

Kuwait Financing Services Company K.S.C. (Closed)

INCOME STATEMENT

Year ended 31 December 2003

	<i>Notes</i>	2003 KD	2002 KD
Financing income		4,525,353	3,169,658
Gains on investment in money market fund	14	11,879	157,396
Unrealised gain on securities available for sale		460,000	140,000
Other operating income	14	167,013	25,036
OPERATING INCOME		5,164,245	3,492,090
Staff expenses		816,186	731,821
Depreciation		71,012	63,265
Marketing expenses		110,755	105,308
Other operating expenses		272,973	200,410
Provision for credit losses		829,651	337,247
Finance cost		1,133,390	888,275
OPERATING EXPENSES		3,233,967	2,326,326
PROFIT FROM OPERATIONS		1,930,278	1,165,764
Contribution to Kuwait Foundation for the Advancement of Sciences		(17,373)	(10,492)
Directors' remuneration	9	(52,500)	(25,000)
National Labour Support Tax		(17,816)	-
NET PROFIT FOR THE YEAR		1,842,589	1,130,272
EARNINGS PER SHARE	13	11.59 fils	7.11 fils

The attached notes 1 to 21 form part of these financial statements.

Kuwait Financing Services Company K.S.C. (Closed)

BALANCE SHEET

At 31 December 2003

	<i>Notes</i>	2003 KD	2002 KD
ASSETS			
Bank balances	3	318,660	4,265,671
Finance receivables	4	52,618,914	24,334,449
Securities available for sale	5	6,485,000	4,420,000
Other assets		147,891	108,555
Fixed assets	6	146,454	205,931
TOTAL ASSETS		59,716,919	33,334,606
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	15,900,000	15,000,000
Statutory reserve	8	430,596	237,568
General reserve	8	358,674	193,718
Retained earnings		256,067	43,462
Proposed dividends	9	1,272,000	900,000
TOTAL EQUITY		18,217,337	16,374,748
LIABILITIES			
Bank overdraft	3	2,844,514	766,010
Other liabilities	10	2,715,135	1,316,981
Short term loans	11	21,000,000	-
Bonds	12	14,939,933	14,876,867
		41,499,582	16,959,858
TOTAL EQUITY AND LIABILITIES		59,716,919	33,334,606

Jamal Abdulhamid Al Mutawaa
Vice Chairman

Majed E. Al-Ajeel
Managing Director

The attached notes 1 to 21 form part of these financial statements.

Kuwait Financing Services Company K.S.C. (Closed)

STATEMENT OF CASH FLOWS

Year ended 31 December 2003

	<i>Note</i>	2003 <i>KD</i>	2002 <i>KD</i>
OPERATING ACTIVITIES			
Net profit for the year		1,842,589	1,130,272
Adjustments for:			
Depreciation		71,012	63,265
Provision for credit losses		829,651	337,247
Unrealised gain on securities available for sale		(460,000)	(140,000)
Bond issue fees		63,066	57,047
		<hr/>	<hr/>
Operating profit before operating assets and liabilities:		2,346,318	1,447,831
Increase in finance receivables		(29,114,116)	(7,943,800)
Increase in other assets		(39,336)	(61,352)
Increase in payables		1,398,154	529,943
		<hr/>	<hr/>
Net cash used in operating activities		(25,408,980)	(6,027,378)
INVESTING ACTIVITIES			
Purchase of fixed assets		(29,225)	(47,171)
Proceeds from disposal of fixed assets		17,690	-
Purchase of securities available for sale		(1,605,000)	(4,200,000)
		<hr/>	<hr/>
Net cash used in investing activities		(1,616,535)	(4,247,171)
FINANCING ACTIVITIES			
Proceeds from short term loans		22,250,000	-
Repayment of short term loans		(1,250,000)	-
Dividends paid		-	(750,000)
		<hr/>	<hr/>
Net cash from (used in) financing activities		21,000,000	(750,000)
DECREASE IN CASH AND CASH EQUIVALENTS		(6,025,515)	(11,024,549)
Cash and cash equivalents at the beginning of the year		3,499,661	14,524,210
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	(2,525,854)	3,499,661
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 21 form part of these financial statements.

Kuwait Financing Services Company K.S.C. (Closed)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2003

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>General reserve KD</i>	<i>Retained earnings KD</i>	<i>Proposed dividends KD</i>	<i>Total KD</i>
Balance at 31 December 2001	15,000,000	120,992	89,848	33,636	750,000	15,994,476
Dividends paid	-	-	-	-	(750,000)	(750,000)
Net profit for the year	-	-	-	1,130,272	-	1,130,272
Transfer to reserves	-	116,576	103,870	(220,446)	-	-
Proposed dividends	-	-	-	(900,000)	900,000	-
Balance at 31 December 2002	15,000,000	237,568	193,718	43,462	900,000	16,374,748
Issue of bonus shares	900,000	-	-	-	(900,000)	-
Net profit for the year	-	-	-	1,842,589	-	1,842,589
Transfer to reserves	-	193,028	164,956	(357,984)	-	-
Proposed dividends	-	-	-	(1,272,000)	1,272,000	-
Balance at 31 December 2003	15,900,000	430,596	358,674	256,067	1,272,000	18,217,337

The attached notes 1 to 21 form part of these financial statements.

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

1 ACTIVITIES

Kuwait Financing Services Company K.S.C. (Closed) is a Kuwaiti closed shareholding company incorporated on 29 March 2000 in accordance with the provisions of the Commercial Companies Law No. 15 of 1960 and amendments thereto. The company is regulated by the Central Bank of Kuwait as an investment company.

The company is principally engaged in consumer and commercial financing activities. Its registered office is at Building No. 2, Rashid Salim Ali Al-Rashid Building, Murqab, Kuwait City.

The company operates in Kuwait and employed 63 people as of 31 December 2003 (2002: 60).

The financial statements of Kuwait Financing Services Company KSC (Closed) (the company) for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the directors on 24 January 2004.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation

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

The financial statements are prepared under the historical cost convention as modified by the revaluation of securities available for sale and securities held for trading.

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be measured reliably.

Financing income is recognised on a time proportion basis so as to yield a constant periodic rate of return on the balance outstanding. The recognition of financing income is suspended when loans become impaired such as when overdue by more than 90 days.

Finance receivables

Finance receivables are carried at the gross amount of the receivable, net of deferred income and provision for credit losses.

Investments

Investments are classified as securities available for sale and are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments re-measured at fair value. Unrealised gains and losses arising from changes in the fair value of securities are reported in the income statement.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalized as an additional cost of fixed assets.

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets (continued)

Depreciation is computed on a straight-line basis over the estimated useful lives of 1-5 years. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods and 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.

End of service benefits

Provision is made for amounts payable to employees under the Kuwaiti Labor Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

Bonds

Bonds are carried on the balance sheet at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the income statement over the life of the bonds using the effective interest rate method.

Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals.

Fair values

For securities 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.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar remaining maturity.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows.

For loans where no quoted market prices are available, future cash flows are discounted at current market rates for loans with similar terms and risk characteristics.

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 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 statement of income.

In addition, a provision is made to cover impairment which, although not specifically identified, are deemed to be present in the company's portfolio of financial assets, based on historical experience.

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 company 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.

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Bank balances and cash are carried at cost. Money market fund is carried at market value.

Cash and cash equivalents are defined as bank balances and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value, net of outstanding bank overdraft.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Bank balances	318,660	1,263,951
Money market fund	-	3,001,720
	<u>318,660</u>	<u>4,265,671</u>
Bank overdraft	(2,844,514)	(766,010)
	<u>(2,525,854)</u>	<u>3,499,661</u>

4 FINANCE RECEIVABLES

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Gross receivables	62,232,688	29,317,560
Less: deferred income	(8,053,058)	(4,252,046)
	<u>54,179,630</u>	<u>25,065,514</u>
Less: provision for credit losses	(1,560,716)	(731,065)
	<u>52,618,914</u>	<u>24,334,449</u>

The fair value of the financing receivables as at the balance sheet date is KD 54,095,695 (2002: KD 24,932,000).

5 SECURITIES AVAILABLE FOR SALE

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Unquoted equities	4,985,000	4,420,000
Unquoted debt securities	1,500,000	-
	<u>6,485,000</u>	<u>4,420,000</u>

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

6 FIXED ASSETS

	<i>Office equipment KD</i>	<i>Furniture and fixtures KD</i>	<i>Vehicles KD</i>	<i>Total KD</i>
Cost:				
At January 1, 2002	89,318	195,585	26,366	311,269
Additions	9,817	19,408	-	29,225
Disposals	-	-	(19,369)	(19,369)
At 31 December 2003	<u>99,135</u>	<u>214,993</u>	<u>6,997</u>	<u>321,125</u>
Accumulated depreciation:				
At January 1, 2002	40,324	62,008	3,006	105,338
Charge for the year	26,249	42,009	2,754	71,012
Disposals	-	-	(1,679)	(1,679)
At 31 December 2003	<u>66,573</u>	<u>104,017</u>	<u>4,081</u>	<u>174,671</u>
Net book value:				
At 31 December 2003	<u>32,562</u>	<u>110,976</u>	<u>2,916</u>	<u>146,454</u>
At December 31, 2002	<u>48,994</u>	<u>133,577</u>	<u>23,360</u>	<u>205,931</u>

7 SHARE CAPITAL

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>2003 KD</i>	<i>2002 KD</i>	<i>2003 KD</i>	<i>2002 KD</i>
Shares of KD 0.100 each	<u>15,900,000</u>	<u>15,000,000</u>	<u>15,900,000</u>	<u>15,000,000</u>

The shareholders at the annual general meeting held on 14 April 2003 approved the issue of bonus shares of 9,000,000 shares of a par value of KD 0.100 per share. Accordingly, the share capital has increased by KD 900,000 to KD 15,900,000.

8 STATUTORY AND GENERAL RESERVE

As required by the Commercial Companies Law and the company's articles of association, 10 % of the 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.

In addition to the above, unutilised balance remaining from the amount contributed by the shareholders of the company towards formation expenses has been transferred to statutory reserve.

Distribution of the statutory 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

The board of directors of the company has proposed a transfer of 10% of the net profit for the year to the general reserve, after transfer to statutory reserve, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and directors' remuneration. The transfer to general reserve amounts to KD 164,956 (2002: KD 103,870). Such transfer is subject to the approval of the ordinary general assembly of the shareholders of the company. There are no restrictions on the distribution of the general reserve.

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

9 PROPOSED DIVIDENDS AND DIRECTORS' REMUNERATION

The board of directors of the company have proposed a dividend of 8 fils per share totalling KD 1,272,000 as bonus shares (2002: 6 fils per share totalling KD 900,000). These dividends and directors' remuneration are subject to the approval of the ordinary general assembly of the shareholders of the company.

10 OTHER LIABILITIES

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Payable to car dealers and others	1,628,403	1,027,196
Amounts due to related parties	493,476	9,096
Employees' end of service benefits	63,711	40,946
Accrued expenses and other payables	529,545	239,743
	<u>2,715,135</u>	<u>1,316,981</u>

11 SHORT TERM LOANS

The short term loans are all denominated in Kuwaiti Dinars. The loans are unsecured and are repayable at various dates within six months of the balance sheet date. The effective interest rates as at 31 December 2003 ranges from 3.50% to 4.50%. Short term loans amounting to KD 17,000,000 are due to related parties (Note 14)

12 BONDS

On 31 December 2001, the company issued bonds at floating interest rate with a principal amount of KD 15,000,000 at an issue price of 100%. The bonds bear interest at a rate of 1.25% per annum above the Central Bank of Kuwait Discount Rate, payable semi-annually in arrears. Interest is payable at a minimum rate of 5.25% per annum. The bonds will mature on 31 December 2004.

The bond holders at their annual general meeting held on 8 February 2003 have approved amendments to interest rate repayment terms as follows:

With effect from 1 January 2003 the interest will be paid at a rate of 1.50% per annum above the Central Bank of Kuwait discount rate, payable quarterly. There will be no minimum rate of interest payable.

All other terms and conditions have remained the same.

13 EARNINGS PER SHARE

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

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Net profit for the year	1,842,589	1,130,272
Weighted average number of ordinary shares outstanding during the year	159,000,000	159,000,000
Earnings per share	<u>11.59 fils</u>	<u>7.11 fils</u>

Earnings per share of the previous year have been restated to account for the effect of bonus shares issued during 2003 (Note 7).

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

14 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. shareholders represented by directors of the company and their related concerns. Pricing policies and terms of these transactions are approved by the company's management.

Transactions with related parties included in the statement of income are as follows:

	<i>2003</i>	<i>2002</i>
	<i>KD</i>	<i>KD</i>
Gains on investment in money market fund	11,879	157,396
Unrealised gain on securities available for sale	460,000	140,000
Other operating income	165,575	25,036

The year end balances in respect of related parties are as follows:

	<i>2003</i>	<i>2002</i>
	<i>KD</i>	<i>KD</i>
Bank balances	99,253	1,025,704
Money market fund	-	3,001,720
Short term loans	(17,000,000)	-
Bank overdraft	(2,844,514)	(766,010)
Securities available for sale	4,800,000	4,340,000

The company manages a portfolio of loans with an outstanding principal balance of KD 1,434,650 (31 December 2002: KD 7,158,784) on behalf of a related party. For managing this portfolio the company is entitled to a variable rate management fee ranging between 2% to 2.5% p.a. payable monthly based on the net asset value of the portfolio. The balance due to the related party is disclosed in Note 10.

Other operating income primarily comprise management fees earned on this portfolio.

15 CREDIT RISK

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 with individuals or groups of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

There are no significant concentrations of credit risk with respect to finance receivables.

16 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.

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.

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

16 INTEREST RATE RISK (continued)

The company's interest sensitivity position based on contractual repricing arrangements at 31 December 2003 was as follows:

	<i>Up to 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 months to 1 year KD</i>	<i>1 to 3 years KD</i>	<i>Over 3 years KD</i>	<i>Non interest bearing items KD</i>	<i>Total KD</i>	<i>Effective interest rate range</i>	
								<i>From</i>	<i>To</i>
ASSETS									
Bank balances	318,660	-	-	-	-	-	318,660	0.75%	0.75%
Finance receivables	4,734,455	3,974,943	9,707,309	23,790,550	10,411,657	-	52,618,914	5.25%	7.25%
Securities available for sale	-	-	-	-	1,500,000	4,985,000	6,485,000	5.00%	5.00%
Other assets	-	-	-	-	-	147,891	147,891	-	-
Fixed assets	-	-	-	-	-	146,454	146,454	-	-
TOTAL ASSETS	5,053,115	3,974,943	9,707,309	23,790,550	11,911,657	5,279,345	59,716,919		
EQUITY AND LIABILITIES									
EQUITY									
Share capital	-	-	-	-	-	15,900,000	15,900,000	-	-
Statutory reserve	-	-	-	-	-	430,596	430,596	-	-
General reserve	-	-	-	-	-	358,674	358,674	-	-
Retained earnings	-	-	-	-	-	256,067	256,067	-	-
Proposed dividends	-	-	-	-	-	1,272,000	1,272,000	-	-
TOTAL EQUITY	-	-	-	-	-	18,217,337	18,217,337		
LIABILITIES									
Bank overdraft	2,844,514	-	-	-	-	-	2,844,514	4.25%	4.50%
Other liabilities	-	-	-	-	-	2,715,135	2,715,135	-	-
Short term loans	-	-	21,000,000	-	-	-	21,000,000	3.50%	4.50%
Bonds	-	14,939,933	-	-	-	-	14,939,933	4.75%	4.75%
	2,844,514	14,939,933	21,000,000	-	-	2,715,135	41,499,582		
TOTAL EQUITY AND LIABILITIES	2,844,514	14,939,933	21,000,000	-	-	20,932,472	59,716,919		
On-balance sheet interest sensitivity gap	2,208,601	(10,964,990)	(11,292,691)	23,790,550	11,911,657	(15,653,127)	-		

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

16 INTEREST RATE RISK (continued)

The company's interest sensitivity position based on contractual repricing arrangements at 31 December 2002 was as follows:

	<i>Up to 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 months to 1 year KD</i>	<i>1 to 3 years KD</i>	<i>Over 3 years KD</i>	<i>Non interest bearing items KD</i>	<i>Total KD</i>	<i>Effective interest rate range</i>	
								<i>From</i>	<i>To</i>
ASSETS									
Bank balances	4,265,671	-	-	-	-	-	4,265,671	.75%	4.25%
Finance receivables	2,526,138	2,277,451	4,425,008	11,689,997	3,415,855	-	24,334,449	5.75%	8.25%
Securities available for sale	-	-	-	-	-	4,420,000	4,420,000	-	-
Other assets	-	-	-	-	-	108,555	108,555	-	-
Fixed assets	-	-	-	-	-	205,931	205,931	-	-
TOTAL ASSETS	6,791,809	2,277,451	4,425,008	11,689,997	3,415,855	4,734,486	33,334,606		
EQUITY AND LIABILITIES									
EQUITY									
Share capital	-	-	-	-	-	15,000,000	15,000,000	-	-
Statutory reserve	-	-	-	-	-	237,568	237,568	-	-
General reserve	-	-	-	-	-	193,718	193,718	-	-
Retained earnings	-	-	-	-	-	43,462	43,462	-	-
Proposed dividends	-	-	-	-	-	900,000	900,000	-	-
TOTAL EQUITY	-	-	-	-	-	16,374,748	16,374,748		
LIABILITIES									
Bank overdraft	766,010	-	-	-	-	-	766,010	4.25%	4.75%
Other liabilities	-	-	-	-	-	1,316,981	1,316,981	-	-
Bonds	-	14,876,867	-	-	-	-	14,876,867	5.25%	5.5%
	766,010	14,876,867	-	-	-	1,316,981	16,959,858		
TOTAL EQUITY AND LIABILITIES	766,010	14,876,867	-	-	-	17,691,729	33,334,606		
On-balance sheet interest sensitivity gap	6,025,799	(12,599,416)	4,425,008	11,689,997	3,415,855	(12,957,243)	-		

Kuwait Financing Services Company K.S.C. (Closed)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2003

17 LIQUIDITY RISK

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

Comment [ET1]: Needed?

The table below summarises the maturity profile of the company's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date.

Maturity profile of assets and liabilities at 31 December 2003:

	<i>Up to 1 month KD</i>	<i>1 - 3 months KD</i>	<i>3 - 6 months KD</i>	<i>6 months - 1 year KD</i>	<i>1 - 3 years KD</i>	<i>Over 3 years KD</i>	<i>Total KD</i>
ASSETS							
Bank balances	318,660	-	-	-	-	-	318,660
Finance receivables	1,651,818	3,082,637	3,974,943	9,707,309	23,790,550	10,411,657	52,618,914
Securities available for sale	-	-	-	-	6,485,000	-	6,485,000
Other assets	-	-	-	147,891	-	-	147,891
Fixed assets	-	-	-	-	-	146,454	146,454
	<u>1,970,478</u>	<u>3,082,637</u>	<u>3,974,943</u>	<u>9,855,200</u>	<u>30,275,550</u>	<u>10,558,111</u>	<u>59,716,919</u>
LIABILITIES							
Bank overdraft	2,844,514	-	-	-	-	-	2,844,514
Other liabilities	-	2,715,135	-	-	-	-	2,715,135
Short term loans	-	-	21,000,000	-	-	-	21,000,000
Bonds	-	-	-	14,939,933	-	-	14,939,933
	<u>2,844,514</u>	<u>2,715,135</u>	<u>21,000,000</u>	<u>14,939,933</u>	<u>-</u>	<u>-</u>	<u>41,499,582</u>
Net liquidity gap	<u>(874,036)</u>	<u>367,502</u>	<u>(17,025,057)</u>	<u>(5,084,733)</u>	<u>30,275,550</u>	<u>10,558,111</u>	<u>18,217,337</u>

Maturity profile of assets and liabilities at 31 December 2002:

	<i>Up to 1 month KD</i>	<i>1 - 3 months KD</i>	<i>3 - 6 months KD</i>	<i>6 months - 1 year KD</i>	<i>1 - 3 years KD</i>	<i>Over 3 years KD</i>	<i>Total KD</i>
ASSETS							
Bank balances and deposits	4,265,671	-	-	-	-	-	4,265,671
Finance receivables	960,632	1,565,506	2,277,451	4,425,008	11,689,997	3,415,855	24,334,449
Securities available for sale	-	-	-	-	-	4,420,000	4,420,000
Other assets	-	-	-	108,555	-	-	108,555
Fixed assets	-	-	-	-	-	205,931	205,931
	<u>5,226,303</u>	<u>1,565,506</u>	<u>2,277,451</u>	<u>4,533,563</u>	<u>11,689,997</u>	<u>8,041,786</u>	<u>33,334,606</u>
LIABILITIES							
Bank overdraft	766,010	-	-	-	-	-	766,010
Other current liabilities	-	1,316,981	-	-	-	-	1,316,981
Bonds	-	-	-	-	14,876,867	-	14,876,867
	<u>766,010</u>	<u>1,316,981</u>	<u>-</u>	<u>-</u>	<u>14,876,867</u>	<u>-</u>	<u>16,959,858</u>
Net liquidity gap	<u>4,460,293</u>	<u>248,525</u>	<u>2,277,451</u>	<u>4,533,563</u>	<u>(3,186,870)</u>	<u>8,041,786</u>	<u>16,374,748</u>

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18 MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

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

The company continuously monitors developments in the markets. In addition, the company actively monitors the key factors that affect market movements, including analysis of the operational and financial performance of investees.

19 FAIR VALUES

Except for finance receivables, which is dealt with in Note 4, the fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

20 EMPLOYEE SHARE OWNERSHIP PLAN

During the year, the Company established an Employee Share Ownership Plan (the "plan"). Under the plan, the company operates two schemes to reward the performance of its employees, namely a Share Purchase Scheme (SPS) and a Share Option Scheme (SOS). Both schemes will be in operation for a period of 10 years, with the first year being the fiscal year ended 31 December 2003. The total capital increase to meet the requirements of the schemes should not exceed 15% of the company's share capital at the end of 2012.

The SPS covers all employees who are entitled to receive a portion of their annual bonus in shares to be issued by the company. The SOS covers senior executives who are granted an option to subscribe for shares allotted to them at the commencement of each year of a three-year period, at the end of which the employee may exercise the option.

The subscription price for the shares allotted is the book value per share at the end of each year adjusted by any dividend distribution for that fiscal year.

At 31 December 2003 there were no outstanding shares under the plan and consequently, no diluted earnings per share has been calculated.

21 SEGMENTAL INFORMATION

The company operates only in Kuwait and its main business activity is the financing of consumer and commercial loans. The company has no separate reportable segments, and accordingly, no segmental information has been presented in the financial statements.

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