

**NOUR KOSAR IRANIAN INVESTMENT CO. PLC (SAKAB)**

**Independent Auditor's Report and Legal Inspector**

**Including**

**Combined financial statements of the group and the main company**

**Along with explanatory notes**

**Fiscal year ending to 20<sup>th</sup> of December 2016**

## **Independent Auditor's Report and Legal Inspector**

**To the ordinary General Assembly of shareholders of**

**NOUR KOSAR IRANIAN INVESTMENT CO. PLC (SAKAB)**

### **Report on financial statements**

#### **Introduction**

- 1) Combined financial statements of NOUR KOSAR IRANIAN INVESTMENT CO. PLC (SAKAB) and related group including balance sheets dated 20<sup>th</sup> of December 2016, profit and loss account, cash flow for the same fiscal year and explanatory notes (1) to (36) has been audited by this institute.

#### **Responsibility of the Board of Directors for financial statements**

- 2) Responsibility for preparing these financial statements in accordance with accounting standards is with the board of directors. This responsibility includes; design, apply and maintaining relevant internal controls on preparing financial statements. So that these statements should be free from important distortions due to fraud or error.

#### **The responsibility of the auditor and the legal inspector**

- 3) Responsibility of this institute is to comment on these financial statements based on audit done according to auditing standards. Mentioned standards require that the institute should adhere to the rules of professional conduct and audit in such as to plan and implement a reasonable assurance of absence of any miss-statement in the financial statements.

The audit involves the implementation of procedures for obtaining audit evidence about the amounts and other disclosed information in the financial statements. Selecting the audit procedure depends on; auditor's judgment, including assessment of important distortion risks due to fraud or error in financial statements. To assess these risks, the internal controls related to the preparation and presentation of financial statements in order to design suitable audit methods for existing conditions are checked certainly this is not for the purpose of commenting on the effectiveness of the internal controls of the business unit. The audit also includes evaluating the appropriateness of the accounting practices used, reasonableness of accounting estimates made by board of directors and as well as an overall assessment of the presentation of financial statements.

The institute believes that the acquired audit evidence for commenting on financial statements is suitable and sufficient.

Also the institute as a legal inspector is responsible to report any non-compliance with the legal requirements stipulated in the Commercial Code Amendment, articles of association of the company and other required cases to the ordinary general assembly of shareholders.

### **Basics of conditional comment**

- 4) Regarding the company's investments, the followings are significant:
  - 4-1) As noted in (2-3) the company uses the minimum cost accounting method and net sales value of total investments to evaluate fast-moving investments and to follow this, at the balance sheet date there is no need to hold a devaluation reserve at a rate 177 billion RIALS.
  - 4-2) Given the market situation, trading for shares of 9 items of investment as described in the note (7) were not possible, we have to say that the total devaluation reserve for these cases were 48 billion RIALS.

### **Conditional comment**

- 5) It seems to the institute, except for the works specified in clause (4), that above mentioned financial statements, the financial status of NOUR KOSAR IRANIAN INVESTMENT CO. PLC (SAKAB) and it's group as on 20th of December 2016, its financial performance and its cash flows for the fiscal year ended on that date is considered favorable from all important aspects according to accounting standards.

### **Emphasis on specific issue**

- 6) The company under consideration has been committed within the framework of an item of the contract signed dated 1<sup>st</sup> of June 2016 as described in note (4-1-1) to buy 500 million shares of AYANDEH Bank for TALASHGARAN TOSEH VA TAJHIZ engineering company. In this regard company's management have bought 500 million AYANDEH Bank's Priority banknotes and the nominal amount of each share were deposited to bank's account and the capital increase record are being finalized, the company has been paid the total amount of the contract. In this regard the company has withhold the identification of 94 billion RIALS of revenues from the implementation of the mentioned contract referring to clause B of article 99 of the law of the fifth development plan (Which stipulates that the official transfer of shares admitted to the stock exchange should be in accordance to the operations of the stock exchange organization) till the opening of the bank logo and the official transfer of shares in buyer's name. The opinion of this institution is not subject to the provisions of this clause.

### **Legal requirements stipulated in the Commercial Code Amendment**

- 7) The dividend payable must be paid as described in note 14 attached to financial statements in accordance with article 240 of the Commercial Law Amendment (Also, the provisions of the disciplinary guidelines of the publishers accepted by the Securities and Exchange Organization.

### **Commenting on transactions under article 129 of the Commercial Code Amendment**

- 8) Transactions contained in the explanatory note 33 of financial statements has been checked and are considered as transactions covered by Article 129 of the Commercial Code of Business amended during the fiscal year which they were received from the Board. Regarding above

deals, the provisions of above article in obtaining a license from the Board and non-participation of the shareholder manager in voting procedure have been observed. The institute has found no evidence that the transactions have not been carried out in their normal manner.

### **Commenting on the report of the Board of Directors, Article 232 of the Commercial Code Amendment**

- 9) Report of the Board of Directors on the activities and general conditions of the company subject to Article 232 of the Commercial Code Amendment which has been prepared to be presented to the general annual meeting of shareholders has been checked by this institute. With respect to these investigations, this institution has not noticed any cases of materially inconsistent information contained in the report with the documents provided by the board of directors.

### **Report on other legal and regulatory responsibilities of the Exchange**

- 10) Compliance with the requirements of the internal control of financial reporting contained in the internal control guidelines for publishers accepted in the stock exchange was examined considering the inherent constraints of internal controls and the institute has not reported any significant weaknesses in the internal controls of financial reporting according to the second chapter of the guidelines.
- 11) Failure to comply with the provisions of the executive instruction information disclosing and disciplinary of listed companies with the Securities and Exchange Organization are as follows:
  - 11-1 Disclosure of the timetable for payment of cash benefit within the deadline (Paragraphs 1 and 2 of article 12)
  - 11-2 Disclosure of annual financial statements, audited six months and investment portfolios of subsidiary business services companies of ATIEH ANDISHAN OMID SHAHRIAR and GOSTARESH EYONE PAIDAR (PJS) company in due time (Clause 10 of article 7).
  - 11-3 Presenting the minutes of the General Assembly to the company's registration office on an annual basis within ten days and disclosure of the minutes of meeting within a week of notification. (The provisions of Articles 9 and 10)
- 12) Criteria for accepting securities at the Securities and Exchange Organization with regards to investing in stocks of venture capital firms up to a maximum of 10% of the investment company's capital and also investing in more than 10% of long-term funds in a company's stock is not met.

### **Report on other statutory and regulatory responsibilities of the auditor**

#### **Instructions on combating money laundering**

- 13) According to Article 5 of the Anti-Money Laundering Act, the company under investigation is required to implement the regulations approved by the Cabinet of Ministers in the implementation of this law including the provisions of article 18 & 19 of the Anti-Money Laundering Code of Practice and in this regard, the necessary arrangements should be made in accordance with the scope of its organization so to create the confidence required to enforce

the relevant rules and regulations. Nevertheless, in line with the measures enumerated in the regulations and its checklist, the main concept has been evaluated in its conventional and possible manner and we did not come across to any mentionable case.

**25th of February 2017**

**SOKHAN HAGH**

**Audit and Management Services**

**ARGHAM NEGAR ARYIA (Official accountants)**

**Signed by:**

**ASADOLAH NILY**

**Membership Number: 800865**

**HOOSHANG KHOSTOEE**

**Membership Number: 800267**