

**TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)
KUWAIT**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002**

FINANCIAL STATEMENTS

For the year ended 31 December 2002

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AUDITORS' REPORT TO THE SHAREHOLDERS OF
TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)
KUWAIT

We have audited the accompanying balance sheet of Tamdeen Real Estate Company (A Kuwaiti Closed Shareholding Company) as at 31 December 2002, and the related statements of profit and loss, changes in shareholders' equity and cash flows 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 Tamdeen Real Estate Company – KSC (Closed) as at 31 December 2002, and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended in accordance with International Accounting Standards.

Furthermore, the aforementioned financial statements are in agreement with the books of account and give all the information required by the Commercial Companies Law and the company's bye-laws. Proper books of account were kept by the company, the stock taking was carried out in accordance with recognised principles and the information given in the board of directors' report in so far as it relates to the financial statements, is in agreement with the accounting records. According to the information given to us, no contraventions of the Commercial Companies Law or the company's bye-laws were committed during the financial year in such a way so as to materially affect the company's activities or its financial position.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Fawzia Mubarak Al-Hassawi
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of Al-Fouz International Audit Bureau

Kuwait
17 March 2003

TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)

KUWAIT**BALANCE SHEET AS AT 31 DECEMBER 2002**

ASSETS	NOTE	2002 KD	2001 KD
Current assets			
Cash and bank balances		253,613	479,154
Short-term deposits		31,023	126,627
Accounts receivable and other debit balances	4	435,971	618,984
Investments in land and real estate held for trading	5	7,047,484	2,581,505
Trading investments	6	1,578,516	1,362,568
		<u>9,346,607</u>	<u>5,168,838</u>
Non-current assets			
Available for sale investments	7	16,007,561	7,499,065
Investment properties	8	42,894,194	39,156,800
Fixed assets	9	2,461	22,248
		<u>68,250,823</u>	<u>51,846,951</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank facilities	10	3,047,026	31,945
Accounts payable and other credit balances	11	1,554,545	974,411
Current portion of term loans	12	3,720,900	1,220,900
		<u>8,322,471</u>	<u>2,227,256</u>
Non-current liabilities			
Term loans	12	17,462,582	10,793,362
Refundable rental deposits		900,477	878,719
Provision for end of service indemnity		168,824	123,280
		<u>18,531,883</u>	<u>11,795,361</u>
Total liabilities		<u>26,854,354</u>	<u>14,022,617</u>
Shareholders' equity			
Issued and paid-up share capital – 251,690,360 shares of 100 Kuwaiti Fils each		25,169,036	25,169,036
Treasury shares	13	-	(406,008)
Treasury shares' profit reserve		456,287	296,092
Legal reserve	14	2,080,565	1,863,721
Share premium		2,728,477	2,728,477
Voluntary reserve	14	3,478,640	3,261,796
Retained earnings	15	4,124,959	4,379,826
Cumulative changes in fair values		3,358,505	531,394
		<u>41,396,469</u>	<u>37,824,334</u>
Total liabilities and shareholders' equity		<u>68,250,823</u>	<u>51,846,951</u>

Mohammed Jassim K. Al-Marzouk
Chairman and Managing Director

Ali Yacoub Ghafil Aryan
Vice-Chairman

The notes set out on pages 7 to 17 form an integral part of these financial statements.

STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2002

	NOTE	2002 <u>KD</u>	2001 <u>KD</u>
INCOME			
Rental income		3,982,404	3,829,545
Real estate depreciation and expenses	16	<u>(1,008,713)</u>	<u>(970,253)</u>
Net rental income		2,973,691	2,859,292
Other real estate income		270,691	415,096
Income from real estate management fees		248,682	145,313
Profit on sale of land and real estate held for trading		425,539	223,504
Net profit on sale of investment properties	8	25,368	138,174
Net income from investments	17	546,769	175,753
Provision for decline in value of investment properties	8	-	(482,242)
Provision for decline in value of investments in land and real estate held for trading		-	(84,829)
Foreign currency exchange (loss)/gain	18	<u>(171,909)</u>	<u>1,295,056</u>
		<u>4,318,831</u>	<u>4,685,117</u>
EXPENSES			
Staff costs		785,734	536,858
General and administrative expenses		724,251	473,856
Finance costs		640,404	545,957
		<u>2,150,389</u>	<u>1,556,671</u>
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), board of directors' remuneration and provision for National Labour Support Tax		2,168,442	3,128,446
Contribution to KFAS	19	(19,516)	(56,312)
Board of directors' remuneration	15	(35,000)	(35,000)
Provision for National Labour Support Tax	20	<u>(47,427)</u>	<u>(35,731)</u>
Net profit for the year		<u>2,066,499</u>	<u>3,001,403</u>
EARNINGS PER SHARE	21	<u>8.2 Fils</u>	<u>12 Fils</u>

The notes set out on pages 7 to 17 form an integral part of these financial statements.

**TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)
KUWAIT**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2002

	Share capital	Treasury shares	Treasury shares profit reserve	Legal reserve	Share premium	Voluntary reserve	Retained earnings	Cumulative changes in fair values	Total
	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>
Balance at 31 December 2000	25,169,036	-	-	1,550,876	2,728,477	2,948,951	2,004,113	-	34,401,453
Purchase of treasury shares	-	(1,001,370)	-	-	-	-	-	-	(1,001,370)
Sales of treasury shares	-	595,362	-	-	-	-	-	-	595,362
Profit on sales of treasury shares	-	-	296,092	-	-	-	-	-	296,092
Changes in fair value of available for sale investments	-	-	-	-	-	-	-	531,394	531,394
Net profit for the year	-	-	-	-	-	-	3,001,403	-	3,001,403
Transfer to reserves	-	-	-	312,845	-	312,845	(625,690)	-	-
Balance at 31 December 2001	25,169,036	(406,008)	296,092	1,863,721	2,728,477	3,261,796	4,379,826	531,394	37,824,334
Dividends paid to shareholders (Note 15)	-	-	-	-	-	-	(1,887,678)	-	(1,887,678)
Sales of treasury shares	-	406,008	-	-	-	-	-	-	406,008
Profit on sales of treasury shares	-	-	160,195	-	-	-	-	-	160,195
Changes in fair value of available for sale investments	-	-	-	-	-	-	-	2,827,111	2,827,111
Net profit for the year	-	-	-	-	-	-	2,066,499	-	2,066,499
Transfer to reserves	-	-	-	216,844	-	216,844	(433,688)	-	-
Balance at 31 December 2002	25,169,036	-	456,287	2,080,565	2,728,477	3,478,640	4,124,959	3,358,505	41,396,469

The notes set out on pages 7 to 17 form an integral part of these financial statements.

**TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)
KUWAIT**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2002

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before contribution to KFAS, board of directors' remuneration and provision for National Labour Support Tax	2,168,442	3,128,446
Adjustments for:		
Depreciation	569,243	615,275
Provision for end of service indemnity	54,943	39,624
Profit on sale of land and real estate held for trading	(425,539)	(223,504)
Profit on sale of investment properties	(25,368)	(138,174)
Provision for decline in value of investment properties	-	482,242
Net income from investments	(546,769)	(175,753)
Foreign currency exchange loss/(gain)	171,909	(1,295,056)
Finance costs	640,404	545,957
	<u>2,607,265</u>	<u>2,979,057</u>
Indemnity paid	(9,399)	(11,714)
Operating profit before changes in operating assets and liabilities	<u>2,597,866</u>	<u>2,967,343</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	183,013	797,610
Accounts payable and other credit balances	478,191	(36,122)
Refundable rental deposit	21,758	7,580
Net cash from operating activities	<u>3,280,828</u>	<u>3,736,411</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land and real estate held for trading and investment properties	5,427,559	3,044,883
Purchase of trading investments	(215,948)	659,704
Purchase of land and real estate held for trading	(8,115,000)	(1,085,445)
Purchase of available for sale investments	(5,681,385)	373,065
Purchase of investment properties	(5,595,688)	(999,774)
Net purchase of fixed assets	(18,793)	(26,363)
Investments income	546,769	175,753
Net cash (used in)/from investing activities	<u>(13,652,486)</u>	<u>2,141,823</u>

The notes set out on pages 7 to 17 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2002

	<u>NOTE</u>	<u>2002</u> <u>KD</u>	<u>2001</u> <u>KD</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to shareholders		(1,887,678)	-
Receipt/(repayment) of loans		8,997,311	(4,663,082)
Change in bank facilities		3,015,081	(86,157)
Purchase of treasury shares		-	(1,001,370)
Sale of treasury shares		566,203	891,454
Paid finance costs		(640,404)	(545,957)
Net cash from/(used in) from financing activities		<u>10,050,513</u>	<u>(5,405,112)</u>
Net (decrease)/increase in cash and cash equivalents		(321,145)	473,122
Cash and cash equivalents at beginning of the year	22	<u>605,781</u>	<u>132,659</u>
Cash and cash equivalents at end of the year	22	<u><u>284,636</u></u>	<u><u>605,781</u></u>

The notes set out on pages 7 to 17 form an integral part of these financial statements.

1. INCORPORATION AND ACTIVITIES

The company was incorporated in Kuwait on 16 December 1982 in accordance with the Commercial Companies Law. Its shares are listed on the Kuwait Stock Exchange.

Its principal activities are investing in land and real estate both inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The company is also engaged in the development and construction of buildings and real estate projects, managing the properties of others, establishing and managing real estate funds, real estate studies and consultancy, and investing in companies with activities similar to its own and in portfolios managed by professional fund managers.

At 31 December 2002, the company employed 112 people (108 people in 2001).

The address of the company's registered office is PO Box 21816 Safat, 13079 Safat, State of Kuwait.

2. SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements

The financial statements have been prepared in accordance with International Accounting Standards.

Investments in land and real estate held for trading

Investments in land and real estate held for trading are regarded as current assets, and are stated at the lower of cost and market value, assessed on an individual investment basis. Realised gains and losses, and changes in carrying value are taken to the statement of profit and loss.

Investments

The company classifies investments as follows:

- i) Trading investments
- ii) Available for sale investments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are measured at fair value, unless fair value cannot be reliably measured.

For investments traded in organised financial markets, fair value is determined by reference to 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, 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 permanent impairment.

Gains and losses arising from measurement to fair value for trading investments are taken to the statement of profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In relation to investments which are available for sale, any gain or loss arising from a change in fair value of such investments are recognised directly within equity in the “cumulative changes in fair values” until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in the “cumulative changes in fair values” is included in the statement of profit and loss for the year.

Trade and settlement date reconciliation

All “regular way” purchase 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 value

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. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Investment properties

Investment properties are valued at cost less accumulated depreciation and any impairment losses, which is assessed on an individual basis, based on an annual external valuation performed by an independent real estate valuer.

Treasury shares

In accordance with the instructions from Ministry of Commerce and Industry the company’s holding in its treasury shares is stated at cost and as a deduction of shareholders’ equity, with no entitlement to cash dividends that the company may distribute. Gains/(losses) resulting from the company trading in its own shares are credited/(debited) directly to shareholders’ equity as “gain on sale of treasury shares reserve”.

Where the “gain on sale of treasury shares reserve” fall short of any losses from the sale of treasury shares, the difference is charged to retained profits and reserves; subsequently, should profits arise upon the sale of treasury shares an amount is transferred to retained profits and reserves equivalent to the loss previously charged to these accounts.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The company depreciates its fixed assets at annual rates estimated to fully depreciate the cost of the assets over their expected useful lives.

End of service indemnity

Provision for end of service indemnity is computed on the basis of employees’ accumulated periods of service at the balance sheet date, in accordance with Kuwait labour law for the private sector and the company’s by-laws.

Recognition of income and expenditure

Profits and losses on sale of investments are recognised as and when they are realised. Dividend income is recognised when the right to receive payment is established. Other income and expenditure are accounted for under the accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance costs

Finance costs are recognised in the statement of profit and loss for the year on a time proportion basis over the maturity period of the related liabilities.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into Kuwaiti Dinars using the rates of exchange prevailing at the balance sheet date. Foreign currency transactions during the year are translated into Kuwaiti Dinars at the rates of exchange prevailing at the time of transaction. Exchange differences arising from translation are taken to the statement of profit and loss.

Cash and cash equivalents

Cash and cash equivalents as stated in the statement of cash flows are represented by bank and cash balances and due to banks.

3. FINANCIAL INSTRUMENTS

Credit risk

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of investments, debit accounts, and bank and cash balances. The company's investments are presented at fair value and debit accounts are presented net of any provisions for decline in value and doubtful debts. The company's bank accounts are placed with high credit quality financial institutions.

Interest rate risk

The company's bank overdrafts and loans bear interest at commercial rates. The overdraft accounts are repayable upon demand whilst the loans are due for repayment upon fixed dates.

Fair values

At 31 December 2002 and 2001 the carrying amounts of financial assets and liabilities approximated their fair values.

Derivative financial instruments

The company does not speculate in or engage in the trading of derivative financial instruments.

4. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	<u>2002</u> <u>KD</u>	<u>2001</u> <u>KD</u>
Receivable from tenants	334,684	361,803
Receivable from the sale of land and real estate	-	316,000
Accrued income	27,300	39,595
Real estate investment fund	151,477	5,334
Other debit balances	181,391	141,938
	<u>694,852</u>	<u>864,670</u>
Provision for doubtful debts	(258,881)	(245,686)
	<u>435,971</u>	<u>618,984</u>

5. INVESTMENTS IN LAND AND REAL ESTATE HELD FOR TRADING

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Cost		
At 1 January	2,581,505	2,428,091
Additions	8,115,000	1,085,445
Disposals	(3,649,021)	(847,202)
	<u>7,047,484</u>	<u>2,666,334</u>
Impairment in value	-	(84,829)
	<u><u>7,047,484</u></u>	<u><u>2,581,505</u></u>

6. TRADING INVESTMENTS

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Investment in real estate fund	840,105	756,000
Local managed portfolios	12,690	606,568
Managed fund	725,721	-
	<u>1,578,516</u>	<u>1,362,568</u>

The company established a real estate investment fund in 1994 for the purpose of investing in real estate properties in Kuwait. The capital of the fund is KD15,000,000, following a decrease of 25% during the year (KD18,000,000 following a decrease of 10% in 2001), which is fully subscribed, issued and paid, and of which the company's participation is 5%. The company maintains entirely separate books of account in respect of the fund, which it also manages in return for a fee calculated at 5% of the net profit of the fund for each year, being KD177,250 for the year (KD81,399 in 2001).

7. AVAILABLE FOR SALE INVESTMENTS

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Local managed portfolios and funds	11,856,218	6,172,748
Equity participation in unquoted local company shares	609,413	609,413
Participations in projects located outside Kuwait	183,426	185,510
	<u>12,649,057</u>	<u>6,967,671</u>
Changes in fair values	3,358,504	531,394
	<u><u>16,007,561</u></u>	<u><u>7,499,065</u></u>

**TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)
KUWAIT**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

8. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Projects in progress</u>	<u>2002 Total</u>	<u>2001 Total</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>
Cost						
At 1 January	27,565,299	10,887,945	1,965,458	2,169,978	42,588,680	44,154,831
Additions	-	-	-	5,595,688	5,595,688	1,013,424
Sales	(815,299)	(1,400,264)	-	-	(2,215,563)	(2,579,575)
At 31 December	<u>26,750,000</u>	<u>9,487,681</u>	<u>1,965,458</u>	<u>7,765,666</u>	<u>45,968,805</u>	<u>42,588,680</u>
Provision for decline in value						
At 1 January	209,932	-	-	607,242	817,174	534,907
Additions	-	-	-	-	-	482,242
Disposals related to real estate sold	(209,932)	-	-	-	(209,932)	(199,975)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,242</u>	<u>607,242</u>	<u>817,174</u>
Accumulated depreciation						
At 1 January	-	1,987,671	627,035	-	2,614,706	2,650,648
Charge for the year (Note 16)	-	399,763	130,899	-	530,662	578,834
On disposals	-	(677,999)	-	-	(677,999)	(614,776)
At 31 December	<u>-</u>	<u>1,709,435</u>	<u>757,934</u>	<u>-</u>	<u>2,467,369</u>	<u>2,614,706</u>
Net book value						
At 31 December	<u>26,750,000</u>	<u>7,778,246</u>	<u>1,207,524</u>	<u>7,158,424</u>	<u>42,894,194</u>	<u>39,156,800</u>
Fair value					<u>52,486,511</u>	<u>42,559,736</u>

TAMDEEN REAL ESTATE COMPANY – KSC (CLOSED)
KUWAIT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

8. INVESTMENT PROPERTIES (CONTINUED)

Investment properties include: Land, buildings, machinery and equipment, and the company depreciates them using the following annual rates:

Buildings	4 – 6.666%
Machinery and equipment	6.666%

The above fair value include the value of projects in progress and accounted on cost basis of these projects.

Real estate with book value of KD35,735,770 as at 31 December 2002 (KD36,249,490 in 2001) are mortgaged with local banks against loans (see Note 12).

The net profit of investment properties during the year amounted to KD25,368 (KD138,174 in 2001).

9. FIXED ASSETS

	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	2002 Total	2001 Total
	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>
Cost					
At 1 January	17,523	3,010	201,582	222,115	212,390
Additions	2,932	-	15,863	18,795	26,365
Disposals	(4,734)	-	-	(4,734)	(16,640)
At 31 December	<u>15,721</u>	<u>3,010</u>	<u>217,445</u>	<u>236,176</u>	<u>222,115</u>
Accumulated depreciation					
At 1 January	16,402	3,009	180,456	199,867	180,064
Charge for the year	4,051	-	34,530	38,581	36,441
On disposals	(4,733)	-	-	(4,733)	(16,638)
At 31 December	<u>15,720</u>	<u>3,009</u>	<u>214,986</u>	<u>233,715</u>	<u>199,867</u>
Net book value					
At 31 December	<u>1</u>	<u>1</u>	<u>2,459</u>	<u>2,461</u>	<u>22,248</u>

The company depreciates its fixed assets using the following annual rates:

Machinery and equipment	20%
Vehicles	25%
Furniture, fixtures and office equipment	20 - 33.33%

10. BANK FACILITIES

Bank facilities are granted by local banks to finance working capital and real estate activities of the company. They are repayable on different dates during the year 2003 (renewable), with annual rates of interest of 4.25% or 1% over the Central Bank of Kuwait discount rate.

KUWAIT**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

11. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Retentions for executed works	567,555	222,167
Accrued leave and expenses	350,883	163,536
Uncollected dividends to shareholders	131,206	108,099
Other credit balances	504,901	480,609
	<u>1,554,545</u>	<u>974,411</u>

12. TERM LOANS

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Denominated in Japanese Yen with annual interest 1% over LIBOR (ranging between 1.125% to 1.5% over LIBOR in 2001)	2,589,325	3,527,100
Denominated in U.S. Dollar with annual interest of 1% (1.125% over LIBOR in 2001)	4,873,257	3,766,262
Denominated in Kuwaiti Dinars with annual interest ranging between 1% to 1.125% over the Central Bank of Kuwait discount rate (ranging between 1% to 1.5% over the Central Bank of Kuwait discount rate in 2001)	13,720,900	4,720,900
	<u>21,183,482</u>	<u>12,014,262</u>

The loans are due for repayment as follows:

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Within one year	3,720,900	1,220,900
After one year	17,462,582	10,793,362
	<u>21,183,482</u>	<u>12,014,262</u>

Term loans listed above are granted to the company by local banks. The total amount of the instalments relating to the loans which are due to be repaid within one year from the balance sheet date are shown as a current liability.

Loans are granted against mortgage of investment properties with net book value of KD35,735,770 as at 31 December 2002 (KD36,249,490 at the 31 December 2001) (see Note 8).

13. TREASURY SHARES

During the year the company sold 4,280,000 of its own shares as at 31 December 2001, with an original cost of KD406,008 equivalent to 1.7% of the share capital on that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

14. RESERVES

In accordance with the Commercial Companies Law of Kuwait and the company's bye-laws, 10% of the net profit of each year is transferred to the legal reserve until such time that the balance of the reserve account equals 50% of the balance of the company's share capital account.

Distribution of the legal 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 insufficient for the payment of a dividend of that amount.

Transfers to the voluntary reserve are made in accordance with the recommendation of the board of directors to the general assembly.

15. PROPOSED APPROPRIATIONS

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the board of directors propose to:

- distribute a cash dividend of KD2,013,523 or 8 Fils per share (7.5 Fils per share amounting to KD1,887,678 in 2001) to the shareholders of record as of the date of the general assembly.
- distribute board of directors' remuneration of KD35,000.

Proposed appropriations were approved by the shareholders general assembly held on 17 April 2002 for the year 2001 and paid subsequently.

16. REAL ESTATE DEPRECIATION AND EXPENSES

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Staff cost	89,472	106,023
Real estate depreciation (Note 8)	530,662	578,834
Other real estate expenses	388,579	285,396
	<u>1,008,713</u>	<u>970,253</u>

17. NET INVESTMENT INCOME

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Profit on sale of investment held for trading	64,254	285,497
Profit on sale of available for sale investments	281,827	50,771
Change in fair value of trading investments	105,094	(186,269)
Losses on impairment in value for available for sale investments	(462,417)	(327,105)
Dividend income	550,322	327,174
Interest income	7,689	25,685
	<u>546,769</u>	<u>175,753</u>

18. FOREIGN EXCHANGE (LOSS)/GAIN

This item represents the foreign currency exchange gain arising on the re-translation at the balance sheet date, of bank loans denominated in Japanese Yen and U.S. Dollar (see Note 12).

19. CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES

The board of directors of the Kuwait Foundation for the Advancement of Sciences have resolved in their meeting on 10 November 2002, to reduce KFAS share of profits from shareholding companies from 2% to 1% effective from the financial year ended 31 December 2002 and thereafter.

20. PROVISION FOR NATIONAL MANPOWER SUPPORT TAX

Provision for tax is calculated in accordance with Law 19 of 2000.

21. EARNINGS PER SHARE

	<u>2002</u> <u>KD</u>	<u>2001</u> <u>KD</u>
Net profit for the year	2,066,499	3,001,403
Weighted average number of shares (excluding treasury shares)	251,278,420	244,825,823
Earnings per share	8.2 Fils	12 Fils

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise of following balance sheet balances:

	<u>2002</u> <u>KD</u>	<u>2001</u> <u>KD</u>
Cash and bank balances	253,613	479,154
Short-term deposits	31,023	126,627
	<u>284,636</u>	<u>605,781</u>

23. RELATED PARTY TRANSACTIONS

	<u>2002</u>	<u>2001</u>
	<u>KD</u>	<u>KD</u>
Balance sheet as at 31 December		
Available for sale investments	3,215,006	6,812,284
Profit and loss for the year ended 31 December		
Decline in value of portfolios managed by a related party	322,993	-

Transactions with related parties are subject to the approval of the general assembly.

24. SEGMENTAL INFORMATION

The company's principal trading activities are all carried out within the State of Kuwait. With the exception of certain investments outside Kuwait, all of the company's assets and liabilities are located in Kuwait.

A segmental analysis of total income and net profit for the year, total assets, total liabilities and net assets employed by activity is as follows:

	<u>Real estate</u>	<u>Investment</u>	<u>Total</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Year ended 31 December 2002			
Total income	3,772,062	546,769	4,318,831
Net profit from ordinary activities	1,621,673	546,769	2,168,442
Depreciation	569,243	-	569,243
Total assets	50,664,746	17,586,077	68,250,823
Total liabilities	(26,854,354)	-	(26,854,354)
Net assets employed	23,810,392	17,586,077	41,396,469
Year ended 31 December 2001			
Total income	4,509,364	175,753	4,685,117
Net profit from ordinary activities	2,952,693	175,753	3,128,446
Depreciation	615,275	-	615,275
Total assets	42,985,318	8,861,633	51,846,951
Total liabilities	(14,022,617)	-	(14,022,617)
Net assets employed	28,962,701	8,861,633	37,824,334

25. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date the company had outstanding letters of guarantee of KD1,250,000 (KD1,250,000 in 2001).

26. MANAGEMENT OF REAL ESTATE OWNED BY OTHERS

The company undertakes the management of properties owned by others in return for management fees calculated on the basis of a percentage of collected rents in accordance with agreements made with each landlord. A separate bank account is maintained by the company for the purpose of collection of rent, and memorandum accounts of rents are maintained outwith the books of account amounted to KD114,793 at 31 December 2002 (KD141,525 at 31 December 2001).

27. POST BALANCE SHEET EVENTS

At the balance sheet date, the company owned 16.67% of the total share capital of a Kuwaiti shareholding company which had been classified under available for sale investments, and during the post balance sheet period, the company increased its investment to 53.33%.

The financial statements of the company's investment in this shareholding company will be consolidated during the first quarter of the year 2003.

28. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's presentation of the financial statements.

29. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved these financial statements for issue on 17 March 2003.