

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

FINANCIAL STATEMENTS

31 DECEMBER 2002

AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCING SERVICES COMPANY K.S.C. (CLOSED)

We have audited the accompanying balance sheet of Kuwait Financing Services Company K.S.C. (Closed) as of 31 December 2002, and the related statements of income, cash flows and changes in 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 2002, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting 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 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 2002 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 2002.

WALEED A. AL-OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

28 January 2003

Kuwait

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

INCOME STATEMENT

Year ended 31 December 2002

		<i>29 March 2000 to 31 December 2001 KD</i>
	<i>Notes</i>	<i>2002 KD</i>
Financing income		1,241,861
Realised gains on investment in money market fund		750,097
Unrealised gains on investment in money market fund		31,931
Interest income		495,701
Unrealised gain on securities available for sale		-
Other operating income	11	-
OPERATING INCOME		2,519,590
Staff expenses		639,806
Depreciation		42,073
Marketing expenses		203,624
Other operating expenses		209,533
Provision for credit losses		393,818
Finance cost		12,047
OPERATING EXPENSES		1,500,901
PROFIT FROM OPERATIONS		1,018,689
Contribution to Kuwait Foundation for the Advancement of Sciences		(18,336)
Directors' remuneration	8	(25,000)
NET PROFIT FOR THE YEAR/PERIOD		975,353

The attached notes 1 to 16 form part of these financial statements.

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

BALANCE SHEET

At 31 December 2002

	<i>Notes</i>	2002 KD	2001 KD
ASSETS			
Bank balances and deposits	3	4,265,671	14,994,642
Finance receivables	4	24,334,449	16,727,896
Securities available for sale	5	4,420,000	80,000
Other assets		108,555	47,203
Fixed assets		205,931	222,025
TOTAL ASSETS		33,334,606	32,071,766
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	15,000,000	15,000,000
Statutory reserve	7	237,568	120,992
General reserve	7	193,718	89,848
Retained earnings		43,462	33,636
Proposed dividends	8	900,000	750,000
TOTAL EQUITY		16,374,748	15,994,476
LIABILITIES			
Bank overdraft	3	766,010	470,432
Other current liabilities	9	1,316,981	787,038
Bonds	10	14,876,867	14,819,820
		16,959,858	16,077,290
TOTAL EQUITY AND LIABILITIES		33,334,606	32,071,766

Bader A. Al-Sumait
Chairman

Jamal Abdulhamid Al Mutawaa
Vice Chairman

Majed E. Al-Ajeel
Managing Director

The attached notes 1 to 16 form part of these financial statements.

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2002

	<i>Note</i>	2002 KD	<i>29 March 2000</i> <i>to</i> <i>31 December</i> 2001 KD
OPERATING ACTIVITIES			
Net profit for the year/period		1,130,272	975,353
Adjustments for:			
Depreciation		63,265	42,073
Provision for credit losses		337,247	393,818
Unrealised gain on securities available for sale		(140,000)	-
Bond issue fees		57,047	-
		<hr/>	<hr/>
Operating profit before operating assets and liabilities:		1,447,831	1,411,244
Increase in finance receivables		(7,943,800)	(17,121,714)
Increase in other assets		(61,352)	(47,203)
Increase in payables		529,943	787,038
		<hr/>	<hr/>
Net cash used in operating activities		(6,027,378)	(14,970,635)
INVESTING ACTIVITIES			
Purchase of fixed assets		(47,171)	(264,098)
Purchase of securities available for sale		(4,200,000)	(80,000)
		<hr/>	<hr/>
Net cash used in investing activities		(4,247,171)	(344,098)
FINANCING ACTIVITIES			
Issue of share capital		-	15,000,000
Issue of bonds		-	14,819,820
Remaining balance of formation expenses		-	19,123
Dividends paid		(750,000)	-
		<hr/>	<hr/>
Net cash (used in) from financing activities		(750,000)	29,838,943
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(11,024,549)	14,524,210
Cash and cash equivalents at the beginning of the year/period		14,524,210	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	3,499,661	14,524,210

The attached notes 1 to 16 form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2002

	<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>
Issue of share capital	15,000,000	-	-	-	-	15,000,000
Remaining amount of formation expenses	-	19,123	-	-	-	19,123
Net profit for the period	-	-	-	975,353	-	975,353
Transfer to reserves	-	101,869	89,848	(191,717)	-	-
Proposed cash dividends	-	-	-	(750,000)	750,000	-
Balance at 31 December 2001	15,000,000	120,992	89,848	33,636	750,000	15,994,476
Issue of share capital	-	-	-	-	-	-
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

The attached notes 1 to 16 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

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 60 people as of 31 December 2002 (2001: 50).

The financial statements of Kuwait Financing Services Company KSC (Closed) (the company) for the year ended 31 December 2002 were authorised for issue in accordance with a resolution of the directors on 28 January 2003.

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.

In 2002 the company adopted IAS 39 Financial Instruments: Recognition and Measurement. The financial effects of adopting IAS 39 are immaterial. Further information is disclosed in accounting policies for investments and impairment and uncollectibility of financial assets and in related notes.

Prior to adoption of IAS 39, all investment securities, were measured at cost less provision for any decline, other than temporary, in value determined on an individual basis. IAS 39 has been applied prospectively in accordance with the requirements of this standard and therefore comparative financial information in this respect has not been restated.

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.

Interest income is recognised as interest accrues and is due.

Investments

At 1 January 2002, the company adopted IAS 39 and classified its investments into securities available for sale.

All investment securities are initially recognised at cost (which includes transaction costs).

Available for sale

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

In 2001, prior to the adoption of IAS 39, all investments were carried at cost or amortised cost, less any provision for impairment.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Finance receivables

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

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.

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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<i>2002</i> <i>KD</i>	<i>2001</i> <i>KD</i>
Bank balances and deposits:		
Bank balances and cash	1,263,951	14,662,651
Money market fund	3,001,720	331,991
	<u>4,265,671</u>	<u>14,994,642</u>
Bank overdraft	(766,010)	(470,432)
	<u>3,499,661</u>	<u>14,524,210</u>

Included in bank balance and cash are bank deposits of KD Nil (2001: KD 14,063,121) with a commercial bank in Kuwait.

4 FINANCE RECEIVABLES

	<i>2002</i> <i>KD</i>	<i>2001</i> <i>KD</i>
Gross receivables	29,317,560	20,927,008
Less: deferred income	(4,252,046)	(3,805,294)
	<u>25,065,514</u>	<u>17,121,714</u>
Less: provision for credit losses	(731,065)	(393,818)
	<u>24,334,449</u>	<u>16,727,896</u>

The fair value of the financing receivables as at the balance sheet date is KD 24,932,000 (2001: KD 17,300,000).

5 SECURITIES AVAILABLE FOR SALE

	<i>2002</i> <i>KD</i>	<i>2001</i> <i>KD</i>
Unquoted securities:		
Credit Information Network Company K.S.C. (Closed)	80,000	80,000
Housing Financing Company K.S.C. (Closed)	4,340,000	-
	<u>4,420,000</u>	<u>80,000</u>

6 SHARE CAPITAL

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

7 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 after transfer to statutory reserve and contribution to Kuwait Foundation for the Advancement of Sciences amounting to KD 103,870 (2001: KD 89,848) to the general reserve. 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.

8 PROPOSED DIVIDENDS AND DIRECTORS' REMUNERATION

The board of directors of the company have proposed a dividend of 6 fils per share totalling KD 900,000 as bonus shares (2001: 5 fils per share totalling KD 750,000). These dividends and directors' remuneration are subject to the approval of the ordinary general assembly of the shareholders of the company.

9 OTHER CURRENT LIABILITIES

	<i>2002</i>	<i>2001</i>
	<i>KD</i>	<i>KD</i>
Trade accounts payable	1,027,196	560,221
Advances from customers	1,840	1,629
Accrued expenses and other payables	287,945	225,188
	<u>1,316,981</u>	<u>787,038</u>

10 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.

Subsequent to the year end, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

11 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>2002</i>	<i>2001</i>
	<i>KD</i>	<i>KD</i>
Realised gain on securities held for trading	155,676	750,097
Unrealised gain on securities held for trading	1,720	31,931
Interest income	21,459	492,042
Unrealised gain on securities available for sale	140,000	-
Other operating income	3,577	-

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

	<i>2002</i>	<i>2001</i>
	<i>KD</i>	<i>KD</i>
Bank balance and cash	1,025,704	14,469,979
Money market fund	3,001,720	331,991
Bank overdraft	(766,010)	(470,432)
Securities available for sale	4,340,000	-

During the year the company sold a portfolio of loans with an outstanding principal balance of KD 7,158,784 to 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.

Other operating income comprises of management fees earned on this portfolio.

12 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.

13 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 2002

13 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 and deposits	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 current 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 2002

13 INTEREST RATE RISK (continued)

The company's interest sensitivity position based on contractual repricing arrangements at 31 December 2001 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 and deposits	14,994,642	-	-	-	-	-	14,994,642	1.88%	7.25%
Finance receivables	1,228,917	1,655,106	2,942,412	7,006,366	3,895,095	-	16,727,896	9.75%	11.25%
Securities available for sale	-	-	-	-	-	80,000	80,000	-	-
Other assets	-	-	-	-	-	47,203	47,203	-	-
Fixed assets	-	-	-	-	-	222,025	222,025	-	-
TOTAL ASSETS	<u>16,223,559</u>	<u>1,655,106</u>	<u>2,942,412</u>	<u>7,006,366</u>	<u>3,895,095</u>	<u>349,228</u>	<u>32,071,766</u>		
EQUITY AND LIABILITIES									
EQUITY									
Share capital	-	-	-	-	-	15,000,000	15,000,000	-	-
Statutory reserve	-	-	-	-	-	120,992	120,992	-	-
General reserve	-	-	-	-	-	89,848	89,848	-	-
Retained earnings	-	-	-	-	-	33,636	33,636	-	-
Proposed dividends	-	-	-	-	-	750,000	750,000	-	-
TOTAL EQUITY	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,994,476</u>	<u>15,994,476</u>		
LIABILITIES									
Bank overdraft	470,432	-	-	-	-	-	470,432	5.25%	5.75%
Other current liabilities	-	-	-	-	-	787,038	787,038	-	-
Bonds	-	-	14,819,820	-	-	-	14,819,820	5.5%	5.5%
	<u>470,432</u>	<u>-</u>	<u>14,819,820</u>	<u>-</u>	<u>-</u>	<u>787,038</u>	<u>16,077,290</u>		
TOTAL EQUITY AND LIABILITIES	<u>470,432</u>	<u>-</u>	<u>14,819,820</u>	<u>-</u>	<u>-</u>	<u>16,781,514</u>	<u>32,071,766</u>		
On-balance sheet interest sensitivity gap	<u>15,753,127</u>	<u>1,655,106</u>	<u>(11,877,408)</u>	<u>7,006,366</u>	<u>3,895,095</u>	<u>(16,432,286)</u>	<u>-</u>		

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

14 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 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
	5,226,303	1,565,506	2,277,451	4,533,563	11,689,997	8,041,786	33,334,606
LIABILITIES							
Bank overdraft	766,010	-	-	-	-	-	766,010
Other current liabilities	-	1,316,981	-	-	-	-	1,316,981
Bonds	-	-	-	-	14,876,867	-	14,876,867
	766,010	1,316,981	-	-	14,876,867	-	16,959,858
Net liquidity gap	4,460,293	248,525	2,277,451	4,533,563	(3,186,870)	8,041,786	16,374,748

Maturity profile of assets and liabilities at 31 December 2001:

	<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	14,994,642	-	-	-	-	-	14,994,642
Finance receivables	392,548	836,369	1,655,106	2,942,412	7,006,366	3,895,095	16,727,896
Securities available for sale	-	-	-	-	-	80,000	80,000
Other assets	-	-	-	47,203	-	-	47,203
Fixed assets	-	-	-	-	-	222,025	222,025
	15,387,190	836,369	1,655,106	2,989,615	7,006,366	4,197,120	32,071,766
LIABILITIES							
Bank overdraft	470,432	-	-	-	-	-	470,432
Other current liabilities	-	787,038	-	-	-	-	787,038
Bonds	-	-	-	-	14,819,820	-	14,819,820
	470,432	787,038	-	-	14,819,820	-	16,077,290
Net liquidity gap	14,916,758	49,331	1,655,106	2,989,615	(7,813,454)	4,197,120	15,994,476

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2002

15 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 limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

16 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.

