Registration No. 1505579

Registered Office:
13 George Street
London W1U 3QJ

NBK INVESTMENT MANAGEMENT LIMITED

Report and financial statements

31 December 2008

CONTENTS

NBK INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes, 1 to 19) for NBK Investment Management Limited (the "Company") for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was $168,204 (2007: $1,004,446 profit after tax).

During the year, a dividend of $1,000,000 was paid on the ordinary shares (2007: $nil).

PRINCIPAL ACTIVITY

The Company's ultimate parent undertaking and controlling entity is National Bank of Kuwait SAK, which, together with the Company and National Bank of Kuwait SAK's other subsidiary undertakings, form the NBK Group (the "Group").

The principal activity of the Company is the management of private, corporate and institutional investment portfolios. The Company is authorised and regulated by the Financial Services Authority ("FSA").

There have not been any significant changes in the Company's principal activity in the year under review. Since the balance sheet date, National Bank of Kuwait SAK has decided to withdraw from the investment management business carried out via the Company. Following a proposal by NBK Overseas (London) Limited, as shareholder, to wind up the Company, Morgan Stanley Investment Management Limited agreed on 23 April 2009 to a resolution to wind up the Company.

As a consequence the Directors have decided to reduce the activities of the Company with the intent to cease trading in the foreseeable future.

BUSINESS REVIEW

The profit and loss account for the year is set out on page 5. The Company has made a loss after tax of $168,204 for the year, compared to a profit after tax of $1,004,446 in the prior period. The prior year's profit included the gain on the liquidation of the Company's subsidiary undertaking, NBK Investment Management (Jersey) Limited, of $465,460. The cost to income ratio has increased from 89% in 2007 to 106% in 2008, driven mainly by a decrease in investment management and performance fees received by the Company, resulting from the decrease in total assets managed by the business in the financial year. Aggregate compensation costs have also fallen significantly from $564,890 in 2007 to $447,889 in 2008.

The balance sheet for the Company is set out on page 6. The net assets of the Company decreased from $5,855,032 at 31 December 2007 to $4,686,828 at 31 December 2008, reflecting both the loss after tax incurred in the 2008 financial year, and the dividend of $1,000,000 paid to ordinary shareholders. The working capital ratio has increased from 3.76 to 5.79, reflecting the decrease in both fees receivable from clients and fees payable to shareholders, together with a small decrease in cash held by the Company.

The Company continues to have a sound financial base, as well as sufficient capital to meet its regulatory requirements. The Directors note that the Company is not a balance sheet driven business and therefore the Directors do not treat return on assets as a key performance indicator.

Risk Management

Risk is an inherent part of the Company's business activity and is managed within the context of the broader Group's business activities. The Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities on a global basis, in accordance with defined policies and procedures and in consideration of the individual legal entities.

Market risk
Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as liquidity, will result in losses for a position or portfolio.

Credit risk
Credit risk refers to the risk of loss arising from borrower or counterparty default when a borrower, counterparty or obligor is unable to meet its financial obligations.

Liquidity and cash flow risk
The Company's senior management establishes the overall liquidity and capital policies of the Company. The Company's liquidity and funding risk management policies are designed to mitigate the potential risk that the Company may be unable to access adequate financing to service its financial obligations when they fall due without material adverse franchise or business impact. The key objectives of the liquidity and funding risk management framework are to support the successful execution of the Company's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of financial distress.

DIRECTORS

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

S K Al Bahar	
T Al Bahar	(resigned 27 May 2008)
S Y Al Fulaij	
M Al Nahedh	(appointed 25 June 2008)
I Al Sagar	(chairman)
J D Dilworth	(resigned 4 March 2009)
D J Herbert	(resigned 20 March 2008)
N Lupton	(appointed 2 April 2008)

AUDITORS

Ernst and Young LLP have expressed their willingness to continue in office as auditors of the Company and, under Sections 485 to 488 of the Companies Act 2006, will be deemed to be re-appointed.

Statement as to disclosure of information to auditors
Each of the persons who are Directors of the Company at the date when this report is approved confirms that:

- so far as each of the Directors is aware, there is no relevant audit information (being information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing their report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;
(b) make judgements and estimates that are reasonable and prudent;
(c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

NBK INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by

Director NEIL LUPTON

Date 23rd April 2009

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 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under 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 auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the directors' report and the Company's Pillar 3 Disclosure. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
Date 24th April 2009

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2008

	Note	2008 $	2007 $
Revenue	2	3,760,755	5,513,432
Net gains from fixed asset investments	3	-	465,460
Interest income	4	94,242	202,730
Other expense		(3,990,184)	(4,914,344)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(135,187)	1,267,278
Tax on (loss)/profit on ordinary activities	8	(33,017)	(262,832)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(168,204)	1,004,446

All operations were continuing in the current and prior year.

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

A reconciliation of the movement in shareholders' funds is disclosed in note 13 to the financial statements.

The notes on pages 8 to 14 form an integral part of the financial statements.

NBK INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET
As at 31 December 2008

	Note	2008 $	2007 $
CURRENT ASSETS			
Debtors	9	1,553,143	3,284,597
Cash at bank		4,112,470	4,691,989
		5,665,613	7,976,586
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(978,785)	(2,121,554)
		4,686,828	5,855,032
CAPITAL AND RESERVES			
Called up share capital	12	1,948,908	1,948,908
Profit and loss account	13	2,737,920	3,906,124
SHAREHOLDERS' FUNDS	13	4,686,828	5,855,032

These financial statements were approved by the Board and authorised for issue on 23rd April 2009
Signed on behalf of the Board

Director NEIL LUPTON

The notes on pages 8 to 14 form an integral part of the financial statements.

CASH FLOW STATEMENT
Year ended 31 December 2008

	Note	2008 $	As restated 2007 $
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	451,367	487,485
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		94,242	202,730
TAXATION		(203,926)	(317,955)
ACQUISITIONS AND DISPOSALS			
Proceeds from liquidation of subsidiary undertaking		-	505,760
EQUITY DIVIDENDS PAID		(1,000,000)	-
(DECREASE)/ INCREASE IN CASH IN THE FINANCIAL YEAR		(658,317)	878,020

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	2008 $	As restated 2007 $
Net funds as at 1 January	4,691,989	3,814,988
(Decrease)/ increase in cash in the financial year	(658,317)	878,020
Foreign exchange	78,798	(1,019)
Net funds as at 31 December	4,112,470	4,691,989

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES

a) Basis of preparation

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

Going concern

As explained in note 18, since the balance sheet date the Directors have decided to reduce the activities of the Company with the intent to cease trading in the foreseeable future. Consequently, the financial statements have been prepared on a basis other than that of a going concern. The accounting policy implications for all relevant balances are disclosed below. Appropriate provisions have been made at the balance sheet date as a result of the decision to cease trading.

Change of presentation

The format of the Company's profit and loss account has been adapted to better reflect the nature of the Company's operations. In prior years, staff costs of $564,890 were disclosed separately on the face of the profit and loss account and the foreign exchange losses of $22,013 were disclosed within interest payable and similar charges. Both these costs have now been included within other expenses on the profit and loss account and disclosed within note 5 of the financial statements. The cash flow statement has been restated accordingly for these.

In the opinion of the Directors, this revised format results in clearer reporting of the Company's performance.

b) Functional currency

Items included in the financial statements are measured and presented 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 prevailing at the dates of the transactions. All translation differences are taken through the profit and loss account.

d) Recognition of income

Interest income

Interest income is recognised on an accruals basis.

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 using 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) Debtors

Debtors are stated at the original transaction amount due from customers (exclusive of Value Added Tax) and net of any specific provisions for bad and doubtful debts. There is no general provisioning policy and any provisions for bad and doubtful debts are considered on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

g) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Lease incentives are allocated on a straight-line basis over the shorter of the lease term and a period ending on a date from which it is expected the market rent will be payable.

The lessor is the Company's ultimate parent company, National Bank of Kuwait SAK, and the Directors based on the expressed intentions of representatives of NBK consider it likely that the lessor will release the Company from its future obligations under the lease contract once the Company has ceased trading. No provision in respect of the operating lease contract has therefore been recorded at the balance sheet date. The present value of the contractual future lease payments that would be payable by the Company at 31 December 2008 is $419,768.

2. REVENUE

Revenue represents fees and commission receivable for investment management and custody services supplied by the Company and is stated after deduction of value added tax. Fees are recognised when the Company obtains the right for consideration in exchange for its performance of services.

3. NET GAINS FROM FIXED ASSET INVESTMENTS

	2008 $	2007 $
Gain on liquidation of subsidiary undertaking	-	465,460

4. INTEREST INCOME

	2008 $	2007 $
Other interest income	94,242	202,730

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating (loss)/profit on ordinary activities before taxation is stated after charging:	2008 $	2007 $
Staff costs (note 6)	447,889	564,890
Operating lease rentals	170,296	186,326
Auditors' remuneration – audit fees	19,449	49,570
Other foreign exchange losses	86,171	22,013

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

6. STAFF COSTS

Four (2007: five) employees are seconded by National Bank of Kuwait (International) plc ("NBKI") and one (2007: one) employee is seconded by Morgan Stanley UK Limited ("MSL").

The Company incurred management charges in respect of staff costs for employees seconded from both NBKI and MSL. Recharges in respect of staff costs totalled $447,889 (2007: $564,890).

7. DIRECTORS' EMOLUMENTS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2007: $nil).

The Company did incur management charges in respect of Directors' services provided to the Company. The charges for these services are included within the management charges disclosed in note 17.

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2008 $	2007 $
UK corporation tax at 28% (2007: 30%)		
- Current year	-	233,818
- Adjustment in respect of prior years	32,970	30,062
Double taxation relief	-	(1,064)
Total current tax	32,970	262,816
Deferred taxation		
- Current year	47	16
Tax on (loss)/profit on ordinary activities	33,017	262,832

Factors affecting the tax charge for the year

The current year UK taxation charge is higher than that resulting from applying the standard UK corporation tax rate of 28% (2007: 30%). The main differences are explained below:

	2008 $	2007 $
(Loss)/profit on ordinary activities before tax	(135,187)	1,267,278
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(38,528)	380,183
Effects of:		
Expenses not deductible for tax purposes	559	1,345
Capital allowances for the year in excess of depreciation	(11)	(16)
Non-taxable gain on disposal of fixed asset investments	-	(139,638)
Currency translation on tax	(1,675)	(9,120)
Appropriated CFC profits	-	1,064
Double tax relief on CFC profits	-	(1,064)
Loss carried forward at nil value	37,980	-
Adjustments to the tax charge in respect of previous periods	34,645	30,062
Current tax charge for the year	32,970	262,816

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

9. DEBTORS

	2008 $	2007 $
Trade debtors: external counterparties	1,412,775	3,134,426
Other amounts due from Morgan Stanley Investment Management Limited	103,115	118,871
Deferred taxation (see note 10)	-	47
Corporation tax	14,032	-
Prepayments and accrued income	23,221	31,253
	1,553,143	3,284,597

10. DEFERRED TAX

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

	2008 $	2007 $
Accelerated capital allowances	-	47

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

	$
At 1 January 2008	47
Amounts recognised in the profit and loss account:	
- Current period timing differences	(14)
Other	(33)
At 31 December 2008	-

There is an additional potential deferred tax asset of $37,980 (2007: $nil) which has not been recognised by this Company. As a result of the decision to cease trading (see note 1a), the Directors consider it unlikely that this potential asset will be recovered.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 $	2007 $
Amounts owed to Morgan Stanley Investment Management Limited	820,980	1,504,567
Amounts owing to Group undertakings	7,659	190,000
Corporation tax	-	156,923
Accruals and deferred income	150,146	270,064
	978,785	2,121,554

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

12. CALLED UP SHARE CAPITAL

	2008	2007
	$	$
Authorised:		
Equity shares		
3,000,000 'A' ordinary shares of £0.39 each	1,886,040	1,886,040
2,000,000 'B' ordinary shares of £0.39 each	1,257,360	1,257,360
	3,143,400	3,143,400

	2008	2007
	$	$
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
	1,948,908	1,948,908

Equity shares

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, except as listed below, but constitute separate share classes.

On 9 May 2008 a dividend of $1,000,000 (2007: $nil) was paid to the Company's ordinary shareholders, of which $600,000 (2007: $nil) was paid to 'A' shareholders and $400,000 (2007: $nil) was paid to 'B' shareholders.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital $	Profit and loss account $	Total $
At 1 January 2007	1,948,908	2,901,678	4,850,586
Profit for the financial year	-	1,004,446	1,004,446
At 1 January 2008	1,948,908	3,906,124	5,855,032
Loss for the financial year	-	(168,204)	(168,204)
Dividends	-	(1,000,000)	(1,000,000)
At 31 December 2008	1,948,908	2,737,920	4,686,828

14. RECONCILIATION OF CASHFLOWS FROM OPERATING ACTIVITIES

	2008 $	As restated 2007 $
(Loss)/profit for the financial year	(168,204)	1,004,446
Adjustments for:		
Interest income	(94,242)	(202,730)
Other foreign exchange losses	86,171	22,013
Gain on liquidation on subsidiary undertaking		(465,460)
Tax on profit on ordinary activities	33,017	262,832
Operating (loss)/profit before changes in operating assets and liabilities	(143,258)	621,101
Changes in operating assets and liabilities:		
Net decrease/(increase) in debtors	1,765,050	(244,375)
Net (decrease)/increase in creditors	(1,170,425)	110,759
	594,625	(133,616)
Net cash inflow from operating activities	451,367	487,485

15. SEGMENTAL REPORTING

The Company has only one class of business as described in the Directors' report and operates in one geographic market, the Middle East and Africa.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

16. COMMITMENTS AND CONTINGENCIES

During the next year the Company is committed to pay $128,000 in respect of operating leases as follows:

Land and buildings

	2008 $	2007 $
Maturity of lease:		
In two to five years	128	-
Over five years	-	174
	128	174

17. RELATED PARTY TRANSACTIONS

Under the terms of agreements with National Bank of Kuwait SAK ("NBK"), the ultimate parent company, $782,799 (2007: $760,000) was payable by the Company in respect of marketing and management services provided during the year, of which $7,659 (2007: $190,000) was outstanding at the balance sheet date. Additionally, the Company incurred payments in respect of rental obligations payable to NBK during the year of $170,296 (2007: $186,326). At the year end, debtors include a prepayment of $23,221 (2007: $31,253) relating to these operating lease payments.

Fees in respect of administration and security transactions services of $2,191,339 (2007: $2,958,335) were incurred during the year to Morgan Stanley Investment Management Limited, a company of which NBK Investment Management Limited is an associated undertaking. At the balance sheet date, $820,980 (2007: $1,504,577) of this was outstanding.

At the year end, debtors include $103,115 (2007: $118,871) due from Morgan Stanley Investment Management Limited, in respect of other services.

18. POST BALANCE SHEET EVENT

Since the balance sheet date, National Bank of Kuwait SAK has decided to withdraw from the investment management business carried out by the Company. Following a proposal by NBK Overseas (London) Limited, as shareholder, to wind up the Company, Morgan Stanley Investment Management Limited agreed on 23 April 2009 to a resolution to wind up the Company.

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.

APPENDIX – UNAUDITED PILLAR 3 DISCLOSURE

1. BASEL II ACCORD

The following disclosures are made in order to comply with the rules of the Financial Services Authority ("FSA") which implement in the UK the European Union ("EU") directives that give effect to the revised capital adequacy framework agreed by the Basel Committee on Banking Supervision in 2004 and subsequently published in comprehensive form in 2006 under the Basel II Accord.

The Basel II Accord has been implemented in the EU via the Banking Consolidation Directive and the Capital Adequacy Directive collectively known as the Capital Requirements Directive ("CRD").

The framework consists of three 'pillars'. Pillar 1 sets out the minimum capital requirements firms will be required to meet for credit, market and operational risk. Under Pillar 2, firms and supervisors are required to assess the appropriateness of the Pillar 1 level of capital the Firm requires, taking into account risks not covered in Pillar 1 and must take action accordingly. The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess certain specified information in relation to capital adequacy, particular risk exposures and risk management processes.

2. APPLICATION OF THE PILLAR 3 FRAMEWORK

The application of the Pillar 3 framework applies to the NBK Investment Management Limited ("the Company"). The FSA's rules for implementing Pillar 3 as incorporated in the EU CRD are contained in Chapter 11 of The Prudential Sourcebook for Banks, Building Societies and Investment firms ("BIPRU").

This document discloses information in accordance with applicable rules unless it has been determined as immaterial or of a proprietary or confidential nature.

The Directors of the Company do not consider that the Pillar 3 disclosures should be made any more frequently than annually unless there has been a material change in the approaches or permissions used to calculate regulatory capital.

The Directors believe that the publication of these disclosures as an appendix to the Company annual report and financial statements is the most appropriate medium. The Pillar 3 disclosures, which may be read in conjunction with the information detailed within the financial statements, have been reviewed and approved by the Directors, but have not been subject to audit. The Pillar 3 disclosure has been prepared based on the Company's position as at 31 December 2008.

Public disclosures by the Company, including those required under Pillar 3 by the FSA, will continue to evolve over time.

3. CAPITAL RESOURCES

As at 31 December 2008 the Company had the following capital resources:

	$'000
Permanent ordinary share capital	1,949
Profit and loss account and other reserves	2,906
Tier one capital resources	**4,855**
Total capital resources, net of deductions	**4,855**

The Company has Tier 1 Capital in issue.

Under FSA supervision, the Company is required to maintain a minimum ratio of 100% of total capital resources to capital requirements. As of 31 December 2008, the Company was in full compliance with the FSA capital requirements as required by BIPRU, with a solvency ratio of 584%.

4. CAPITAL REQUIREMENTS

The Company calculates capital requirements in accordance with the regulatory capital requirements of the FSA.

4.1 Credit risk

The credit risk capital component reflects capital charges attributable to the risk of loss arising from a borrower or counterparty failing to meet its financial obligations. Risk weighted exposures are determined using the Standardised Approach, with the applicable risk weightings stipulated by the FSA.

The credit risk management policies and procedures of the Company include ensuring transparency of material credit risks, ensuring compliance with established limits, and escalating risk concentrations to appropriate senior management.

Credit risk for the Company under FSA Pillar 1 rules is $199,000 as at 31 December 2008, generated mainly from cash at bank, and fees receivable from clients of the Company. The fees receivable from clients are paid for from client assets held by third party custodians, who pay invoices from these client assets when they fall due. Invoices are raised and paid every three or six months for most clients, with a single longer client debtor balance relating to an annual invoice. The Company has no bad debts with clients at 31 December 2008, with all invoices settled regularly and in a timely manner.

The Company only holds non-trading book exposures and as such there is no counterparty risk capital component which is a capital requirement on trading book exposures.

4.2. Market risk

The market risk capital component applicable for the Company relates to the foreign exchange requirement (FER) generated from non-US dollar expenditure incurred. The functional currency for the Company is US dollars, but it pays the bulk of its costs in pounds sterling.

Market risk under FSA Pillar 1 rules is $37,000 at 31 December 2008. The Company hedges its non-US dollar currency exposure on a monthly basis.

4.3 Operational risk

The Company is a limited licence BIPRU firm and falls out of needing to calculate an operational risk requirement in accordance with applicable BIPRU 6 rules.

The main risks faced by the Company, consistent with investment management firms generally, are operational in nature, and these are reviewed under the FSA Pillar 2 framework and are considered covered under Pillar 1 capital resources.

4.4 Liquidity risk

Under Pillar 1 rules, the Company does not need to calculate a charge for liquidity risk.

The Company's liquidity risk has been reviewed under the FSA Pillar 2 framework.

5. APPLICATION OF THE PILLAR 2 FRAMEWORK

In order to meet its obligations under BIPRU 2.2 'Internal capital adequacy standards', an Individual Capital Adequacy Assessment Process ("ICAAP") document was prepared for the Company, and was most recently reviewed by the Directors in August 2008.

The ICAAP allows the Company to present its work, methodology and conclusions on how it is keeping within its capital limits for both Pillar 1 and Pillar 2 risks. It will be reproduced on a regular basis, and at a minimum will be approved by the Directors on an annual basis and/or in the event of a significant change affecting the business. As a consequence of the decision taken since 31 December 2008 to reduce the activities of the Company with the intent to cease trading in the foreseeable future, the Directors plan to review the ICAAP regularly to ensure that the Company continues to keep within its capital limits for both Pillar 1 and Pillar 2 risks.

The ICAAP stress tests material risks identified for the Company, to ensure that sufficient additional incremental capital is held in addition to capital requirements under FSA regulation where required.

As at 31 December 2008, the Company has sufficient capital resources to meet both its Pillar 1 capital requirements, and additional Pillar 2 risks, to support both current and future activities.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is an inherent part of the Company's business activity and is managed by the Company. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures.

The Company's risk management meetings include management and operational risk professionals and involve the review of management reporting financials and forecasts. The risk management process includes regular assessments conducted by the Company's Directors and operational advisors.

The Company's Directors oversee risk, business planning and capital management. They are ultimately responsible for monitoring and controlling the business risks, and approving the risk management process.

The Company defines risk appetite in terms of capital and when risk gets within a certain threshold of available capital then action is taken. The level of capital resources is regularly reviewed by senior management to ensure it is adequate to meet either new business or challenges facing the Company's existing operations.