

**Essential local and
global market insight.**



KAMCO

KIPCO Asset Management Co. K.S.C. (Closed)

Annual Report | **2003**

A member of the KIPCO Group

In the same way that the skilled hands of an artisan weaves different threads together to form a unique pattern, so KIPCO combines the very best products and services, crafting them into a local package with truly international standards - all the while remaining faithful to our heritage and values.

The individual companies contained within our Group all have different functions and capabilities, but together they are united in a single purpose: the advancement of our region and a better quality of life for all.

A Member of the KIPCO Group

Kuwait Projects Company (Holding) - KIPCO - is one of the leading diversified holding companies in the Middle East and North Africa, with more than US\$ 10 billion under management or control.

KIPCO has substantial ownership interests in a portfolio of companies operating throughout the region and internationally in three major business sectors: Financial Services; Media & Telecommunications; and Management & Advisory. In addition, subsidiaries and affiliates of KIPCO Group companies with interests in Real Estate and Industry are contained in sub-sectors of the Financial Services sector.

Financial Services

KIPCO's holdings in this sector include investments in commercial and investment banking, asset management, and insurance. These institutions meet the needs of individual and corporate customers by developing new products, maintaining an emphasis on service excellence, and harnessing technology to broaden distribution channels and improve customer satisfaction.

Real Estate

KIPCO has sizeable real estate investments in both the Arab world and the U.S.A. Selection of real estate investments is based on identification of quality properties with attractive medium-term investment potential. KIPCO Group entities are also involved in property development and management.

Industry

Developing the Middle East's industrial infrastructure to achieve self-sufficiency in key goods and services is a priority of many regional governments. KIPCO strongly supports this drive through substantial investments in dairy, food services, fisheries and industrial coatings businesses.

Media & Telecommunications

The rapid convergence of telecommunications, information technology and broadcasting industries has created a wealth of opportunities in the commercial, educational and entertainment fields. With a strategic portfolio of investments in the Media & Telecommunications sector, including a substantial interest in regional mobile telecommunications, KIPCO is already capitalising on these exciting opportunities with the objective of connecting people and communities with the most advanced technology, efficiently and cost-effectively.

Management & Advisory

Management & Advisory services, provided by KIPCO's U.S.A and UK-based operations, encompass direct investment, finance, private placement, mergers and acquisitions, derivatives, and corporate restructuring. These services, solicited by both KIPCO Group entities and external clients, provide representation and support in the key North American and European markets, an essential factor for success. The sector also comprises investments in companies active in the growing service industries markets.



**H.H. Sheikh Saad
Al Abdullah Al Salem
Al Sabah**

Crown Prince of the
State of Kuwait



**H.H. Sheikh Jaber
Al Ahmad Al Jaber
Al Sabah**

Amir of the State of Kuwait



**H.H. Sheikh Sabah
Al Ahmad Al Jaber
Al Sabah**

Prime Minister of the
State of Kuwait



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KAMCO'S HISTORY:

Established in 1998, KAMCO is a member of the KIPCO Group. In June 2003, KAMCO increased its share capital from KD 15 million to KD 20 million, and in October 2003, KAMCO was listed on the Kuwait Stock Exchange.

Major Activities and Services

In these times of accelerating change and market volatility, thorough knowledge and insight into local and global market conditions are more important than ever. This is where KAMCO comes in.

KAMCO offers its clients comprehensive access to local and international capital markets as well as a wide selection of financial services. These services are provided by a team with a proven track record, which is able to develop customised solutions to meet individual client needs.

KAMCO focusses on two major activities: Asset Management and Financial Services.

Our Asset Management services include brokerage, tailored portfolio management, forward trading, IPOs, local and international fund management, and own label and third party funds. KAMCO also offers comprehensive investment research services. KAMCO's strong presence in the financial marketplace has been reflected in the dynamic growth of its assets under management, which stand at nearly KD 1.3 billion as of 31 December 2003.

Our Financial Services offerings comprise the full range of corporate finance advisory services, including mergers and acquisitions, underwriting,

private placements, strategy development and strategic planning, project and investment evaluation and consulting, as well as private equity.

Headquartered in Kuwait, but with affiliations that span the globe, KAMCO enjoys a leading position and competitive advantages over other investment firms in Kuwait. Our aim is to serve all our clients' needs and constantly bolster our position as one of the leaders and innovators in Asset Management and Financial Services in the Middle East.

Chairman's Statement



Dear Shareholders

I have the great pleasure to report, on behalf of the Board of Directors, a very strong performance by your company during the year ended 31 December 2003. Through the successful execution of its business strategy, KAMCO recorded a net profit of KD 8.0 million in 2003 (2002: KD 2.7 million), a dramatic increase of 198.5% for the year. Earnings Per Share were 49.24 fils in 2003, compared to 17.78 fils the previous year, and Return on Equity reached 17.15% in 2003 (2002: 11.93%).

These results are particularly auspicious to report in a year when your company made the significant transition from private to public company by listing its shares on the Kuwait Stock Exchange in October. As witnessed by its strong profitability, substantially increased capital and wide-ranging activities, your company has now firmly established itself in the premier league of Kuwaiti investment companies, having also further enhanced its distinguished reputation in Kuwait and the region.

Capital markets conditions were generally positive in 2003, which contributed to earnings growth in the year, but a major contribution to the achievement of your company's record earnings was also the effectiveness of your company's creative strategy for the broadening of its business activities in local and international markets. This year's outstanding results also clearly point to the dynamism and quality of KAMCO's professionals; your company prides itself on attracting and retaining the services of the best people in their fields and continues to develop its people's capabilities so as to always seek to provide the highest quality client service.

Total revenues reached KD 15.9 million in 2003, an increase of 101% over the total revenues of KD 7.9 million recorded in 2002. Your company's total asset base grew considerably in the year to KD 88.3 million, by 52%. Additionally, shareholders' equity reached KD 46.4 million as at 31 December 2003, compared to KD 22.3 million as at 31 December 2002; this significant rise of 108% was largely due to the aforementioned record level of profits and a KD 5 million share capital increase during the year (plus a share premium of KD 7.5 million).

KAMCO's core client service activities continue to be Asset Management and Financial Services, such as corporate finance advice. Your company continued to improve and broaden its service offerings in 2003, carrying out a large number of major corporate finance transactions for clients and increasing third-party

client assets under management (AUM) to nearly KD 1.3 billion as of 31 December 2003, an increase of 97% for the year. In fact, over the last two financial years, AUM has grown more than four-fold, a testament to the attractiveness and quality of KAMCO's asset management services, which are supported by market-leading Investment Research. In addition to revenue from such client service activities, your company also boasts a diversified and closely monitored investment portfolio, which performed very well during the year.

To initiate a dividend policy for your company, the Board of Directors is recommending a cash dividend of 10% of each share's nominal value and the issue of bonus shares of 10% of the paid-up capital of the company.

Looking forward, your company shall continue to strive in 2004 and beyond to achieve an elevated position among competing investment companies through the effective execution of a sound business strategy, including the timely introduction of new products and services, asset diversification, strategic alliances and well-considered regional expansion. We look forward to the future with enthusiasm and confidence.

On behalf of the Board of Directors, I would like to thank His Highness The Amir of The State of Kuwait, Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah, His Highness The Crown Prince, Sheikh Saad Al-Abdullah Al-Salem Al-Sabah and His Highness The Prime Minister, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, for their continuing support and guidance. I also wish to thank the company's shareholders for the trust that they have invested in us.

Finally, I also wish to express, on behalf of the Board of Directors, sincere thanks and appreciation to the company's management and staff for their sincere efforts during the year in the best interests of the company.

May God grant us all continued success and prosperity.

Masaud Mahmoud Jawhar Hayat
Chairman

Board of Directors

Masaud Mahmoud Jawhar Hayat
Chairman

Tariq Mohammed Abdul Salam
Vice Chairman and General Manager

Radwan Abdulla Jamal
Director

Adel Jasem Al-Weqayan
Director

Ahmed Saud Al-Sumait
Board Secretary

Executive Management



Tariq Mohammed Abdul Salam
Vice Chairman & General Manager

Anthony H. Kyprianou
*Assist. General Manager,
Financial Services*

Khaled Abdul Jabbar Al-Sharrad
*Assist. General Manager,
Management Services*

Abdullah Jasem Al-Qassar
*Assist. General Manager,
Asset Management*

Ahmed Saud Al-Sumait
*Acting Assist. General Manager,
Finance & Operations*

Dhafer Ibrahim Al-Helal
Financial Controller

Hassan Jasem Al-Shamali
Senior Manager, Treasury Dept

Talal Mohammed Al-Mutawa
Senior Manager, Local & Gulf Trading

Ziad Hassan Al-Qaissi
*Senior Manager, Investment
Research Dept.*

Dr. Hamad Ali Al-Hasawi
Senior Manager, Client Relations Dept.

Majed Ahmed Al-Adwani
Manager, Information Technology Dept.

Hazem Khaled Al-Braikan
Manager, International Trading Dept.

Dana Ebrahim Al-Ebrahim
Manager, Marketing Dept.

Mohammad Abdullah Al-Hubail
*Manager, Human Resources &
Administration Dept.*

Safa Abdul Rahman AlHashem
Manager, Consulting Dept.

Eisa Abdullah Al-Weggian
Acting Head, Direct Investments Dept.

Mahmood Hamid Idris
Acting Head of Operations Dept.

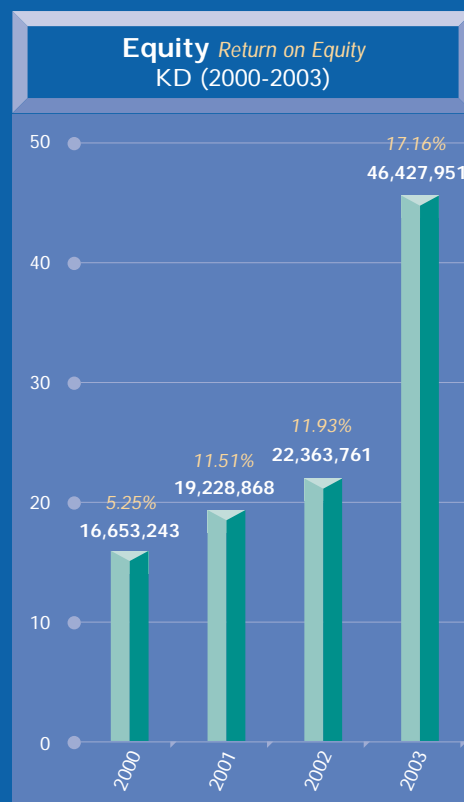
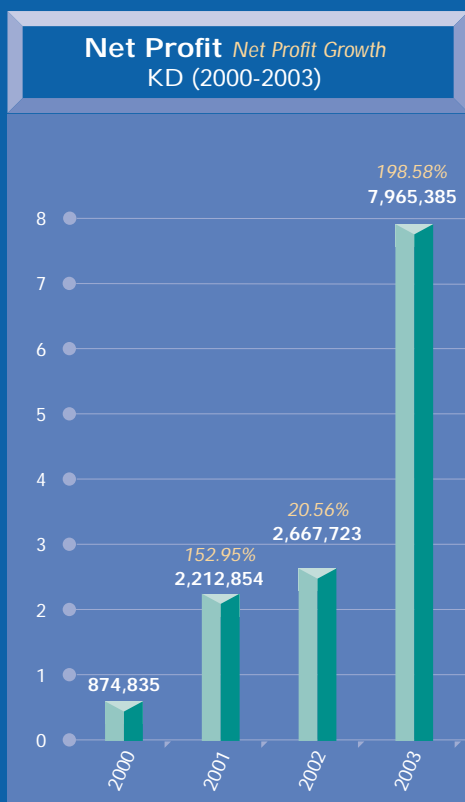
Mohamed Hanafi Ahmed
Assistant Manager, Internal Audit Dept.

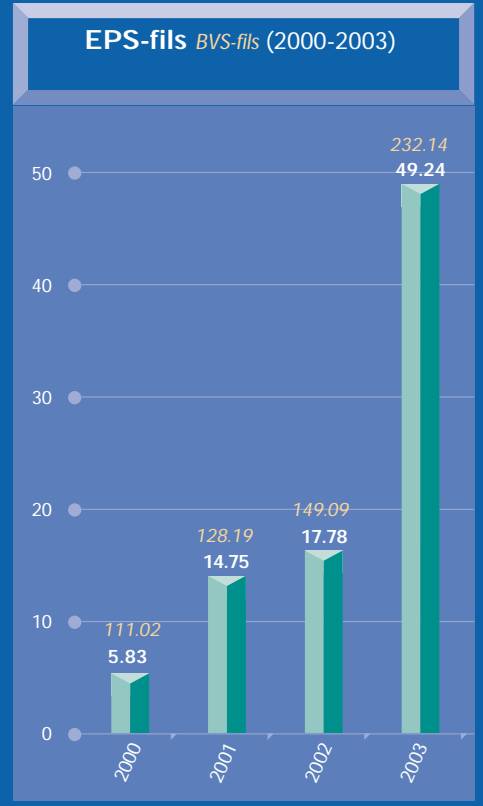
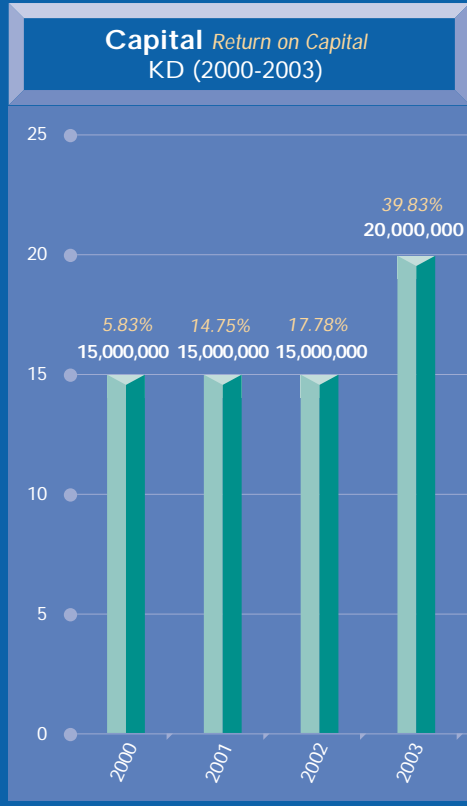
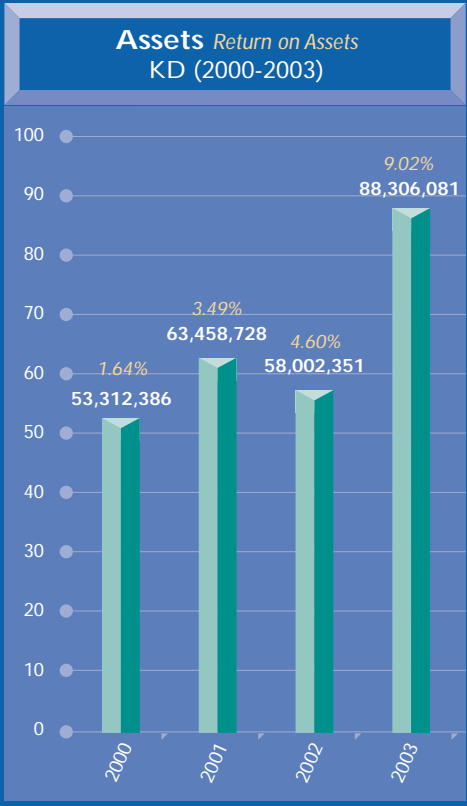
Jalal Saad Saleh
Legal Advisor

Financial Highlights



Financial Highlights







Introduction

In 2003 KAMCO achieved a major milestone in its history, namely the transition from a private company to a publicly listed company on the Kuwait Stock Exchange (KSE). While this was a major achievement, it was by no means the only achievement made by KAMCO during 2003. In just over five years of existence, KAMCO has established itself as one of the premier investment companies in Kuwait, and has begun to make its presence felt regionally.

Our continued success and growth will be primarily for the benefit of our shareholders and clients, but depends on our dedicated staff. KAMCO's strength derives from its people as well as its sizeable capital; both elements are vitally important to our business. In 2003 we continued to strive to manage our capital prudently but effectively and to provide the right conditions for our staff to develop and succeed, for the benefit of themselves, as well as our clients and shareholders.

Market Environment

The prospect, at the beginning of 2003, of major conflict in Iraq initially dampened the performance of the capital markets locally and internationally. The uncertain situation also adversely affected regional business confidence in the first four months of the year. When the conflict came, KAMCO continued operating normally throughout the period; our staff remained on duty and continued to serve our clients diligently.



Business confidence returned after the thankfully relatively short conflict, and the State of Kuwait steadfastly emerged stronger and safer than before. The capital markets, particularly in Kuwait and the United States, ended 2003 on a high note, resulting in the first positive return for the S&P 500 in four years and the attainment of a record high for the KSE Index.

The Kuwait economy can be said to have performed well in 2003, despite the Iraq conflict, particularly on the firmness of world crude oil prices. Interest rates remained low and government policies to encourage the growth of the private sector in Kuwait also contributed to a positive market environment overall in 2003.

This positive market environment, together with KAMCO's marketing efforts and client service, greatly enhanced our company's performance across the board. A brief review of KAMCO's main activities and achievements follows.

Asset Management

Our Asset Management division performed very strongly in 2003. Offering a wide variety of trading and portfolio management services in the local and international markets, our Asset Management team secured a number of new client portfolios, increasing KAMCO client assets under management (AUM) to nearly KD 1.3 billion as of 31 December 2003, an increase of over 97% for the year. In fact, KAMCO can now boast one of the largest AUM figures among private investment companies in the entire Middle East.



During the year we continued to positively develop our Asset Management services and added selectively to our team of investment professionals. In particular, KAMCO's forward trading portfolios on the KSE performed very well, and our investment research services were enhanced. Our extensive research coverage of the KSE continues to be published in Kuwait's main daily newspapers, and we have expanded our coverage to include the regional capital markets and the local bond market. The KAMCO Total Return Weighted (TRW) Index was also launched, the first total return weighted index for the KSE and, in September 2003, KAMCO staff were invited to present at the MEED Regional Capital Markets Conference in Dubai.

KAMCO's *Bond & High Yield Fund*, launched in July 2002, exceeded KD 50 million in value by the end of 2003 and continued to perform satisfactorily above its benchmark. KAMCO also began preparations during 2003 to bring a number of new funds to the market as soon as possible, beginning with the *KAMCO Investment Fund*, which will be launched in January 2004.

Corporate Finance

KAMCO Corporate Finance was very active during 2003, engaging in corporate bond issues, private placements and KSE listings, among other client assignments. KAMCO offers a full range of corporate finance advisory services, including organisational consulting.



KAMCO now has an enviable track record in Corporate Finance and is often actively sought out by potential clients. Our expertise and effectiveness was demonstrated during the year with the successful equity private placements of National Petroleum Services Company (NAPESCO), United Medical Services Company and United Foodstuffs Industries Company (formerly Sable), as well the successful KSE listings of NAPESCO and KAMCO itself. With a strong pipeline of current and potential transactions, we continue to strengthen our team and are also seeking advisory opportunities elsewhere in the GCC.

KAMCO Corporate Finance also oversees direct investments for KAMCO and clients and was successful during the year in arranging exits at attractive returns of a number of previously entered-into direct investments. KAMCO is firmly committed to further direct investing, or Private Equity as it is known, both as principal and/or as the manager of client funds.

Outlook

KAMCO will seek to continue to grow profitably while diversifying its activities, so as to reduce reliance on any single source of revenue, such as the KSE performance. We maintain a positive outlook on the capital markets in 2004, but believe that there is a need to be increasingly selective when investing on the KSE. KAMCO, of course, is itself well-placed with its market experience and proprietary research to trade effectively in both bull and bear market conditions.



Positive steps were taken during 2003 to create a platform for enhanced growth in the future, namely a share capital increase of 50 million new shares at a price of 100 fils and a premium of 150 fils, the listing of KAMCO's shares on the KSE and an expansion of our team and premises. In addition, at the beginning of 2004, KAMCO will become even more client focussed, through the creation of a new dedicated Client Relations department.

KAMCO also extended its regional presence in December 2003, when, together with affiliate United Gulf Bank of Bahrain, KAMCO entered into a joint venture with Doha Bank in Qatar to provide Asset Management and Corporate Finance products and services to the fast-growing Qatar market. KAMCO will continue to seek prudent expansion into attractive regional markets, partnering with fellow affiliates within the KIPCO Group as appropriate.

The future holds exciting opportunities for KAMCO, its clients and shareholders. We intend to continue to enhance our existing products and services, as well as to bring to market quality new products and services and thereby offer a full menu of investment and advisory options to the market. We look forward eagerly to the future and to being the exclusive first choice for our clients.



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**Auditors' Report &
Financial Statements
for the year ended
December 31, 2003**

Auditors' Report to the Shareholders of KIPCO Asset Management Company K.S.C. (Closed)

We have audited the accompanying balance sheet of Kipco Asset Management Company K.S.C. (Closed) as of 31 December 2003, and the related statements of income, cash flows and changes in shareholders' equity 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 the company as of 31 December 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2003 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 during the year ended 31 December 2003.

Waleed A. Al Osaimi
Licence No. 68-A
Of Ernst & Young

28 January 2004
Kuwait

Ali Owaid Rukheyes
Licence No. 72-A
Member of the International Group
of Accounting Firms

	Notes	2003 KD	2002 KD
ASSETS			
Bank balances and cash	5	2,132,776	452,587
Held for trading investments	6	11,530,846	10,594,578
Available for sale investments	7	40,531,325	18,216,845
Investment in associated companies	8	21,993,874	20,417,271
Loans and advances	9	2,540,024	1,679,009
Goodwill	10	493,533	1,549,223
Other assets	11	9,083,703	5,092,838
TOTAL ASSETS		88,306,081	58,002,351
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	20,000,000	15,000,000
Share premium	13	7,500,000	-
Proposed issue of bonus shares	16	2,000,000	-
Statutory reserve	14	1,718,788	922,249
Voluntary reserve	15	1,718,788	922,249
Cumulative changes in fair values		2,846,918	(225,391)
Foreign currency translation reserve		(319,646)	(318,013)
Retained earnings		8,963,103	6,062,667
Proposed cash dividends	16	2,000,000	-
Total equity		46,427,951	22,363,761
Liabilities			
Term loans	17	-	6,908,350
Loans from related parties	18	37,835,800	25,602,502
Other liabilities	19	4,042,330	3,127,738
Total liabilities		41,878,130	35,638,590
TOTAL EQUITY AND LIABILITIES		88,306,081	58,002,351

Masaud Hayat
(Chairman)

Tariq Abdul Salam
(Vice Chairman and General Manager)

The attached notes 1 to 30 form part of these financial statements.

Income Statement

Year ended 31 December 2003

	Notes	2003 KD	2002 KD
OPERATING INCOME			
Management fees		4,300,957	3,383,742
Brokerage		345,867	360,058
Advisory fees		909,347	378,976
Dividend income		885,892	962,892
Interest income		481,132	492,228
Gain on sale of held for trading investments		4,213,526	1,413,377
Unrealised gains (losses) on held for trading investments		1,391,492	(5,203)
Gain (loss) on sale of available for sale investments		603,390	(7,504)
Share of results of associated companies		1,477,542	462,686
Gain on sale of investment in associated companies		24,059	-
Foreign exchange income		950,777	135,678
Other income		295,274	323,422
		15,879,255	7,900,352
OPERATING EXPENSES			
Administration expenses		3,904,362	2,202,133
Finance costs		1,812,487	2,388,415
Provision for doubtful debts		1,691,463	20,872
Amortisation of goodwill		256,441	272,530
Impairment losses on available for sale investments		137,883	307,870
Impairment losses on loans and advances		17,572	19,338
		7,820,208	5,211,158
		8,059,047	2,689,194
OPERATING PROFIT			
Contribution to Kuwait Foundation for the Advancement of Sciences		(58,327)	(21,471)
National Labour Support Tax		(35,335)	-
NET PROFIT FOR THE YEAR	3	7,965,385	2,667,723
EARNINGS PER SHARE	4	49.24 fils	17.78 fils

The attached notes 1 to 30 form part of these financial statements.

Statements of Cash Flows

Year ended 31 December 2003

	2003 KD	2002 KD
OPERATING ACTIVITIES		
Net profit for the year	7,965,385	2,667,723
Adjustments for:		
Share of results of associated companies	(1,477,542)	(462,686)
Gain on sale of investment in associated companies	(24,059)	-
(Gain) loss on sale of available for sale investments	(603,390)	7,504
Impairment losses on available for sale investments	137,883	307,870
Impairment losses on loans and advances	17,572	19,338
Depreciation	111,795	95,601
Amortisation of goodwill	256,441	272,530
Provision for employees' end of service benefits	141,584	181,944
Unrealised gains on foreign exchange	(991,917)	(504,951)
Interest income	(481,132)	(492,228)
Finance costs	1,812,487	2,388,415
Operating profit before changes in operating assets and liabilities:	6,865,107	4,481,060
Held for trading investments	(925,284)	3,231,713
Other assets	(4,026,428)	1,859,893
Other liabilities	654,981	(10,037,093)
Cash from (used in) operations	2,568,376	(464,427)
Employees' end of service benefits paid	(20,614)	(9,524)
Net cash from (used in) operating activities	2,547,762	(473,951)
INVESTING ACTIVITIES		
Purchase of available for sale investments	(23,067,435)	(6,929,615)
Proceeds from sale of available for sale investments	4,770,592	2,875,601
Purchase of investment in associated companies	(3,003,677)	(179,295)
Proceeds from sale of investment in associated companies	3,225,307	-
Dividend received from investment in associated companies	490,000	735,000
Purchase of furniture and equipment	(76,232)	(127,654)
Loans and advances	(878,587)	(987,804)
Goodwill	-	(965,223)
Interest income received	481,132	494,249
Net cash used in investing activities	(18,058,900)	(5,084,741)
FINANCING ACTIVITIES		
Issue of share capital	12,500,000	-
New term loans	-	2,987,100
Repayment of term loans	(5,929,615)	(8,000,000)
New loans from related parties	24,486,354	6,709,912
Repayment of loans from related parties	(12,191,566)	-
Finance costs paid	(1,673,846)	(2,502,562)
Net cash from (used in) financing activities	17,191,327	(805,550)
INCREASE (DECREASE) IN BANK BALANCES AND CASH	1,680,189	(6,364,242)
Bank balances and cash at the beginning of the year	452,587	6,816,829
BANK BALANCES AND CASH AT THE END OF THE YEAR	2,132,776	452,587

The attached notes 1 to 30 form part of these financial statements.

Statement of Changes in Shareholders' Equity

Year ended 31 December 2003

	Share capital KD	Share premium KD	Proposed issue of bonus shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings KD	Proposed cash dividends KD	Total KD
Balance at 1 January 2002	15,000,000	-	-	653,330	653,330	(573,569)	-	3,495,777	-	19,228,868
Net profit for the year	-	-	-	-	-	-	-	2,667,723	-	2,667,723
Net unrealised gain on available for sale investments	-	-	-	-	-	603,674	-	-	-	603,674
Transfer to income on disposal of available for sale investments	-	-	-	-	-	(147,900)	-	437,005	-	289,105
Share in revaluation of associates' investments	-	-	-	-	-	(107,596)	(30,748)	-	-	(138,344)
Transfer to reserves	-	-	-	268,919	268,919	-	-	(537,838)	-	-
Net exchange differences	-	-	-	-	-	-	(287,265)	-	-	(287,265)
Balance at 31 December 2002	15,000,000	-	-	922,249	922,249	(225,391)	(318,013)	6,062,667	-	22,363,761
Issue of share capital	5,000,000	7,500,000	-	-	-	-	-	-	-	12,500,000
Net profit for the year	-	-	-	-	-	-	-	7,965,385	-	7,965,385
Net unrealised gain on available for sale investments	-	-	-	-	-	3,285,003	-	-	-	3,285,003
Transfer to income on disposal of available for sale investments	-	-	-	-	-	(212,694)	-	528,129	-	315,435
Transfer to reserves	-	-	-	796,539	796,539	-	-	(1,593,078)	-	-
Net exchange differences	-	-	-	-	-	-	(1,633)	-	-	(1,633)
Proposed issue of bonus shares	-	-	2,000,000	-	-	-	-	(2,000,000)	-	-
Proposed cash dividends	-	-	-	-	-	-	-	(2,000,000)	2,000,000	-
Balance at 31 December 2003	20,000,000	7,500,000	2,000,000	1,718,788	1,718,788	2,846,918	(319,646)	8,963,103	2,000,000	46,427,951

The attached notes 1 to 30 form part of these financial statements.

1 Activities

These financial statements of Kipco Asset Management Company K.S.C. (Closed) for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the Board of Directors on 28th January 2004.

Kipco Asset Management Company K.S.C. (Closed) (the company) is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 28 September 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The company is registered with the Central Bank of Kuwait as an investment company.

The company's main activities are to invest in real estate, industrial and agricultural and other sectors, to establish specialized companies and manage third parties funds and real estate portfolios, to act as underwriters, subscription agents and investment trustees, to finance and intermediate in international trade, to provide loans and trade in foreign exchange and precious metal markets, to provide consultancy and undertake technical and economic feasibility studies, to establish and manage funds, and to do all activities that help to develop and advance the capabilities of the financial market.

The company's registered head office is at Sharq, Al Shaheed Tower, Khalid Bin Al-Waleed Street, Kuwait City, P.O. Box 28873, Safat 13149, Kuwait.

The major shareholder of the Company is United Gulf Bank B.S.C. (E.C.) and the ultimate parent Company is Kuwait Projects Company Holding K.S.C. which is listed on the Kuwait Stock Exchange.

The company employed 123 employees as at 31 December 2003 (31 December 2002: 97).

2 Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of Ministerial Order No. 18 of 1990.

The financial statements have been presented in Kuwaiti Dinars.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of held for trading and available for sale investments.

The accounting policies are consistent with those used in the previous year.

Revenue 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:

2 Significant Accounting Policies (continued)

Revenue recognition (continued)

- Management and brokerage fees relating to portfolios, fund management and custody services are recognized when earned and accounted for on a quarterly basis according to the terms of the contracts with portfolio customers.
- Dividend income is recognised when the shareholders' right to receive the payment is established.
- Interest income considered an integral part of the effective yield of a loan, is recognised using the effective yield method. The recognition of interest income is suspended when loans become impaired, such as when overdue by more than 90 days. Notional interest is recognised on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value.
- Gains and losses on the sale of investments are recognized upon completion of the sale transaction.

Held for trading investments

These are carried at fair value with any gain or loss arising from a change in fair value being included in the income statement in the period in which it arises.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows including anticipated recoveries from guarantees and collateral, discounted at original effective interest rates, is recognised in the income statement. For assets carried at amortised cost, future anticipated cash flows are discounted at the financial instrument's original effective interest rate.

The provision for impairment of loans and advances covers losses where there is objective evidence that probable losses are present in components of the loans and advances portfolio at the balance sheet date. These have been estimated based on the historical patterns of losses in each component, the credit ratings allocated to the borrowers, the current economic environment in which the borrowers operate and Central Bank of Kuwait guidelines.

Recognition and derecognition 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.

Available for sale investments

After initial recognition at cost, investments classified as "available for sale" are remeasured at fair value, unless fair value cannot be reliably measured.

Unrealised fair value gains and losses on available for sale investments from the change in the fair value of the investments are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity, along with any transition adjustment to retained earnings arising from the adoption of IAS 39, is included in the income statement for the period.

Associated companies

Associated companies are those companies where the company has a long term investment and exerts significant influence over operating and financial policies.

Investments in associated companies are accounted for using the equity method of accounting, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the company's share of net assets of associated companies.

Impairment of non financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in the income statement.

Loans and advances

Loans and advances originated by the company are stated net of interest suspended and provisions for credit losses. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognised when cash is advanced to borrowers.

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the identifiable assets acquired as at the date of the exchange transaction. Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over 5 years. In the opinion of management, the amortisation period is appropriate given the nature of the businesses acquired and their strong market positions. The unamortised balance of goodwill is reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognized.

Other assets

Receivables are stated at face value after provision for doubtful accounts.

Term loans

Term loans are carried on the balance sheet at their principal amounts. Interest is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals."

2 Significant Accounting Policies (continued)

Other liabilities

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

Provisions

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

Foreign currencies

With the exception of forward contracts, transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Forward foreign exchange contracts

Forward foreign exchange contracts outstanding at the year end are translated at the forward rate current at the balance sheet date with any resultant gains or losses being taken to the income statement.

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 entity 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.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments

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 the fair value is determined by reference to an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment, or the underlying net asset base of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Fiduciary assets

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

3 Net Profit for the Year

The net profit for the year is stated after charging:

	2003	2002
	KD	KD
Staff costs:		
Salaries	1,094,001	949,057
Leave and end of services' benefits	294,264	322,704
Bonuses	800,000	213,510
Other benefits	195,687	31,142
	2,383,952	1,516,413
Depreciation	111,795	95,601

4 Earnings Per Share

Earnings per share is computed by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2003	2002
	KD	KD
Net profit for the year	7,965,385	2,667,723
	Shares	Shares
Weighted average number of shares outstanding during the year	161,780,822	150,000,000
Earnings per share	49.24 fils	17.78 fils

5 Bank Balances and Cash

	2003 KD	2002 KD
Bank balances and cash	632,776	452,587
Term deposit	1,500,000	-
Total bank balances and cash	<u>2,132,776</u>	<u>452,587</u>

Term deposit is with a commercial bank in Bahrain. It is denominated in Kuwaiti Dinars and is short term in nature, with an effective interest rate of 2.75%.

6 Held for Trading Investments

	2003 KD	2002 KD
Quoted securities - local	9,390,070	7,138,823
Quoted securities – International	2,140,776	1,849,816
Managed fund	-	1,589,000
Unquoted securities	-	16,939
	<u>11,530,846</u>	<u>10,594,578</u>

7 Available for Sale Investments

	2003 KD	2002 KD
Quoted securities	3,777,331	2,256,804
Unquoted securities	10,398,923	11,278,530
Managed funds	25,738,218	4,581,511
Bonds	616,853	100,000
	<u>40,531,325</u>	<u>18,216,845</u>

Certain available for sale investments represent investments which are acquired with the intention of capital appreciation over a medium to long-term time frame. The nature of these investments is such that a reasonable estimate of fair value can only be determined when the individual investments are realised or disposed of. At 31 December 2003, these investments amounting to KD 4,438,723 (2002: KD 3,916,004) were carried at initial cost. In the opinion of the management, the fair value of these investments is not significantly different from their carrying value.

8 Investment in Associated Companies

The associated companies of Kipco Asset Management Company K.S.C. (Closed) dealt within these financial statements are as follows:

	Interest in equity %	Country of registration	Principal activities
United Industries Co. K.S.C. (Closed)	49%	Kuwait	Investing in manufacturing companies
Gulf Egypt for Hotels and Tourism	16.26%	Egypt	Hotel construction and management
United Gulf Bank Securities Co. B.S.C.	30%	Bahrain	Investment services
United Medical Service Co. K.S.C. (Closed)	27.45%	Kuwait	Health care
Salem Al-Marzouk & Sabah Abi Hana	30%	Kuwait	Architecture consulting services

9 Loans and Advances

Loans and advances are classified as receivables originated by the company.

	2003 KD	2002 KD
Gross amount	2,591,861	1,713,274
Less: Provision for credit losses	(51,837)	(34,265)
	<u>2,540,024</u>	<u>1,679,009</u>

Loans are secured against investments in the funds and securities held in fiduciary portfolios on behalf of the borrowers.

The policy of the company for calculation of the impairment provision for credit losses for loans and advances complies in all material respects with the specific and general provision requirements of Central Bank of Kuwait. In this respect the Central Bank of Kuwait requires a general provision of 2% on all credit facilities not subject to specific provision.

10 Goodwill

	2003 KD	2002 KD
Opening balance	1,549,223	211,583
Additions	-	1,610,170
	<u>1,549,223</u>	<u>1,821,753</u>
Amortisation	(256,441)	(272,530)
Goodwill related to investments sold during the year	(799,249)	-
Ending balance	<u>493,533</u>	<u>1,549,223</u>

11 Other Assets

	2003 KD	2002 KD
Accrued income	4,023	134,061
Staff advances	1,307,059	178,012
Prepaid expenses	22,054	50,574
Due from related parties (Note 21)	2,345,472	617,342
Due from portfolio clients	1,366,443	1,597,254
Receivable from future contracts	3,698,128	2,284,932
Receivable from Kuwait Clearing Company	107,960	-
Fixed assets (net)	146,169	181,735
Others	86,395	48,928
	<u>9,083,703</u>	<u>5,092,838</u>

12 Share Capital

The ordinary general assembly of the company held on 6 October 2003 approved an increase in authorised share capital from 150,000,000 shares to 200,000,000 shares by issuing 50,000,000 additional shares of 100 fils each to new shareholders at a premium of 150 fils each.

The share capital of the company consists of 200 million (2002: 150 million) authorised, issued and fully paid up shares of 100 fils.

13 Share Premium

The share premium account is not available for distribution.

14 Statutory Reserve

As required by the Law of Commercial Companies and the Company's Articles of Association, 10% of the net profit for the year has been transferred to statutory reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the 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 payment of a dividend of that amount.

15 Voluntary Reserve

As required by the Company's Articles of Association, 10% of net profit for the year has been appropriated to the voluntary reserve. The Ordinary General Meeting may upon an approval by the board of directors increase the percentage as it deems appropriate, and may resolve to discontinue such annual transfers, if proposed by the board of directors.

16 Proposed Dividends

The board of directors has proposed cash dividends of 10% for the year ended 31 December 2003 and issue of bonus shares of 10% of paid-up share capital to shareholders on records as of the date of the general assembly. This proposal is subject to the approval of the ordinary general assembly of the shareholders of the company.

17 Term Loans

	2003 KD	2002 KD
• Loan due in full on 6 February 2003 bearing interest of 13% (Egyptian Pound loan)	-	2,908,350
• Loan bearing interest of 6.5% payable in 3 equal instalments last being due on or before 31 December 2003	-	4,000,000
	<u>-</u>	<u>6,908,350</u>

18 Loans from Related Parties

	2003 KD	2002 KD
• Loan due in full on 30 January 2003 bearing interest of 4.25%	-	6,709,912
• Loan due in full on 15 September 2004 bearing interest of 5%	15,000,000	15,000,000
• Loan due in full on 15 September 2004 bearing interest of 3.10% (US\$ loan)	3,831,100	3,892,590
• Loan due in full on 30 March 2004 bearing interest of 3.18%	17,960,000	-
• Loan due in full on 1 April 2004 bearing interest of 4%	750,000	-
• Loan due in full on 21 June 2004 bearing interest of 1.719% (US\$ 1,000,000)	294,700	-
	<u>37,835,800</u>	<u>25,602,502</u>

All loans are unsecured.

19 Other Liabilities

	2003 KD	2002 KD
Accrued expenses and provisions	3,023,405	640,514
Due to related parties (Note 21)	1,195	3,578
Payables for acquisition of investments	-	1,771,666
Other payables	168,916	56,327
Kuwait Foundation for the Advancement of Sciences	71,515	34,659
National Labour Support Tax	35,335	-
Employees' end of service benefits	741,964	620,994
	4,042,330	3,127,738

20 Contingencies

Contingent liabilities

At 31 December 2003, the company had contingent liabilities in respect of bank guarantees and letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 43,292,779 (2002: KD 1,043,577).

21 Related Party Transactions

These represent transactions with related parties, i.e. shareholders, directors and senior management of the company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the company's management. Transactions with related parties are as follows:

	2003 KD	2002 KD
Balance sheet		
Bank balances and cash	2,130,601	450,917
Held for trading investments	7,970,385	9,635,015
Available for sale investments	25,960,884	4,597,797
Loans and advances	-	305,576
Other assets	2,306,692	751,402
Other liabilities	759,067	25,880
Term loans	37,835,800	25,602,502
Income statement		
Management fees	1,683,046	1,067,611
Advisory fees	716,620	330,840
Dividend income	310,122	484,320
Interest income	315,663	359,739
Gain on sale of investment in associated company	319,379	-
Other income	70,212	45,818
Donation	82,092	49,951
Finance costs	1,215,419	1,350,378
Transactions		
Sale of associates	1,381,965	-

Other related party balances are disclosed in Notes 11,18 and 19.

22 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the company's Board of Directors and a continuous assessment of the company's open positions and current and expected exchange rate movements. 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.

The company had the following significant net long exposures denominated in foreign currency at 31 December:

	2003 KD	2002 KD
US Dollar	4,578,702	3,017,037
GCC currencies	80,372,954	51,707,864
Euro	106,269	-
Others	3,248,154	3,277,451

23 Segmental Information

Primary segment information

For management purposes, the company is organised into two major business segments. The principal activities and services under these segments are as follows:

Proprietary investment management	: Investing of company funds in securities, lending to corporate and individual customers and managing the company's liquidity requirements.
Investment management and advisory services	: Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

Notes to the Financial Statements

continued

31 December 2003

	Proprietary investment management	Investment management and advisory services	Others	Total
	KD	KD	KD	KD
ASSETS				
Bank balances and cash	2,132,776	-	-	2,132,776
Held for trading investments	11,530,846	-	-	11,530,846
Available for sale investments	40,531,325	-	-	40,531,325
Investment in associated companies	21,993,874	-	-	21,993,874
Loans and advances	2,540,024	-	-	2,540,024
Goodwill	493,533	-	-	493,533
Other assets	7,522,026	-	1,561,677	9,083,703
Total assets	86,744,404	-	1,561,677	88,306,081
EQUITY AND LIABILITIES				
Equity	-	-	46,427,951	46,427,951
Loans from related parties	37,835,800	-	-	37,835,800
Other liabilities	-	-	4,042,330	4,042,330
Total equity and liabilities	37,835,800	-	50,470,281	88,306,081
Year ended 31 December 2003				
Segment income	9,077,033	5,556,171	1,246,051	15,879,255
Segment profit	4,606,780	2,819,871	632,396	8,059,047

31 December 2002

	Proprietary investment management	Investment management and advisory services	Others	Total
	KD	KD	KD	KD
ASSETS				
Bank balances and cash	452,587	-	-	452,587
Held for trading investments	10,594,578	-	-	10,594,578
Available for sale investments	18,216,845	-	-	18,216,845
Investment in associated companies	20,417,271	-	-	20,417,271
Loans and advances	1,679,009	-	-	1,679,009
Goodwill	1,549,223	-	-	1,549,223
Other assets	4,633,589	-	459,249	5,092,838
Total assets	57,543,102	-	459,249	58,002,351
EQUITY AND LIABILITIES				
Equity	-	-	22,363,761	22,363,761
Term loans	6,908,350	-	-	6,908,350
Loans from related parties	25,602,502	-	-	25,602,502
Other liabilities	-	-	3,127,738	3,127,738
Total equity and liabilities	32,510,852	-	25,491,499	58,002,351
Year ended 31 December 2002				
Segment income	3,318,476	4,122,776	459,100	7,900,352
Segment profit	1,129,573	1,403,348	156,273	2,689,194

23 Segmental Information (continued)

Secondary segment information

The company allocates its assets, equity and liabilities in different geographical regions as shown below:

31 December 2003

	Kuwait KD	Gulf and the Rest of the Middle East KD	International KD	Total KD
ASSETS				
Bank balances and cash	462,161	1,670,615	-	2,132,776
Held for trading investments	9,390,070	1,047,655	1,093,121	11,530,846
Available for sale investments	35,845,021	147,240	4,539,064	40,531,325
Investment in associated companies	18,636,583	3,357,291	-	21,993,874
Loans and advances	2,540,024	-	-	2,540,024
Goodwill	106,562	386,971	-	493,533
Other assets	9,083,703	-	-	9,083,703
Total assets	76,064,124	6,609,772	5,632,185	88,306,081
EQUITY AND LIABILITIES				
Equity	46,427,951	-	-	46,427,951
Loans from related parties	37,541,100	294,700	-	37,835,800
Other liabilities	4,042,330	-	-	4,042,330
Total equity and liabilities	88,011,381	294,700	-	88,306,081

31 December 2002

	Kuwait KD	Gulf and the Rest of the Middle East KD	International KD	Total KD
ASSETS				
Bank balances and cash	452,587	-	-	452,587
Held for trading investments	8,563,824	1,849,817	180,937	10,594,578
Available for sale investments	15,767,990	99,134	2,349,721	18,216,845
Investment in associated companies	16,829,135	3,588,136	-	20,417,271
Loans and advances	1,679,009	-	-	1,679,009
Goodwill	1,033,265	515,958	-	1,549,223
Other assets	5,092,838	-	-	5,092,838
Total assets	49,418,648	6,053,045	2,530,658	58,002,351
EQUITY AND LIABILITIES				
Equity	22,363,761	-	-	22,363,761
Term loans	4,000,000	2,908,350	-	6,908,350
Loans from related parties	25,307,802	294,700	-	25,602,502
Other liabilities	3,127,738	-	-	3,127,738
Total equity and liabilities	54,799,301	3,203,050	-	58,002,351

24 Concentrations

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry or geographic location.

The distribution of assets, equity and liabilities by industry sector was as follows:

	2003		2002	
	Assets KD	Equity and liabilities KD	Assets KD	Equity and liabilities KD
Trading and manufacturing	16,937,570	-	16,551,106	-
Banks and financial institutions	38,090,251	37,835,800	14,834,756	32,510,852
Construction and real estate	270,921	-	54,539	-
Other	33,007,339	50,470,281	26,561,950	25,491,499
	88,306,081	88,306,081	58,002,351	58,002,351

25 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's credit policy and exposure to credit risk is monitored on an ongoing basis. The company seeks to avoid undue concentrations of risks within individuals or groups of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

Information on concentrations of credit risk is set out in Note 24.

26 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 repricing of assets and liabilities. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established 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 instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

Notes to the Financial Statements

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The company's interest rate sensitivity position based on earlier of contractual repricing arrangements and maturity at 31 December was as follows:

31 December 2003

	Up to 1 month KD	1-3 months KD	3-12 months KD	Non interest bearing items KD	Total KD	Effective interest rate %
Bank balances and cash	2,123,083	-	-	9,693	2,132,776	2.3-3
Held for trading investments	-	-	-	11,530,846	11,530,846	-
Available for sale investments	-	-	616,853	39,914,472	40,531,325	5.3-6.4
Investment in associated companies	-	-	-	21,993,874	21,993,874	-
Loans and advances	-	-	2,540,024	-	2,540,024	5.8
Goodwill	-	-	-	493,533	493,533	-
Other assets	-	-	1,351,566	7,732,137	9,083,703	5.8
Total assets	2,123,083	-	4,508,443	81,674,555	88,306,081	
Loans from related parties	750,000	17,960,000	19,125,800	-	37,835,800	1.7-5
Other liabilities	-	-	-	4,042,330	4,042,330	-
Total liabilities	750,000	17,960,000	19,125,800	4,042,330	41,878,130	

31 December 2002

	Up to 1 month KD	1-3 months KD	3-12 months KD	Non interest bearing items KD	Total KD	Effective interest rate %
Bank balances and cash	451,587	-	-	1,000	452,587	1.5-2
Held for trading investments	-	-	-	10,594,578	10,594,578	-
Available for sale investments	-	-	100,000	18,116,845	18,216,845	5.3-6.4
Investment in associated companies	-	-	-	20,417,271	20,417,271	-
Loans and advances	-	-	1,679,009	-	1,679,009	5.8
Goodwill	-	-	-	1,549,223	1,549,223	-
Other assets	-	-	-	5,092,838	5,092,838	-
Total assets	451,587	-	1,779,009	55,771,755	58,002,351	
Term loans	-	6,908,350	-	-	6,908,350	6.5-13
Loans from a related parties	-	21,602,502	4,000,000	-	25,602,502	1.7-5
Other liabilities	-	-	-	3,127,738	3,127,738	-
Total liabilities	-	28,510,852	4,000,000	3,127,738	35,638,590	

27 Liquidity Risk

Liquidity risk is the risk that the company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the company's assets and liabilities. 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 is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year end are based on contractual repayment arrangements.

The maturity profile of assets, equity and liabilities at 31 December was as follows:

31 December 2003	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Assets					
Bank balances and cash	2,132,776	-	-	-	2,132,776
Held for trading investments	-	11,530,846	-	-	11,530,846
Available for sale investments	-	-	-	40,531,325	40,531,325
Investment in associated companies	-	-	-	21,993,874	21,993,874
Loans and advances	-	-	2,540,024	-	2,540,024
Good will	-	-	-	493,533	493,533
Other assets	-	-	1,285,068	7,798,635	9,083,703
Total assets	2,132,776	11,530,846	3,825,092	70,817,367	88,306,081
Equity and liabilities					
Equity	-	-	-	46,427,951	46,427,951
Loans from related parties	17,960,000	750,000	19,125,800	-	37,835,800
Other liabilities	218,802	-	-	3,823,528	4,042,330
Total equity and liabilities	18,178,802	750,000	19,125,800	50,251,479	88,306,081

31 December 2002	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Assets					
Bank balances and cash	452,587	-	-	-	452,587
Held for trading investments	-	10,594,578	-	-	10,594,578
Available for sale investments	-	-	-	18,216,845	18,216,845
Investment in associated companies	-	-	-	20,417,271	20,417,271
Loans and advances	-	-	1,679,009	-	1,679,009
Goodwill	-	-	-	1,549,223	1,549,223
Other assets	-	-	-	5,092,838	5,092,838
Total assets	452,587	10,594,578	1,679,009	45,276,177	58,002,351
Equity and liabilities					
Equity	-	-	-	22,363,761	22,363,761
Term loans	-	-	6,908,350	-	6,908,350
Loans from related parties	25,602,502	-	-	-	25,602,502
Other liabilities	-	-	-	3,127,738	3,127,738
Total equity and liabilities	25,602,502	-	6,908,350	25,491,499	58,002,351

28 Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The company is exposed to market risk with respect to its investments.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

29 Fiduciary Assets

The aggregate value of the assets held in a trust or fiduciary capacity by the company at 31 December 2003 amounted to KD 1,311,041,751 (2002: KD 661,649,400).

30 Comparative Amounts

The corresponding figures for 2002 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.