

**KUWAIT FINANCE HOUSE K.S.C. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2002**

- P.O. Box 74 Safat  
13001 Safat, Kuwait  
Souk As Safat, 3<sup>rd</sup> Floor  
Abdullah Muharak Street
- Tel: 245 2880  
Fax: 245 6419  
Email: kuwait@kw.eyi.com

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.**

We have audited the accompanying consolidated balance sheet of Kuwait Finance House K.S.C. and Subsidiaries as of 31 December 2002, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2002, and 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 consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated 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 consolidated 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 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  
ERNST & YOUNG  
AL AIBAN, AL OSAIMI & PARTNERS



JASSIM AHMAD AL-FAHAD  
LICENCE NO. 53 A  
AL-FAHAD & CO.  
DELOITTE & TOUCHE

6 January 2003  
Kuwait

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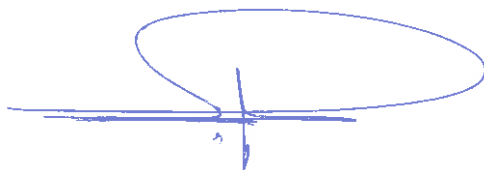
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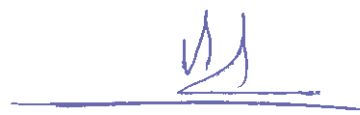
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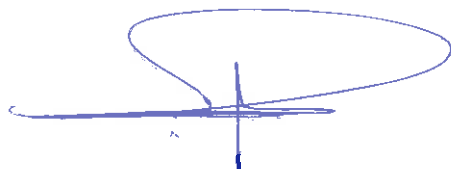
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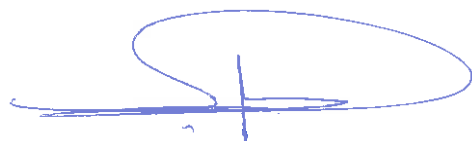
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# Kuwait Finance House K.S.C. and Subsidiaries

## CONSOLIDATED BALANCE SHEET

31 December 2002

	Notes	2002 KD 000's	2001 KD 000's
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	3	147,882	80,574
Short-term international murabaha		458,916	572,974
Receivables	4	1,285,361	1,179,845
Leased assets	5	107,662	51,764
Investments	6	250,763	208,456
Trading properties		112,098	108,698
Investment properties	7	104,684	96,338
Other assets		62,164	47,517
Property and equipment		24,847	29,321
<b>TOTAL ASSETS</b>		<b>2,554,377</b>	<b>2,375,487</b>
<b>LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, MINORITY INTEREST AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions	8	12,640	81,934
Depositors' accounts	9	1,976,861	1,775,156
Other liabilities		102,572	86,475
<b>TOTAL LIABILITIES</b>		<b>2,092,073</b>	<b>1,943,565</b>
<b>DEFERRED REVENUE</b>		<b>175,724</b>	<b>172,513</b>
<b>FAIR VALUE RESERVE</b>	10	<b>5,771</b>	<b>2,923</b>
<b>MINORITY INTEREST</b>		<b>18,840</b>	<b>16,676</b>
<b>EQUITY</b>			
Share capital	11	68,275	65,024
Proposed issue of bonus shares	12	3,414	3,251
Reserves	13	158,191	142,274
		<b>229,880</b>	<b>210,549</b>
Proposed cash dividends	12	32,089	29,261
<b>TOTAL EQUITY</b>		<b>261,969</b>	<b>239,810</b>
<b>TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, MINORITY INTEREST AND EQUITY</b>		<b>2,554,377</b>	<b>2,375,487</b>

  
BADER ABDUL MUHSEN AL-MUKHAIZEEM  
(CHAIRMAN AND MANAGING DIRECTOR)

  
JASSAR DAKHEEL AL-JASSAR  
(GENERAL MANAGER)

The attached notes 1 to 25 form part of these consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2002

	<i>Notes</i>	<b>2002</b> <b>KD 000's</b>	<b>2001</b> <b>KD 000's</b>
<b>OPERATING INCOME</b>			
Murabaha, Istisna'a and leasing		110,538	115,214
Subvention of government debt bonds		-	201
Investment income		22,221	16,487
Fee and commission income		9,459	7,449
Net gain from dealing in foreign currencies		833	1,142
Other operating income		3,473	2,687
		<u>146,524</u>	<u>143,180</u>
<b>OPERATING EXPENSES</b>			
General and administration		22,263	19,576
Depreciation		6,966	6,637
Provision for impairment		2,499	3,967
		<u>31,728</u>	<u>30,180</u>
<b>PROFIT FROM OPERATIONS BEFORE MINORITY INTEREST</b>			
Minority interest		1,894	1,446
<b>PROFIT FROM OPERATIONS BEFORE DISTRIBUTION TO DEPOSITORS</b>			
Distribution to depositors	9	56,582	58,382
		<u>56,320</u>	<u>53,172</u>
Contribution to Kuwait Foundation for the Advancement of Sciences		562	794
Directors' fees		90	80
<b>PROFIT BEFORE NATIONAL LABOUR SUPPORT TAX</b>			
National Labour Support tax		1,055	971
<b>NET PROFIT FOR THE YEAR</b>			
		<u>54,613</u>	<u>51,327</u>
<b>BASIC EARNINGS PER SHARE</b>			
	14	<u>80 fils</u>	<u>75 fils</u>

The attached notes 1 to 25 form part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2002

	Reserves							Total equity KD 000's	
	Share capital KD 000's (Note 11)	Proposed issue of bonus shares KD 000's (Note 12)	Share premium KD 000's (Note 13)	Statutory reserve KD 000's (Note 13)	Voluntary reserve KD 000's (Note 13)	Treasury shares KD 000's	Sub total KD 000's		Proposed cash dividends KD 000's (Note 12)
At 31 December 2000	61,343	3,681	7,708	98,265	21,210	(741)	126,442	25,764	217,230
Movements during 2001:									
Issue of bonus shares	3,681	(3,681)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(2,809)	-	(2,809)	-	(2,809)
Cash dividends paid	-	-	-	-	-	-	-	(25,764)	(25,764)
Net movement in treasury shares	-	-	-	-	-	(173)	(173)	-	(173)
Distribution of net profit:									
Transfer to statutory reserve	-	-	-	13,497	-	-	13,497	-	13,497
Transfer to voluntary reserve	-	-	-	-	5,317	-	5,317	-	5,317
Proposed issue of bonus shares	-	3,251	-	-	-	-	-	-	3,251
Proposed cash dividends	-	-	-	-	-	-	-	29,261	29,261
At 31 December 2001	65,024	3,251	7,708	111,762	23,718	(914)	142,274	29,261	239,810
Movements during 2002:									
Issue of bonus shares	3,251	(3,251)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(3,205)	-	(3,205)	-	(3,205)
Cash dividends paid	-	-	-	-	-	-	-	(29,261)	(29,261)
Net movement in treasury shares	-	-	-	-	-	12	12	-	12
Distribution of net profit:									
Transfer to statutory reserve	-	-	-	13,478	-	-	13,478	-	13,478
Transfer to voluntary reserve	-	-	-	-	5,632	-	5,632	-	5,632
Proposed issue of bonus shares	-	3,414	-	-	-	-	-	-	3,414
Proposed cash dividends	-	-	-	-	-	-	-	32,089	32,089
At 31 December 2002	68,275	3,414	7,708	125,240	26,145	(902)	158,191	32,089	261,969

The attached notes 1 to 25 form part of these consolidated financial statements.

Kuwait Finance House K.S.C. and Subsidiaries  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year ended 31 December 2002

	Note	2002 KD 000's	2001 KD 000's
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		54,613	51,327
Adjustment for:			
Depreciation		6,966	6,637
Provision for impairment		2,499	3,967
		<u>64,078</u>	<u>61,931</u>
Operating profit before changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Exchange of deposits – given		(26,624)	-
Receivables		(92,871)	(232,532)
Leased assets		(55,318)	26,090
Trading properties		(3,160)	(14,147)
Other assets		(15,763)	(15,227)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(69,294)	74,319
Depositors' accounts		201,705	228,091
Other liabilities		18,263	14,956
Deferred revenue		3,211	7,006
		<u>24,227</u>	<u>150,487</u>
Net cash from operating activities			
<b>INVESTING ACTIVITIES</b>			
Redemption of government debt bonds		-	19,087
Purchase of investments		(38,413)	(50,971)
Purchase of investment properties		(6,053)	(43,329)
Purchase of property and equipment		(11,096)	(10,643)
Proceeds from sale of property and equipment		6,355	3,712
		<u>(49,207)</u>	<u>(82,144)</u>
Net cash used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Cash dividends paid		(29,261)	(25,764)
Payment of Zakat		(3,205)	(2,809)
		<u>(32,466)</u>	<u>(28,573)</u>
Net cash used in financing activities			
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(57,446)</b>	<b>39,770</b>
Cash and cash equivalents at 1 January		<u>362,527</u>	<u>322,757</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>3</b>	<b><u>305,081</u></b>	<b><u>362,527</u></b>

The attached notes 1 to 25 form part of these consolidated financial statements.

# Kuwait Finance House K.S.C. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

### 1 ACTIVITIES

The consolidated financial statements of Kuwait Finance House K.S.C. and subsidiaries (the group) for the year ended 31 December 2002 were authorised for issue in accordance with a resolution of the board of directors on 6 January 2003.

The group comprises Kuwait Finance House (the parent company) and its subsidiaries. The parent company is a public shareholding company incorporated in Kuwait on 23 March 1977 and is engaged principally in providing banking services, the purchase and sale of properties, leasing, project construction for its own account as well as for third parties and other trading activities without practising usury. Trading activities are conducted on the basis of purchasing various goods and selling them on Murabaha at negotiated profit margins which can be settled in cash or on instalment credit basis. The parent company's registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

Details of the consolidated subsidiaries are included in Note 15.

All activities are conducted in accordance with Islamic Shareea'a, as approved by the parent company's Fatwa and Shareea'a Supervisory Board.

The parent company operates through 27 local branches (2001: 26) and employed 1,393 employees as of 31 December 2002 (2001: 1,353).

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of presentation**

The consolidated financial statements have been prepared in conformity with Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of available for sale investments.

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2002, Al Enma'a Real Estate Company K.S.C. (Closed) for the year ended 31 October 2002, The Kuwaiti Manger Company for Managing Real Estate Projects K.S.C. (Closed) for the year ended 31 October 2002 and Al Muthana Investment Company K.S.C. (Closed) for the year ended 30 September 2002. All significant intra-group balances, transactions and unrealised profits are eliminated upon consolidation.

The financial statements used in consolidation are drawn up to different reporting dates, hence adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of the subsidiaries and 31 December 2002, the reporting date of the parent company.

One of the consolidated subsidiaries uses an accounting policy other than that adopted in the consolidated financial statements for certain assets. Hence, appropriate adjustments are made to its financial statements when they are used in preparing the consolidated financial statements.

Other subsidiaries listed in Note 6 are not significant to the financial position or results of the group and, accordingly, are not consolidated. Similarly, investments in associated companies listed in Note 6 are not significant and, accordingly, are not accounted for under the equity method of accounting. These investments are classified as "available for sale" investments.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Short-term international murabaha**

Short-term international murabaha are financial assets originated by the parent company and represent deals with high credit quality international banks and financial institutions with a residual maturity of upto three months from the balance sheet date. These are stated at amortised cost.

**Receivables**

Receivables are financial assets originated by the group and principally comprise Murabaha and Istisna'a receivables. These are stated at amortised cost.

Murabaha is the sale of commodities and real estate at cost plus an agreed profit mark up whereby the seller informs the purchaser of the price at which he purchases the product and also stipulates an amount of profit.

Istisna'a is a sale contract between a contract owner and a contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time.

**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 discounted at original profit rates, recognised in the consolidated statement of income. For receivables, the future anticipated, cash flows would include anticipated recoveries from guarantees and collateral.

In addition, a provision is made to cover impairment which, although not specifically identified, are deemed to be present in the group's portfolio of receivables. These are estimated based on the historical patterns of losses in each component, the credit ratings allocated to the debtors, the current economic investment in which the debtors operate and Central Bank of Kuwait guidelines.

**Leased assets**

This represents net investment in assets leased for periods which either approximate or cover a major part of the economic lives of such assets. The lease agreements provide a purchase option to lessees at a price equal or expected to be sufficiently lower than fair value of such assets at the time when such option is exercised.

Leased assets are stated at amounts equal to the net investment outstanding in the leases.

**Investments**

Investments are classified as available for sale investments.

Investments are initially recognised at cost and are subsequently remeasured to fair value. Changes in fair value are reported in the fair value reserve until the investment is sold, collected or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously included within the fair value reserve is included within gain on sale of available for sale investments in the consolidated statement of income.

**Trading properties**

Trading properties are carried at the lower of cost and market value determined on an individual basis.

**Investment properties**

Investment properties are initially recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of all rental properties other than freehold land which is deemed to have an indefinite life. The carrying amounts are reviewed at each balance sheet date on an individual basis by reference to their fair value to assess whether they are recorded in excess of their 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. Impairment losses, if any, are recognised in the consolidated statement of income where carrying values exceed the recoverable amount.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair Values**

*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.

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.

*Investment properties*

For local investment properties, fair value is determined by the group's specialist resources which have recent experience in the local property market. For overseas investment properties, fair value is determined based on external valuations by independent, registered real estate valuers.

*Financial assets and liabilities*

For 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.

**Revenue recognition**

- i) Income from Murabaha and Istisna'a is recognised on a time apportionment basis.
- ii) Income from leased assets is recognised on a pattern reflecting a constant periodic return on the net investment outstanding.
- iii) Rental income from investment properties is recognised on a time apportionment basis.
- iv) Dividend income, including dividend income on own shares (held on behalf of depositors), is recognised when the right to receive payment is established.
- v) Fee and commission income is recognised at the time the related services are provided.

**Zakat**

Zakat is calculated at 2.577% on the reserves of the parent company (excluding proposed distributions) at the end of the year before transfers to reserves for the year, and paid under the direction of the parent company's Fatwa and Shareea'a Supervisory Board. Zakat is charged to voluntary reserve.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the 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 consolidated statement of income.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and the group intends to settle on a net basis so as to realise the assets and liabilities simultaneously.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash, balances with banks and financial institutions and international murabaha contracts and exchange of deposits maturing within three months of contract date.

**Fiduciary assets**

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

**3 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Cash	25,317	18,062
Balances with the Central Bank of Kuwait	13,787	50,122
Balances with banks and financial institutions - current accounts	10,871	12,390
Balances with banks and financial institutions - exchange of deposits	97,907	-
Cash and balances with banks and financial institutions	<u>147,882</u>	<u>80,574</u>
Short-term international murabaha – maturing within 3 months of contract date	183,823	281,953
Exchange of deposits – maturing after 3 months of contract date	<u>(26,624)</u>	<u>-</u>
Cash and cash equivalents	<u><u>305,081</u></u>	<u><u>362,527</u></u>

In accordance with Islamic Shareea'a, no interest is receivable on amounts due from banks and financial institutions.

The parent company exchanges deposits with high credit quality banks and financial institutions in local and foreign currencies with the legal right reserved to set off such deposits exchanged in the event that a bank or a financial institution becomes insolvent. The gross balances of deposits exchanged were as follows:

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Due from banks and financial institutions	392,570	249,889
Due to banks and financial institutions	<u>(306,114)</u>	<u>(329,593)</u>
	<u><u>86,456</u></u>	<u><u>(79,704)</u></u>



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**3 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS (continued)**

Included in the consolidated balance sheet as net balances:

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
In assets:		
Cash and balances with banks and financial institutions – exchange of deposits	97,907	-
In liabilities:		
Due to banks and financial institutions – exchange of deposits (Note 8)	(11,451)	(79,704)
	<u>86,456</u>	<u>(79,704)</u>

The fair value of cash and balances with banks and financial institutions do not differ from their respective book values.

**4 RECEIVABLES**

Receivables principally comprise Murabaha and Istisna'a balances and are stated net of provision for impairment.

The composition of receivables is as follows:

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Trading and manufacturing	129,418	120,214
Banks and financial institutions	286,164	248,049
Construction and real estate	398,920	387,707
Individuals	551,226	503,366
Other	24,247	22,010
	<u>1,389,975</u>	<u>1,281,346</u>
Less: provision for impairment	(104,614)	(101,501)
	<u>1,285,361</u>	<u>1,179,845</u>

The movement in the provision for impairment during the year was as follows:

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Balance at 1 January	101,501	107,450
Provided during the year	3,134	53
Amounts written off during the year	(21)	(6,002)
	<u>104,614</u>	<u>101,501</u>

Provisions include certain amounts in respect of debts purchased by the Central Bank of Kuwait. Such provisions must be ceded to the Central Bank of Kuwait when they are no longer required.

Whenever necessary, murabaha receivables are secured by acceptable forms of collateral to mitigate the related credit risks. Real estate murabaha receivables are secured by mortgage on the underlying property.

Receivables from banks and financial institutions comprise mainly murabaha transactions with high credit quality "AA" rated banks.

The group's receivables are principally concentrated in Kuwait.

The fair values of receivables do not differ from their respective book values.

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**5 LEASED ASSETS**

The net investment comprises the following:

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Gross investment	114,365	56,154
Unearned revenue	(4,382)	(1,490)
Provision for impairment	(2,321)	(2,900)
	<u>107,662</u>	<u>51,764</u>

The future minimum lease payments receivable in the aggregate are as follows:

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Within one year	47,510	16,182
One to five year	40,124	23,653
Later than five years	26,731	16,319
	<u>114,365</u>	<u>56,154</u>

The unguaranteed residual value of the leased assets at 31 December 2002 is estimated at KD Nil (2001: KD Nil).

**6 INVESTMENTS**

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Investments in securities and managed portfolios	115,302	110,506
Investments in unconsolidated subsidiaries and associated companies:		
Unconsolidated subsidiaries	93,598	37,295
Associated companies	41,863	60,655
	<u>250,763</u>	<u>208,456</u>
Investments carried at fair value	115,302	110,506
Investments carried at cost less impairment	135,461	97,950
	<u>250,763</u>	<u>208,456</u>

Included in investments in securities and managed portfolios is an amount of KD 4,099 thousand (2001: KD 3,564 thousand) which represents the group's investment in 5,594 thousand (2001: 5,280 thousand) of its own shares on behalf of depositors, equivalent to 0.82% of the total issued share capital at 31 December 2002 (2001: 0.81%). The results from activities relating to dealing in these shares are attributed only to the depositors and hence these shares continue to be classified in investments in securities and managed portfolios.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6 INVESTMENTS (continued)

The details of the group's unconsolidated subsidiaries and associated companies are as follows:

#### *Unconsolidated subsidiaries:*

	<i>Interest in equity %</i>	<i>Country of registration</i>	<i>Principal activities</i>
Gulf International Automobile Trading Company K.S.C. (Closed)	100	Kuwait	Trading in motor vehicles
Kuwait Finance House B.S.C.	100	Bahrain	Islamic banking services
Malaysian KFH Capital Sdn. Bhd	100	Malaysia	Investment holding company
Zaafran Investment Limited	100	Cayman	Financial services
International Turnkey Systems Company K.S.C. (Closed)	85	Kuwait	Development of computer software and hardware
Aviation Lease and Finance Company K.S.C. (Closed)	85	Kuwait	Leasing and financing of aircraft
Aviation Lease and Finance Company	80	Bermuda	Leasing and financing of aircraft
KFH Ijarah House (Malaysia) Sdn. Bhd	70	Malaysia	Leasing, finance and murabaha
Human Investment Corporation for Training and Consulting K.S.C. (Closed)	69	Kuwait	Training services
Nakheel United Real Estate Company K.S.C. (Closed)	67	Kuwait	Real estate investment and trading
Kuwait Turkish Evkaf Finance House	62	Turkey	Islamic banking services
Aref Investment Group K.S.C. (Closed)	52	Kuwait	Islamic investments

#### *Associated companies:*

	<i>Interest in equity %</i>	<i>Country of registration</i>	<i>Principal activities</i>
Kuwait Auction Company K.S.C. (Closed)	40	Kuwait	Auctioning services
Al Salaam Hospital Company K.S.C. (Closed)	38	Kuwait	Health care
First Takaful Insurance Company K.S.C. (Closed)	27	Kuwait	Islamic Takaful insurance
Gulf Investment House K.S.C. (Closed)	26	Kuwait	Islamic investments
A'ayan Leasing & Investment Company K.S.C. (Closed)	25	Kuwait	Leasing and Islamic investments
Liquidity Management Centre Company B.S.C. (Closed)	25	Bahrain	Islamic banking and financial services
National Bank of Sharjah PJSC	20	United Arab Emirates	Islamic banking services

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**7 INVESTMENT PROPERTIES**

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
At 1 January	96,338	57,897
Additions	16,181	60,148
Disposals, at net book value	(6,053)	(16,819)
Depreciation charged for the year	(1,825)	(1,580)
Impairment losses released (recognised)	43	(3,308)
	<u>104,684</u>	<u>96,338</u>
At 31 December	<u>104,684</u>	<u>96,338</u>
	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Cost	129,794	119,666
Accumulated depreciation	(16,388)	(14,563)
Impairment	(8,722)	(8,765)
	<u>104,684</u>	<u>96,338</u>

Included in investment properties is an investment in Al-Muthana Complex in Kuwait which is constructed on land leased from the Government of Kuwait. The ownership of the building, as well as any results from the activities relating to the investment, are attributed only to the shareholders of the parent company.

The fair value of the investment properties at the balance sheet date is KD 116,890 thousand (2001: KD 106,619 thousand).

**8 DUE TO BANKS AND FINANCIAL INSTITUTIONS**

	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
Balances due to banks and financial institutions - current accounts	1,189	2,230
Balances due to banks and financial institutions - exchange of deposits (Note 3)	11,451	79,704
	<u>12,640</u>	<u>81,934</u>

In accordance with Islamic Shareea'a, no interest is payable on accounts due to banks and financial institutions, the fair values of balances of due to banks and financial institutions do not differ from their respective book values.

**9 DEPOSITORS' ACCOUNTS**

a) The depositors' accounts of the parent company comprise the following:

- i) Non-investment deposits in the form of current accounts. These deposits are not entitled to any profits nor do they bear any risk of loss as the parent company guarantees to pay the related balances on demand. Accordingly, these deposits are considered Qard Hasan from depositors to the parent company on the grounds of Islamic Shareea'a.
- ii) Investment deposits comprise deposits for unlimited periods, limited periods and savings accounts. Unlimited investment deposits are initially valid for one year and are automatically renewable for the same period unless notified to the contrary in writing by the depositor. Investment deposits for a limited period are initially valid for one year and are renewable only by specific instructions from the depositors concerned. Investment savings accounts are valid for an unlimited period.

**9 DEPOSITORS' ACCOUNTS (continued)**

In all cases the investment deposits receive a proportion of the profit as the board of directors of the parent company determines, or bear a share of loss based on the results of the financial year.

The parent company generally invests approximately 90% of investment deposits for an unlimited period ("Mustamera"), 80% of investment deposits for a limited period, 70% investment deposits for an unlimited period ("Al-Sedra"), 70% of short term investment deposits and 60% of investment savings accounts. The parent company guarantees to pay the remaining uninvested portion of these investment deposits. Accordingly, this portion is considered Qard Hasan from depositors to the parent company, on the grounds of Islamic Sharee'a. Investing such Qard Hasan is made at the discretion of the board of directors of the parent company and the results of which are attributable to the shareholders of the parent company.

- b) On the basis of the results for the year the board of directors of the parent company determined the depositors' share of profit at the following rates:

	<i>2002</i>	<i>2001</i>
	<i>% per annum</i>	<i>% per annum</i>
Investment deposits for an unlimited period ("Mustamera")	<b>4.500</b>	5.250
Investment deposits for a limited period ("Muhaddadah")	<b>4.000</b>	4.667
Investment deposits for an unlimited period ("Al-Sedra")	<b>3.500</b>	4.083
Short-term investment deposits ("Thulatheeyah")	<b>1.730</b>	2.950
Investment savings accounts ("Tawfeer")	<b>3.000</b>	3.500

- c) The fair values of depositors' accounts do not differ from their respective book values.

**10 FAIR VALUE RESERVE**

The adoption of IAS 39 during 2001 resulted in a credit adjustment reported in the fair value reserve. Management of the parent company is of the opinion that since a significant proportion of this reserve is attributable to its depositors and would be allocated to depositors on realisation, the reporting of this reserve as a separate item on the consolidated balance sheet enables a fairer presentation than its inclusion under equity.

The movement on the fair value reserve is analysed as follows:

	<i>2002</i>	<i>2001</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Balance at 1 January	<b>2,923</b>	1,716
Change in fair value during the year	<b>3,028</b>	1,207
Realised during the year	<b>(180)</b>	-
Balance at 31 December	<b>5,771</b>	2,923

**11 SHARE CAPITAL**

The Extraordinary General Assembly of the shareholders of the parent company held on 18 February 2002, approved an increase in the authorised and paid-up share capital by the issuance of 32,512 thousand (2001: 36,810 thousand) bonus shares of 100 fils each. The bonus shares were issued by a transfer from the profits for the year ended 31 December 2001. Accordingly, the authorised, issued and fully paid-up share capital at 31 December 2002 comprises 682,749 thousand (2001: 650,237 thousand) shares of 100 fils each.

**12 PROPOSED CASH DIVIDEND AND ISSUE OF BONUS SHARES**

The board of directors of the parent company have proposed cash dividend of 47% for the year ended 31 December 2002 (2001: 45%) and an issue of bonus shares of 5% (2001: 5%) of paid-up share capital. This proposal is subject to the approval of the Ordinary General Assembly of the shareholders of the parent company and completion of legal formalities. Proposed dividend is shown as a separate component of equity.

**13 RESERVES**

The Extraordinary General Assembly of the parent company held on 18 March 1996 approved an amendment to article 58 of its articles of association, in which the Ordinary General Assembly can approve an increase in the transfer of 10% each of the net profit for the year to statutory and voluntary reserves, as appropriate, if proposed by the board of directors of the parent company. As a result, an amount of KD 13,478 thousand equivalent to approximately 24% (2001: KD 13,497 thousand equivalent to approximately 25%), of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Directors' fees and National Labour Support tax has been transferred to statutory reserve. The Ordinary General Assembly may resolve to discontinue such annual transfers, if proposed by the board of directors of the parent company.

Only that part of the statutory reserve in excess of 50% of paid-up share capital is freely distributable and useable at the discretion of the Ordinary General Assembly in ways that may be deemed beneficial to the parent company. Distribution of the balance 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.

10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Directors' fees and National Labour Support tax has been transferred to voluntary reserve.

The share premium account is not available for distribution.

**14 BASIC EARNINGS PER SHARE**

Basic earnings per share are based on the net profit for the year of KD 54,613 thousand (2001: KD 51,327 thousand) and the weighted average number of ordinary shares outstanding during the year of 681,688 thousand (2001: 682,106 thousand) after adjusting for treasury shares held by the group.

**15 CONSOLIDATED SUBSIDIARIES**

Details of consolidated subsidiaries are set out below:

<i>Name</i>	<i>Country of registration</i>	<i>Interest in equity %</i>	<i>Principal activities</i>
Al Enma'a Real Estate Company K.S.C. (Closed)	Kuwait	51	Real estate, investment, trading and management.
The Kuwaiti Manager Company for Managing Real Estate Projects K.S.C. (Closed)	Kuwait	100	Contracting, trading and project management.
Al Muthana Investment Company K.S.C. (Closed)	Kuwait	100	Islamic investments.



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**16 CONTINGENCIES AND COMMITMENTS**

At the balance sheet date there were outstanding contingencies and commitments entered into in the ordinary course of business in respect of the following:

	<b>2002</b> <i>KD 000's</i>	<b>2001</b> <i>KD 000's</i>
Acceptances and letters of credit	29,021	23,934
Guarantees	112,212	90,727
	<u>141,233</u>	<u>114,661</u>
Capital commitments	<u>102,968</u>	<u>82,439</u>

**17 RELATED PARTY TRANSACTIONS**

Certain related parties (directors and officers of the group, their families and companies of which they are principal owners) were depositors and credit customers of the parent company, in the ordinary course of business. Transactions with the directors are approved by the Ordinary General Assembly of the shareholders of the parent company. The year end balances of related parties included in the balance sheet are considered insignificant.

**18 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 parent company's Board of Directors and a continuous assessment of the group's open positions and current and expected exchange rate movements. The group where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The group had the following significant net exposures denominated in foreign currencies as of 31 December:

	<b>2002</b> <i>KD 000's</i> <i>equivalent</i>	<b>2001</b> <i>KD 000's</i> <i>equivalent</i>
U.S. Dollars	97,893	2,909
Sterling Pounds	(10,686)	(8,590)
Japanese Yen	(253)	(880)
Euros	111	681
Gulf Cooperation Council currencies	(12,610)	(14,559)
Others	1,039	390

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**19 SEGMENTAL ANALYSIS****Primary segment information**

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

Treasury: Liquidity management, international murabaha investments, exchange of deposits with banks and financial institutions and international banking relationships.

Investment: Managing direct investments, investments in subsidiaries, associated companies and international leasing.

Retail and corporate banking: Providing a range of banking services and investment products to corporate and individual customers, providing commodity and real estate murabaha finance, local leasing, wakala and Istisna'a facilities.

<b>31 December 2002</b>	<i>Treasury</i>	<i>Investment</i>	<i>Retail and corporate banking</i>	<i>Other groups</i>	<i>Total</i>
<b>Assets</b>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cash and balances with banks and financial institutions	147,882	-	-	-	147,882
Short-term international murabaha	444,172	14,744	-	-	458,916
Receivables	220,946	7,261	1,048,488	8,666	1,285,361
Leased assets	-	69,406	38,256	-	107,662
Investments	-	250,763	-	-	250,763
Trading properties	-	112,098	-	-	112,098
Investment properties	-	104,684	-	-	104,684
Other assets	-	5,318	50,641	6,205	62,164
Property and equipment	393	188	15,416	8,850	24,847
	<u>813,393</u>	<u>564,462</u>	<u>1,152,801</u>	<u>23,721</u>	<u>2,554,377</u>
<b>Liabilities, deferred revenue, fair value reserve, minority interest and equity</b>					
Due to banks and financial institutions	12,640	-	-	-	12,640
Depositors' accounts	130	67,578	1,682,325	226,828	1,976,861
Other liabilities	40	3,759	60,110	38,663	102,572
Deferred revenue	7,490	-	168,234	-	175,724
Fair value reserve	-	5,771	-	-	5,771
Minority interest	-	-	-	18,840	18,840
Equity	-	-	-	261,969	261,969
	<u>20,300</u>	<u>77,108</u>	<u>1,910,669</u>	<u>546,300</u>	<u>2,554,377</u>
<b>Revenue</b>	<u>23,839</u>	<u>18,570</u>	<u>98,616</u>	<u>5,499</u>	<u>146,524</u>
<b>Profit from operations before distribution to depositors</b>	<u>18,338</u>	<u>14,435</u>	<u>77,447</u>	<u>2,682</u>	<u>112,902</u>

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## 19 SEGMENTAL ANALYSIS (continued)

31 December 2001	<i>Treasury</i> <i>KD 000's</i>	<i>Investment</i> <i>KD 000's</i>	<i>Retail and corporate banking</i> <i>KD 000's</i>	<i>Other groups</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<b>Assets</b>					
Cash and balances with banks and financial institutions	80,574	-	-	-	80,574
Short-term international murabaha	572,974	-	-	-	572,974
Receivables	184,487	5,341	982,066	7,951	1,179,845
Leased assets	-	44,367	7,397	-	51,764
Investments	-	208,456	-	-	208,456
Trading properties	-	108,698	-	-	108,698
Investment properties	-	96,338	-	-	96,338
Other assets	-	3,599	38,909	5,009	47,517
Property and equipment	443	207	13,829	14,842	29,321
	<u>838,478</u>	<u>467,006</u>	<u>1,042,201</u>	<u>27,802</u>	<u>2,375,487</u>
<b>Liabilities, deferred revenue, fair value reserve, minority interest and equity</b>					
Due to banks and financial institutions	81,934	-	-	-	81,934
Depositors' accounts	117	60,683	1,510,672	203,684	1,775,156
Other liabilities	59	294	47,610	38,512	86,475
Deferred revenue	4,420	-	168,093	-	172,513
Fair value reserve	-	2,923	-	-	2,923
Minority interest	-	-	-	16,676	16,676
Equity	-	-	-	239,810	239,810
	<u>86,530</u>	<u>63,900</u>	<u>1,726,375</u>	<u>498,682</u>	<u>2,375,487</u>
<b>Revenue</b>	<u>31,930</u>	<u>15,741</u>	<u>91,203</u>	<u>4,306</u>	<u>143,180</u>
<b>Profit from operations before distribution to depositors</b>	<u>25,300</u>	<u>13,238</u>	<u>71,017</u>	<u>1,999</u>	<u>111,554</u>

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**19 SEGMENTAL ANALYSIS (continued)**

*Secondary segment information*

The group operates in different geographical areas. A geographical analysis based on location of assets is as follows:

	<i>Assets</i>		<i>Liabilities, deferred revenue, fair value reserve, minority interest and equity</i>		<i>Contingencies and commitments under letters of credit and guarantees</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Geographical areas:</b>						
Kuwait and the rest of						
Middle East	2,102,549	1,771,374	2,548,357	2,352,678	102,167	80,263
North America	92,070	207,244	757	9,159	2,419	1,146
Western Europe	333,574	384,824	4,498	12,761	7,257	5,733
Other	26,184	12,045	765	889	29,390	27,519
	<u>2,554,377</u>	<u>2,375,487</u>	<u>2,554,377</u>	<u>2,375,487</u>	<u>141,233</u>	<u>114,661</u>
	<i>Local</i>	<i>Local</i>	<i>International</i>	<i>International</i>	<i>Total</i>	<i>Total</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<i>Revenue</i>	<u>120,422</u>	<u>110,327</u>	<u>26,102</u>	<u>32,853</u>	<u>146,524</u>	<u>143,180</u>
<i>Profit from operations before distribution to depositors</i>	<u>92,452</u>	<u>85,626</u>	<u>20,450</u>	<u>25,928</u>	<u>112,902</u>	<u>111,554</u>

**20 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 group's performance to developments affecting a particular industry or geographic location.

**20 CONCENTRATIONS (continued)**

The distribution of assets by industry sector was as follows:

	<i>2002</i>	<i>2001</i>
	<i>Assets</i>	<i>Assets</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Trading and manufacturing	187,272	190,604
Banks and financial institutions	1,070,727	1,074,650
Construction and real estate	742,784	616,016
Other	553,594	494,217
	<u>2,554,377</u>	<u>2,375,487</u>

**21 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.

All policies relating to credit including the determination of approval limits are approved by the parent company's Board of Directors.

The group manages credit risk on both an individual counterparty and portfolio or product line basis together with geographical and business diversification to avoid undue concentration of risk. Credit limits or individual transactions resulting in credit risk are approved in accordance with appropriately defined procedures for the assessment of creditworthiness, collateral requirements and approval limits by the group's management and executive credit committees. Security is obtained when considered appropriate and is considered by management in the determination of provisions. The group's credit granting process including the subsequent monitoring, timely identification of defaults and determination of provisions are subject to periodic independent internal reviews.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

**22 LIQUIDITY RISK**

Liquidity risk is the risk that the group 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 group'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 and do not take account of the effective maturities as indicated by the group's deposit retention history and the availability of liquid funds. 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, liabilities, deferred revenue, fair value reserve, minority interest and equity at 31 December 2002 is as follows:

	<i>Within 3 months KD 000's</i>	<i>3 to 6 months KD 000's</i>	<i>6 to 12 months KD 000's</i>	<i>After one year KD 000's</i>	<i>2002 Total KD 000's</i>
<b>Assets</b>					
Cash and balances with banks and financial institutions	121,258	26,624	-	-	147,882
Short-term international murabaha	458,916	-	-	-	458,916
Receivables	172,430	282,114	187,179	643,638	1,285,361
Leased assets	4,490	4,325	33,475	65,372	107,662
Investments	-	-	-	250,763	250,763
Trading properties	-	-	112,098	-	112,098
Investment properties	-	-	-	104,684	104,684
Other assets	36,378	-	19,932	5,854	62,164
Property and equipment	-	-	-	24,847	24,847
	<b>793,472</b>	<b>313,063</b>	<b>352,684</b>	<b>1,095,158</b>	<b>2,554,377</b>
<b>Liabilities, deferred revenue, fair value reserve, minority interest and equity</b>					
Due to banks and financial institutions	12,640	-	-	-	12,640
Depositors' accounts	924,994	261,879	161,525	628,463	1,976,861
Other liabilities	67,041	5,794	29,737	-	102,572
Deferred revenue	26,894	21,172	30,708	96,950	175,724
Fair value reserve	-	-	-	5,771	5,771
Minority interest	-	-	-	18,840	18,840
Equity	-	-	-	261,969	261,969
	<b>1,031,569</b>	<b>288,845</b>	<b>221,970</b>	<b>1,011,993</b>	<b>2,554,377</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

**22 LIQUIDITY RISK (continued)**

The maturity profile of assets, liabilities, deferred revenue, fair value reserve, minority interest and equity at 31 December 2001 is as follows:

	<i>Within 3 months KD 000's</i>	<i>3 to 6 months KD 000's</i>	<i>6 to 12 months KD 000's</i>	<i>After one year KD 000's</i>	<i>2001 Total KD 000's</i>
<b>Assets</b>					
Cash and balances with banks and financial institutions	80,574	-	-	-	80,574
Short-term international murabaha	572,974	-	-	-	572,974
Receivables	165,853	181,987	185,622	646,383	1,179,845
Leased assets	5,096	2,936	5,254	38,478	51,764
Investments	-	-	-	208,456	208,456
Trading properties	-	-	108,698	-	108,698
Investment properties	-	-	-	96,338	96,338
Other assets	28,941	-	14,820	3,756	47,517
Property and equipment	-	-	-	29,321	29,321
	<u>853,438</u>	<u>184,923</u>	<u>314,394</u>	<u>1,022,732</u>	<u>2,375,487</u>
<b>Liabilities, deferred revenue, fair value reserve, minority interest and equity</b>					
Due to banks and financial institutions	81,934	-	-	-	81,934
Depositors' accounts	753,836	227,829	147,575	645,916	1,775,156
Other liabilities	60,124	2,865	23,486	-	86,475
Deferred revenue	23,430	18,577	30,345	100,161	172,513
Fair value reserve	-	-	-	2,923	2,923
Minority interest	-	-	-	16,676	16,676
Equity	-	-	-	239,810	239,810
	<u>919,324</u>	<u>249,271</u>	<u>201,406</u>	<u>1,005,486</u>	<u>2,375,487</u>

### **23 MARKET RISK**

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

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.

The group is not exposed to any risk in terms of the repricing of its liabilities since in accordance with Islamic Shareea'a the group does not provide contractual rates of return to its depositors.

### **24 FINANCIAL INSTRUMENTS**

In the ordinary course of business, the group uses primary financial instruments such as cash and balances with or due to banks and other financial institutions, investments in securities and managed portfolios, receivables and payables. The group does not make use of derivative financial instruments. Information about fair values of financial assets and liabilities are disclosed in the related notes to the consolidated financial statements.

### **25 FIDUCIARY ASSETS**

The aggregate value of assets held in a trust or fiduciary capacity by the parent company at 31 December 2002 amounted to KD 324,278 thousand (2001: KD 339,784 thousand).

Kuwait Finance House K.S.C. and Subsidiaries

CONSOLIDATED BALANCE SHEET

31 December 2002

	<i>Notes</i>	<i>2002</i> <i>KD 000's</i>	<i>2001</i> <i>KD 000's</i>
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	3	147,882	80,574
Short-term international murabaha		458,916	572,974
Receivables	4	1,285,361	1,179,845
Leased assets	5	107,662	51,764
Investments	6	250,763	208,456
Trading properties		112,098	108,698
Investment properties	7	104,684	96,338
Other assets		62,164	47,517
Property and equipment		24,847	29,321
<b>TOTAL ASSETS</b>		<b>2,554,377</b>	<b>2,375,487</b>
<b>LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, MINORITY INTEREST AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions	8	12,640	81,934
Depositors' accounts	9	1,976,861	1,775,156
Other liabilities		102,572	86,475
<b>TOTAL LIABILITIES</b>		<b>2,092,073</b>	<b>1,943,565</b>
<b>DEFERRED REVENUE</b>		<b>175,724</b>	<b>172,513</b>
<b>FAIR VALUE RESERVE</b>	10	<b>5,771</b>	<b>2,923</b>
<b>MINORITY INTEREST</b>		<b>18,840</b>	<b>16,676</b>
<b>EQUITY</b>			
Share capital	11	68,275	65,024
Proposed issue of bonus shares	12	3,414	3,251
Reserves	13	158,191	142,274
		<b>229,880</b>	<b>210,549</b>
Proposed cash dividends	12	32,089	29,261
<b>TOTAL EQUITY</b>		<b>261,969</b>	<b>239,810</b>
<b>TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, MINORITY INTEREST AND EQUITY</b>		<b>2,554,377</b>	<b>2,375,487</b>

BADER ABDUL MUHSEN AL-MUKHAIZEEM  
(CHAIRMAN AND MANAGING DIRECTOR)

JASSAR DAKHEEL AL-JASSAR  
(GENERAL MANAGER)

The attached notes 1 to 25 form part of these consolidated financial statements.