates in Kuwait and Egypt.

This interim consolidated financial information of the group for the three-month period ended 31 March 2007 were authorised for issue by the board of directors on 24 April 2007.

2 Accounting policies

The interim consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the group for the year ended 31 December 2006.

The interim consolidated financials statements have been presented in Kuwaiti Dinars which is the functional currency of the parent company.

The interim consolidated financial information do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the group's annual consolidated financial statements as at 31 December 2006. In addition, results for the three months ended 31 March 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

3 Basic and diluted earnings (loss) per share

Basis and diluted earnings (loss) per share are calculated by dividing the profit for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the period.

	(Unaudited) 3 months ended 31 March 2007 KD	(Unaudited) 3 months ended 31 March 2006 KD
Profit (loss) for the period attributable to shareholders' of the parent company from continuing operations	985,635	(210,257)
Profit (loss) for the period attributable to shareholders' of the parent company from discontinued operations	-	180,525
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares outstanding during the period	150,000,000	150,000,000
Basic and diluted earnings (loss) per share		
- from continuing operations	6.57 fils	(1.40) fils
- from discontinued operations	-	1.20 fils
	6.57 fils	(0.20) fils

4 Discontinued operations

On 23 September 2006, the group entered into a sale agreement, effective 30 June 2006, to sell its wholly owned subsidiary, Hygiene Products Industries Company – KSC (Closed), to its ultimate parent company, The Securities House – KSC (Closed). The sale amount was equal to the carrying value of the subsidiary in the books of the group. Hence no gain or loss resulted on disposal.

The profit for the period from discontinued operations is analysed below:

	Three months ended (Unaudited)	
	31 March 2007 KD	31 March 2006 KD
Sales	-	1,359,666
Cost of sales	-	(878,868)
Gross profit	-	480,798
Other operating income	-	3,003
Selling and distribution costs	-	(152,542)
Administration expenses	-	(114,460)
Profit from operations	-	216,799
Unrealised (loss)/gain on investments at fair value through statement of income	-	(39,400)
Dividend income	-	4,000
Finance costs	-	(874)
Profit for the period	-	180,525

4. Discontinued operations (continued)

The net assets of Hygiene Products Industries Company – KSC (Closed) is at 31 March 2006 as follows:

	31 March 2006 (Unaudited) KD
Assets	
Property, plant and equipment	1,275,519
Inventories	836,305
Investments at fair value through statement of income	385,795
Accounts receivable and prepayments	998,860
Cash and bank balances	973,009
Total assets	4,469,488
Less: Liabilities	
Employees' end of service benefits	(278,245)
Term loans	(14,000)
Accounts payable and accruals	(462,469)
Total liabilities	(754,714)
Total net assets	3,714,774

5 Investments at fair value through statement of income

This represents the investments made in the equity securities fund which is managed by the ultimate parent company and local unquoted shares.

6 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows represent the following consolidated balance sheet amounts:

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Bank balances and cash	1,254,546	1,731,421	1,904,420
Bank overdrafts	(1,127,994)	(488,846)	(1,205,918)
	126,552	1,242,575	698,502

Bank overdrafts carry interest rate of 8.75 % (31 December 2006: 8.75% and 31 March 2006: 8.5%) per annum and are unsecured.

7 Term loans

Term loans represent loans payable to local banks. The loans carry interest at an average rate of 7.75% to 8.25% (31 December 2006: 7.5% to 8.25% and 31 March 2006: 7.5% to 8%) per annum on the utilized portion and are unsecured. The loans are payable on different dates ending on 31 December 2010. Amounts payable within the next twelve months are shown as current liabilities.

8 Murabaha payable

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and carries effective profit payable rates ranging from 8% to 9.75% (31 December 2006: 8% to 10% and 31 March 2006: 7% to 9.75%). The murabaha is payable on different dates ending 31 May 2015 and are secured over property and equipment and inventories with net book value of KD 6,916,216. Amount payable within the next twelve months are shown as current liabilities.

9 Contingent liabilities

At 31 March 2007 the group had contingent liabilities in respect of outstanding letters of guarantees amounting to KD 6,483,221 (31 December 2006: KD 7,175,473 and 31 March 2006: KD 7,033,851). The group had capital commitments in respect of assets under construction of KD nil (31 December 2006: KD Nil and 31 March 2006: KD50,000). Also the group had commitments to invest amounting to KD 315,000 (31 December 2006: KD 315,000 and 31 March 2006: KD 315,000).

10 Segmental Information

The group's primary basis of segment reporting by business segments, which consist of medical and related activities and investments.

An analysis of gross income, profit from ordinary activities, total assets and total liabilities in respect of each of these segments is as follows:

	Medical and related activities	Investments	Total
	KD	KD	KD
At 31 March 2007 (unaudited)			
Segment revenue	11,523,858	59,650	11,583,508
Segment profit from continuing operations	934,915	59,650	994,565
Segment profit from discontinued operations	-	-	-
Unallocated expenses	-	-	(8,930)
Profit for the period	-	-	985,635
Total assets	38,836,744	7,622,979	46,459,723
Total liabilities	(24,212,811)	-	(24,212,811)

10 Segmental Information (continued)

	Medical and related activities	Investments	Total
	KD	KD	KD
At 31 March 2006 (unaudited)			
Segment revenue	11,460,733	(659,156)	10,801,577
Segment profit (loss) from continuing operations	448,899	(659,156)	(210,257)
Segment profit from discontinued operations	-	-	180,525
Unallocated expenses	-	-	-
Loss for the period	-	-	(29,732)
Total assets	36,106,252	9,661,074	45,767,326
Total liabilities	(26,980,187)	-	(26,980,187)

The group reports its secondary segmental information according to geographical location of its customers and assets as follows:

	Kuwait KD	Egypt KD	Total KD
At 31 March 2007 (unaudited)			
Segment revenue	10,725,613	857,895	11,583,508
Total assets	43,087,268	3,372,455	46,459,723
Total liabilities	(22,831,189)	(1,381,622)	(24,212,811)
At 31 March 2006 (unaudited)			
Segment revenue	10,457,618	343,959	10,801,577
Total assets	41,607,030	4,160,296	45,767,326
Total liabilities	(24,764,318)	(2,215,869)	(26,980,187)

11 Comparative amounts

The comparative amounts have been reclassified to conform to the current period's presentation. Such amounts do not affect previously reported profit or equity.