

الصفاة  
AL SAFAT.

ANNUAL REPORT  
2003

ANNUAL REPORT



ANNUAL REPORT  
**Al-Safat Investment Co.**

KSCC



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





H.H The Amir of The state of Kuwait  
Sheikh

Jaber Al-Ahmad Al-Jaber Al-Sabah



H.H The Prime Minister  
Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah



H.H The Crown Prince  
Sheikh

Saad Al-Abdullah Al-Salem Al-Sabah

الصفاة  
AL SAFAT.



## ***BOARD OF DIRECTORS***

- |                                  |                              |
|----------------------------------|------------------------------|
| 1- Mr. Walid Ahmad Al sharhan    | Chairman & Managing Director |
| 2- Mr. Mohamed Ali Alnaqi        | Vice Chairman                |
| 3- Mr. Darar Khalid Al Rabah     | Director                     |
| 4- Mr. Azam Abdul Aziz Al FuliAj | Director                     |
| 5- Mr. Mishary Zaid Al Khalid    | Director                     |
| 6- Mr. Walid Mohamed Al Issa     | Director                     |
| 7- Mr. Yousef Sultan Al Majed    | Director                     |

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## **AL SAFAT MISSION**

Taking care of shareholders interests is on the top priorities of Al Safat Investment Company through achieving stable returns and maintains the value of the shareholder rights on long term and serving the clients and dealing with distinguished and professional techniques so as to meet the requirements of our clients .

Al Safat Investment Company is obliges with its duties and responsibilities towards society thought participation with the development and prosperity of circulation of Kuwaiti economy.

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## Board of directors' report for the financial year ended on 31/12/2003

### Dear shareholders

We are pleased to meet you today on occasion of convening the ordinary general simply of Al Safat Investment Company in order to introduce the company's business during 2003.

2003 was distinguished year for our dear Country as Almighty God blessed our Country with the elimination of the Iraqi regime and the Liberation of the Iraqi people which has had its impact on the safety and stability of our country and the local and territorial financial market.

Further 2003 is distinguished for our company. Thanks to God we have successfully completed the transfer of Middle East Chemicals Manufacturing Company KCC to Al Safat Investment Company after the increase of the capital and amendment of the objectives in order to keep pace with the requirements of the investment companies.

Following the transfer and increase of the capital a new board of directors has elected consisting of seven members on November 2003.

On 07/12/2003 the company has been registered in the investment companies register with the Central Bank of Kuwait in order to practice its investment role.

The priorities of the a new board include laying out the strategy and work plan of the company based on some of the following principles:

1. Creating distinguished occupational structure able to activate the strategy and work plan.
2. Initiating the foundation of direct investment department
3. Initiating the foundation of legal entity for affiliate and associate companies to prepare for the next stage of business
4. Diversifying the business of the company and its sources of income.

To implement this plan the following companies have been incorporated before the end of 2003:

- 1- Al Safat Real Estate Company KSC (Closed) at fully paid up capital amounting to KD 1 Million
- 2- Al Safat holding Company KSC (Closed) at fully paid up capital amounting to KD 1 Million
- 3- Al Safat Travel and Tourism Company KSC (Closed) at fully paid up capital amounting to KD 1 Million
- 4- Al Safat United Fod Company KSC (Closed) at fully paid up capital amounting to KD 1 Million
- 5- Middle East Chemical Manufacturing Co (WLL) at fully paid up capital amounting to KD 100 Thousand.

Further 51 % of Raad Stores Company KSC (Closed) have been purchased with a fully paid up capital amounting to KD 5 Million.

#### **Dear shareholders**

Thanks to God and despite the short term of the Company's business when at practiced new activities, yet it has achieved total profits of KD 1,394,064 before provisions and reserve funds compare with KD 8,693 for 2002. Consequently it has achieved 8.2% capital revenues compared with 1.8% for 2002.

Finally I would like to thank the supervisory authorities of the State of Kuwait for their support and keen for the process of the financial institutions. Special thanks are extended to The Directors, Auditors and Staff for their efforts.

I would like also to thank the shareholders for their support and contribution in the activities of the company and for their trust. The directors and I are looking forward for more efforts and support to reinforce the process of the company and I hope we will be able to achieve your aspirations Best regards.

**Walid Ahmed Al-Sharhan**  
**Chairman & Managing Director.**



**Al-Safat Investment Company K.S.C.C.  
State of Kuwait**

**Consolidated Financial Statements & Auditor's Report  
As of December 31, 2003**

**To The Shareholders of**

Al-Safat Investment Co. K.S.C.C.  
State of Kuwait

**Auditors' Report**

We have audited the accompanying consolidated balance sheet of Al-Safat Investment Co. K.S.C.C. and its subsidiaries as at December 31, 2003 and the related consolidated statements of income, changes in shareholders' 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 financial statements based on our audit.

We conducted our audit in accordance with the 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 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 statements 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 Al-Safat Investment Co. K.S.C.C. and its subsidiaries as at December 31, 2003 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 Financial Reporting Standards.

We further report that we have obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by Commercial Companies Law of 1960, as amended, and by the company's articles and memorandum of association. In our opinion proper books of account have been kept by the company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2003, of the Kuwait Commercial Companies Law of 1960, as amended, or the company's articles and memorandum of association, or of Law 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business and its related regulations, that would materially affect the company's activities or its financial position.

**Barrak Al-Ateeqi**  
**Licence No. 69 A**  
**An Independent Member of**  
**B.K.R. International**  
**Kuwait: 12 Aprip 2004**



**Al-Safat Investment Company K.S.C.C.**
**State of Kuwait**
**Consolidated Balance Sheet as at December 31, 2003**

	Note	2003 KD	2002 KD
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	3	21,803,022	385,110
Debtors & Other Debit Balances	4	538,639	98,344
Investments held for trading	5	5,085,750	-
Inventories	6	1,303,280	168,125
<b>Total Current Assets</b>		<b>28,730,691</b>	<b>651,579</b>
<b>Non - Current Assets</b>			
Investments Held for Sale	7	600,000	-
Investments in Subsidiaries Companies	8	1,400,000	-
Fixed Assets	9	884,038	46,431
Goodwill	10	1,481,256	-
<b>Total Non - Current Assets</b>		<b>4,365,294</b>	<b>46,431</b>
<b>Total Assets</b>		<b>33,095,985</b>	<b>698,010</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Due to Banks	11	5,165,256	-
Creditors & Other Credit Balances	12	5,615,299	13,329
<b>Total Current Liabilities</b>		<b>10,780,555</b>	<b>13,329</b>
<b>Non - Current Liabilities</b>			
Provision for Indemnity		151,697	18,420
<b>Total Non - Current Liabilities</b>		<b>151,697</b>	<b>18,420</b>
<b>Minority Interests</b>		<b>3,140,147</b>	<b>-</b>
<b>Shareholders' Equity</b>			
Share Capital	13	17,000,000	597,618
Share Premium		384,500	-
Legal Reserve	14	165,927	25,422
Voluntary Reserve	15	160,235	19,730
Revaluation of Real Estate in subsidiary	16	176,379	-
Retained Earnings		1,136,545	23,491
<b>Total Shareholders' Equity</b>		<b>19,023,586</b>	<b>666,261</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>33,095,985</b>	<b>698,010</b>

*Al-Safat Investment Company K.S.C.C.*

*State of Kuwait*

*Consolidated Statement of Income for the year ended December 31, 2003*

	Note	2003 KD	2002 KD
Revenues		1,160,791	443,981
Cost of Revenues		( 864,643)	( 345,818)
<b>Gross Operating Profits for the Group</b>		<b>296,148</b>	<b>98,163</b>
Gain from Sale of Shares in Subsidiaries		13,000	-
Net Gain From Investments Held for Trading		1,167,391	-
Gain from Revaluation of Investment Held for Sale	7	363,840	-
Other Income	17	164,937	11,468
<b>Total Revenues from Operations</b>		<b>2,005,316</b>	<b>109,631</b>
General & Administrative Expenses		170,745	45,871
Selling & Marketing Expenses		139,501	20,499
Depreciation		19,442	4,783
Amortization for Goodwill		77,961	-
Provisions for Doubtful Debts		1,826	12,000
Provisions for Slow Moving Inventories		-	11,930
Provision for Indemnity	18	10,551	3,558
KFAS	19	14,268	99
<b>Total Expenses</b>		<b>434,294</b>	<b>98,740</b>
<b>Net Profit before Minority Interest</b>		<b>1,571,022</b>	<b>10,891</b>
Minority Interest		( 176,958)	-
<b>Net Profit of the Year</b>		<b>1,394,064</b>	<b>10,891</b>

*Al-Safat Investment Company K.S.C.C.  
State of Kuwait*

*Consolidated Statement of Changes in Shareholders' Equity for the year ended December 31, 2003*

	Share Capital	Share Premium	Legal Reserve	Voluntary Reserve	Revaluation of R/E in Subsidiary	Retained Earnings	Total
	KD	KD	KD	KD	KD	KD	KD
Balance on 1 January 2002	597,618	-	24,323	18,631	-	14,798	655,370
Net Profits of the Year	-	-	-	-	-	10,891	10,891
Transfer to Reserves	-	-	1,099	1,099	-	(2,198)	-
<b>Balance on 31 Dec. 2002</b>	<b>597,618</b>	<b>-</b>	<b>25,422</b>	<b>19,730</b>	<b>-</b>	<b>23,491</b>	<b>666,261</b>
Share Issue to Increase Capital	16,402,382	-	-	-	-	-	16,402,382
Share Premium	-	492,071	-	-	-	-	492,071
Expenses Adjusted Against Premium	-	(107,571)	-	-	-	-	(107,571)
Evaluation of Real Estate in Subsidiary	-	-	-	-	176,379	-	176,379
Net Profits of the Year	-	-	-	-	-	1,394,064	1,394,064
Transfer of Reserves	-	-	140,505	140,505	-	(281,010)	-
<b>Balance on 31 Dec. 2003</b>	<b>17,000,000</b>	<b>384,500</b>	<b>165,927</b>	<b>160,235</b>	<b>176,379</b>	<b>1,136,586</b>	<b>19,023,586</b>

Notes attached constitute an indivisible part of these statements

*Al-Safat Investment Company K.S.C.C.*

*State of Kuwait*

*Consolidated Statement of Cash Flows for the year ended December 31, 2003*

	<b>2003</b>	<b>2002</b>
	<b>KD</b>	<b>KD</b>
<b>Cash Flows from Operating Activities</b>		
Net Profits of the year	1,394,064	10,891
<b>Adjustments</b>		
Depreciation	19,442	32,256
Amortization of Goodwill	77,961	-
Interest Income	( 139,379)	( 10,599)
Net Gain From Investments Held for Trading	( 1,167,391)	-
Income from Sale of Shares in Subsidiaries	( 13,000)	
Gain from Revaluation of Real Estate in Subsidiary	( 363,840)	
Provision for Doubtful Debts	1,826	12,000
Provision for Slow Moving Inventory	-	11,930
Loss on Sale of Fixed Assets	-	562
Provision for Indemnity	11,036	3,558
Minority Interest	3,140,147	-
KFAS	14,268	99
<b>Changes in Working Capital</b>		
Debtors & Other Debit Balances	( 442,121)	(2,124)
Inventory	(1,135,155)	3,981
Creditors & Other Credit Balances	5,587,702	2,856
Paid Indemnity	( 1,930)	(2,000)
Provision for Indemnity Transferred	124,171	-
KFAS Paid	-	(1,550)
<b>Net Cash Flows From Operating Activities</b>	<b>7,107,801</b>	<b>61,860</b>
<b>Cash Flows from Investing Activities</b>		
Investments Held for Sale	( 236,160)	-
Net Addition of Fixed Assets	( 857,049)	( 2,795)
Sale of Fixed Assets Receipts	-	400
Investments Held for Trading	( 3,918,359)	-
Gain from Sale of Shares in Subsidiaries	13,000	-
Investments in Subsidiaries	( 1,400,000)	-



*Al-Safat Investment Company K.S.C.C.*

*State of Kuwait*

*Consolidated Statement of Cash Flows for the year ended December 31, 2003*

Interest Receipts	139,379	13,996
Goodwill	( 1,559,217)	-
<b>Net Cash Flows from Investing Activities</b>	<b>( 7,818,406)</b>	<b>11,601</b>
<b>Cash Flows from Financing Activities</b>		
Due to Banks	5,165,256	-
Capital	16,402,382	-
Share Premium	384,500	-
Gain from Revaluation of Real Estate	176,379	-
<b>Total Cash Flows from Financing Activities</b>	<b>22,128,517</b>	<b>-</b>
<b>Increase Cash &amp; Cash Equivalents during the Period</b>	<b>21,417,912</b>	<b>73,461</b>
Beginning Cash & Cash Equivalents	385,110	311,649
<b>Ending Cash &amp; Cash Equivalents</b>	<b>21,803,022</b>	<b>385,110</b>

*Al-Safat Investment Company K.S.C.C.  
State of Kuwait*

*Notes on consolidated Financial statements for the year ended December 31, 2003*

**1. Company's Incorporation and Purposes**

Al-Safat Investment Company - K.S.C.C., was incorporated as per articles of incorporation number 1951 Volume 2 dated 15 September 1983 in the name of "Middle East Chemical Manufacturing Company - K.S.C.C.". This name has been amended to "Al-Safat Investment Company - K.S.C.C." in accordance to the resolutions of the extra-ordinary general assembly of the company held on 22/06/2003.

The purposes of the company are as follows:

1. Investing in industrial, real estate and agricultural sectors as well as producing and selling of different kinds of chemical substances locally and abroad. In addition, investing in other economical sectors through sharing in incorporating the specialized companies or purchasing shares or bonds of these companies in different sectors.
2. Sharing in incorporating or partially owning companies in different sectors.
3. Managing the funds of private and public institutions by investing these funds in different economical sectors including managed financial and real estate portfolios.
4. Performing and preparing technical and economical revaluation studies and consultations. Reviewing investment projects and preparing the related studies for companies and institutions.
5. Brokerage in lending and borrowing operations.
6. Performing the functions related to bonds issuing management that are issued by the companies and institutions as well as the functions of investment trustees.
7. Finance and brokerage the operations of international trade.
8. Granting loans to others by considering the financial safety of granting loans as well as safeguarding continuity of company's financial position in accordance to the conditions, laws and limits determined by the Central Bank of Kuwait.
9. Operations related to stock market trading such as buying and selling of shares and bonds of the local and international companies and governmental authorities.
10. Providing all services that help in supporting and developing the capability of financial and money market in Kuwait as well as satisfying its needs within the limit of the law and Central Bank of Kuwait instructions and procedures.
11. Forming and managing all kinds of investment portfolios in accordance to the law. Also the company can have interest or join by any means with the authorities that



practice similar operations or that may help in realizing company's purposes inside and outside Kuwait. The company can acquire these enterprises or subordinate their activities to it.

The company has 12 employees as of 31 December 2003 (Dec. 2002 : 15 employees)  
The company is located at Mubarak Al-Kabir Street, Makky Al-Jumma Tower, second floor, P.O. Box 20133, Safat 13062 Kuwait.

The consolidated financial statements as at 31 December 2003 include the company and its subsidiaries.

The consolidated financial statements of the company were approved by the Board of Directors on March 6th, 2004.

## **2. Significant Accounting Policies**

### **2.1. Statement of Compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Committee of the IASB and the requirements of the Commercial Companies Law of 1960, as amended by Ministerial Decree no. 18 for the year 1990, law no. 32 for the year 1968 related to monetary and Central Bank of Kuwait as well as organizing banking profession, and its subsequent amendments and the Company's Memorandum and Articles of Association.

### **2.2. Basis of Preparation**

The financial statements are presented in Kuwaiti Dinars.

The financial statements are prepared on fair value basis for financial assets and liabilities held for purpose of trading and available for sale, except for those that the fair value cannot be measured reliably. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

### **2.3. Basis of Consolidation**

#### **a. Subsidiary Companies**

Subsidiary companies are those companies that parent company has control. Control exists when the parent company has direct or indirect ability to influence the financial and operational policies of the subsidiary and benefits from their activities. The financial statements of the following

subsidiaries have been included in the consolidated financial statements from the date that the parent company took control until the date that control ceases.

Company Name	% of ownership
Middle East Chemical Manufacturing Co. W.L.L.	100%
Ra'ad Stores Company K.S.C.C.	51%
Al-Safat Travel & Tourism Co. K.S.C.C.	100%
Al-Safat United Food Co. K.S.C.C.	100%
Al-Safat United Real Estate Co. K.S.C.C.	100%
Al-Safat Holding Co. K.S.C.C.	100%

Some shares of the above subsidiaries have been registered in the names of other parties who keep them as proxy and in company's favour.

**b. Transactions Eliminated from Consolidated Financial Statements**

During the preparation of consolidated financial statements, inter-company transactions and balances as well as any unrealized profits resulting from inter-company transactions have been eliminated. Similarly, unrealized losses have been eliminated up to the limit where there is no evidence of impairment.

**2.4. Cash and Cash Equivalents**

Cash and Cash Equivalents represents cash on hand, fixed deposits, and current accounts at financial institutions.

**2.5. Debtors**

Debtors are carried on the basis of their nominal value after deduction of provision for doubtful debts.

**2.6. Inventories**

Inventories are carried at lower of cost or market value whichever is lower. In case of manufacturing inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**2.7. Fixed Assets**

Fixed assets are carried at cost less accumulated depreciation and impairment loss. Upon sale or disposal of fixed assets, both cost and

associated depreciation are written off from the books and any gain or loss is recognized in the income statement. Initial cost includes purchase price and any incidental cost incurred to ready the asset for operation. Costs incurred after putting fixed asset in operation such as restoration, preventive maintenance, and complete overhaul are recognized in income statement of the period incurred. However, these costs are capitalized as additional costs of fixed assets in cases it is evident that subsequent costs had led to increase in expected future economic benefit to be obtained from use of one of these fixed assets, in excess of normal performance, as initially determined.

Depreciation is calculated on straight line basis over the expected useful lives of each fixed asset according to the following annual rates:

Buildings	20 years	Computer equipment	2-3 years
Furniture, décor & fixture	3-5 years	Vehicles	4-5 years
Office Equipment	5 years	Machinery & equipment	5-10 years

## 2.8. Goodwill

The goodwill represents excess cost over fair value of net assets purchased and it is amortized on fixed basis for a period of five years. Goodwill is presented at cost less accumulated amortization and loss of reduction in value.

The unamortized balance of goodwill is reviewed at the date of every balance sheet to assess the probability in continuity of future benefit. If there is evidence of reduction in value of goodwill, the recoverable amount of cash generating unit related to goodwill is determined. In case book value is higher than its recoverable amount, impairment loss is recognized. The impairment loss is included in the income statement.

## 2.9. Provision for Indemnity

Provision is made for employees' end of services indemnity in accordance with Kuwait Labour Law on the basis of employment contracts. The provision, which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment as of the balance sheet date.



## 2.10. Investments

Investments with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Held-to-maturity investments are measured initially at cost, including transaction costs and subsequently at amortized cost less impairment losses. On the balance sheet date, the group did not hold any investments held-to-maturity

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as investments held for trading and included in current assets. Investments held for trading are measured initially at cost, including transaction costs and subsequently stated at fair value with any resultant gain or loss recognized in the income statement.

Investments which are not held-to-maturity investments or trading investments, are classified as available-for-sale and are included in non-current assets, unless management has the express intention of holding the investments for less than twelve months from the balance sheet date, in which case they are included in current assets. Unlisted equity securities classified as available-for-sale investments and whose fair value cannot be reliably determined are initially measured at cost, including transaction costs and subsequently carried cost less impairment losses. Other available for sale investments are initially measured at cost, including transaction costs and subsequently stated at fair value with unrealized gain or loss, recognized directly in the income statement or in equity, through the statement of changes in equity until the investment is sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity should be included in net profit or loss for the period.

The fair value of available-for-sale investments is determined based on their quoted bid price. If a quoted market price is not available, the fair value of the investment is estimated using accepted valuation methods such as discounted cash flow techniques or net asset value as per latest available financial statements or in coordination with company's management.

Investments available-for-sale are recognised/derecognised on the trade

date i.e., on the date the company commits to purchase/sell the investments. Investments held to maturity are recognised/derecognised on the settlement date i.e., on the date they are transferred to/by the company.

#### **2.11. Transactions with Related Parties**

In the normal course of business, the company does some financial and trading transactions with related parties. The value and terms of payment for these transactions are assigned by the management of the company.

#### **2.12. Revenue Recognition**

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognized as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the difference between the initial amount of investment in money market and bond fund and its fair value at the balance sheet date. Dividend income is recognized when the right to receive payment is established.

#### **2.13. Foreign Currencies**

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing at the balance sheet date. Resulting gains or losses on exchange are recorded as part of the results for the period.

#### **2.14. Impairment of assets**

The carrying amounts of Company's assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount is higher

of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit. Reversed impairment loss in subsequent years is recognized as revenue should it become apparent that loss recognized earlier is no longer relevant.

### 3. Cash & Cash Equivalents

	2003 KD	2002 KD
Cash on Hand and in Banks	603,022	33,905
Petty Cash	-	500
Fixed Deposits	21,200,000	350,705
<b>Total Cash &amp; Cash Equivalents (Page 2)</b>	<b><u>21,803,022</u></b>	<b><u>385,110</u></b>

Fixed deposit includes KD 2,100,000 blocked against certificates issued for the share capitals of subsidiary companies.

### 4. Debtors & Other Debit Balances

	2003 KD	2002 KD
Trade Receivables	525,607	88,615
Due from Related Party	21,511	9,142
Staff Receivable	91	-
Accrued Revenues	45,948	5,896
Refundable Deposits	1,913	273
Prepaid Expenses	26,989	13,218
Cheques under Collection	1,237	1,700
Letters of Guarantee	860	-
Other Debit Balances	80,370	-
<b>Total Debtors &amp; Other Debit Balances</b>	<b><u>704,526</u></b>	<b><u>118,844</u></b>
Provision for Doubtful Debts	( 165,887)	( 20,500)
<b>Net Debtors &amp; Other Debit Balances (Page 2)</b>	<b><u>538,639</u></b>	<b><u>98,344</u></b>



## 5. Investments Held for Trading

	2003	2002
	KD	KD
Investments in Quoted Shares	5,085,750	-
<b>Total Investments Held for Trading (Page 2)</b>	<u>5,085,750</u>	<u>-</u>

## 6. Inventories

	2003	2002
	KD	KD
Goods in Stores	1,306,803	189,644
Provision for Slow Moving Inventories	( 63,291)	( 25,430)
<b>Net Inventories at Stores</b>	<u>1,243,512</u>	<u>164,214</u>
Goods in Transit	59,768	3,911
<b>Total Inventories (Page 2)</b>	<u>1,303,280</u>	<u>168,125</u>

## 7. Investments Held for Sale

The fair value of land held for sale as of December 31, 2003 amounted to KD 600,000 based on revaluation performed by independent party.

	2003	2002
	KD	KD
Cost as of December 31, 2002	236,160	-
Gain from Revaluation	363,840	-
<b>Total Investments Held for Sale (Page 2)</b>	<u>600,000</u>	<u>-</u>

## 8. Investments in Subsidiary Companies

	2003	2002
	KD	KD
Unconsolidated Subsidiaries	1,400,000	-
<b>Total Investments in Subsidiary Company (Page 2)</b>	<u>1,400,000</u>	<u>-</u>

The balance in unconsolidated subsidiaries represents company's 50% ownership in Kuwait Mineral Water Company K.S.C.C. As of date of preparation of these financial statements, the company did not start its operations, therefore, it was not included in consolidated financial statements.

### 9. Fixed Assets

	Land	Buildings	Furniture & Fixture	Vehicles	Machinery & Equip	Computers Eqip.,emt	Offiec Equip.	Tootal
	KD	KD	KD	KD	KD	KD	KD	KD
Cost on January 1, 2003	-	500,911	20,684	78,925	-	-	-	610,570
Additions	472,320	504,325	173,235	357,293	296,556	97,163	1,316	1,902,208
Revaluation surplus	709,680	-	-	-	-	-	-	709,680
Disposals	-	-	-	(6,000)	-	-	-	( 6,000)
Reclassified as Investments held for sale	(600,000)	-	-	-	-	-	-	(600,000)
<b>Cost on December 31, 2003</b>	<b>582,000</b>	<b>1,005,236</b>	<b>193,919</b>	<b>361,343</b>	<b>375,481</b>	<b>97,163</b>	<b>1,316</b>	<b>2,616,458</b>
Accum. Depreciation on Jan. 1, 2003	-	472,711	18,469	9,735	63,224	564,13	-	-
Added Accumulated Depreciation	-	339,088	125,942	294,830	237,716	84,266	-	1,081,842
Annual Depreciation	-	48,601	6,327	9,939	20,900	4,872	-	90,639
Disposals	-	-	-	( 4,200)	-	-	-	( 4,200)
<b>Accum. Depn. on December 31, 2003</b>	<b>-</b>	<b>860,400</b>	<b>150,738</b>	<b>310,304</b>	<b>321,840</b>	<b>89,138</b>	<b>-</b>	<b>1,732,420</b>
Net Book Value on December 31, 2003	<b>582,000</b>	<b>144,836</b>	<b>43,181</b>	<b>51,039</b>	<b>53,641</b>	<b>8,025</b>	<b>1,316</b>	<b>884,038</b>
Net Book Value on Dec. 31, 2002 (Page2)	-	<b>28,200</b>	<b>2,215</b>	<b>315</b>	<b>15,701</b>	-	-	<b>46,431</b>

## 10. Goodwill

	2003	2002
	KD	KD
Goodwill from Subsidiary Co.( Raa'd Stores Co.)	1,559,217	-
Amortization	(77,961)	-
<b>Net Goodwill (Page 2)</b>	<b><u>1,481,256</u></b>	<b><u>-</u></b>

## 11. Due to Banks

	2003	2002
	KD	KD
Overdraft	5,165,25	-
<b>Total (Page 2)</b>	<b><u>5,165,256</u></b>	<b><u>-</u></b>

The company and its subsidiaries have obtained lines of credit from local banks.

The interest rate for these facilities is currently fixed at 1% over Central Bank of Kuwait discount rate (2002 : nil).

## 12. Creditors & Other Credit Balances

	2003	2002
	KD	KD
Trade Payables	4,862,759	6,505
Shareholder's Payable	226,721	-
Staff Payable	735	-
Due to Related Parties	260,000	-
KFAS contribution	14,268	99
Accrued Expenses	58,503	2,845
Provision for Leave	25,421	3,880
Other Credit Balances	166,892	-
<b>Total Creditors &amp; Other Credit Balances (Page 2)</b>	<b><u>5,615,299</u></b>	<b><u>13,329</u></b>

## 13. Capital

In accordance with the company's Articles of Association and Articles of Incorporation and the amendments subsequent thereto and as per the resolutions of the extra-ordinary General Assembly registered with the Ministry of Commerce and Industry, Commercial Registry Division, the authorized and paid up Capital of the company amounts to KD 597,618 divided into 5,976,180 shares of Fils 100 each, all of them are cash shares.

As per the resolution of the extra-ordinary General Assembly held on 22/6/2003 that has been registered with the Ministry of Commerce and Industry, Commercial Registry Division, the company's capital amounts to KD 15,000,000 (Fifteen Million Kuwaiti Dinars) divided into 150,000,000 shares with nominal value of each (100) one hundred fils per share and issue premium of (3) fils per share and all are cash shares. The increase in capital amounts to KD 14,402,382 divided into 144,023,820 shares.

As per the resolution of the extra-ordinary General Assembly held on 29/10/2003 that has been registered with the Ministry of Commerce and Industry, Commercial Registry Division, the company's capital amounts to KD 17,000,000 (Seventeen Million Kuwaiti Dinars) divided into 170,000,000 shares with nominal value of each (100) one hundred fils per share and issue premium of (3) fils per share and all are cash shares. The increase in capital amounts to KD 2,000,000 divided into 20,000,000 shares.

#### 14. Legal Reserve

	<b>2003</b>	<b>2002</b>
	<b>KD</b>	<b>KD</b>
Beginning balance	25,422	24,323
Transferred this year	140,505	1,099
<b>Balance on December 31st (Page 2)</b>	<b>165,927</b>	<b>25,422</b>

According to the Commercial Companies Law and the Articles of Incorporation of the Companies, 10% of net distributable profits of the current year has been transferred to legal reserve. The companies can discontinue, once the amount of the reserve reaches 50% of the capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

#### 15. Voluntary Reserve

	<b>2003</b>	<b>2002</b>
	<b>KD</b>	<b>KD</b>
Beginning balance	19,730	18,631
Transferred this year	140,505	1,099
<b>Balance on December 31st (Page 2)</b>	<b>160,235</b>	<b>19,730</b>



According to the articles of association, 10 % of the net distributable profits has been transferred to Voluntary Reserve. This can be discontinued by a decision of the companies General Assembly according to suggestion of company's management.

#### 16. Revaluation of Real Estate in Subsidiary Company

The amount appearing in the balance sheet KD 176,379 represents 51% of real estate revaluation in subsidiary company (Raad Stores Company) amounting to KD 345,840.

#### 17. Other Income

	2003	2002
	KD	KD
Interest Income	139,379	10,599
Exchange Differences	24,589	-
Other Miscellaneous Income	969	869
<b>Total Other Income (Page 3)</b>	<b>164,937</b>	<b>11,468</b>

#### 18. Provision for Indemnity

The provision for indemnity of this year was charged as follows :

	2003	2002
	KD	KD
Expenses	10,551	-
Cost of Revenues	485	-
<b>Total</b>	<b>11,036</b>	<b>-</b>

#### 19. Kuwait Foundation for Advancement of Sciences

	2003	2002
	KD	KD
KFAS from Net Profit of the year	10,988	99
KFAS From Consolidated Subsidiary Companies	3,280	-
<b>Total KFAS</b>	<b>14,268</b>	<b>99</b>

#### 20. Financial Instruments

The group, in the normal course of business, uses various types of financial instruments. Information on financial risks and fair value of these financial instruments is set below:

**(20.1) Interest Rate Risk**

The group is exposed to interest rate risk on cash and cash equivalents, and due to banks.

**(20.2) Credit Risk**

The group is exposed to credit risk in respect of losses that would have to be recognized if counterparties fail to perform as contracted.

The group's exposure to credit risk is primarily in respect of cash and cash equivalents and receivables. As at the balance sheet date, the group's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the balance sheet.

**(20.3) Fair Value of Financial Assets & Liabilities**

The 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 group is going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities that are not carried at fair value (debtors and other debit balances, creditors and other credit balances and due to banks) at the balance sheet date are not materially different from their carrying values.



## 21. Maturity Analysis of Assets & Liabilities

The group's maturity profile, as at balance sheet date, sets out the remaining period to maturity. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

	Upto 1months KD	1 to 3 months KD	3 to 12 month KD	Over 1year KD	Total months KD
<b>Current Assets</b>					
Cash and Cash Equivalent	21,503,022	300,000	-	-	21,803,022
Debtors & Other Debit Balances	244,340	269,384	-	24,915	538,639
Investments Held for Trading	5,085,750	-	-	-	5,085,750
Inventories	344,058	688,116	271,106	-	1,303,280
<b>Total Current Assets</b>	<b>27,177,170</b>	<b>1,257,500</b>	<b>271,106</b>	<b>24,915</b>	<b>28,730,691</b>
<b>Non -Current Assets</b>					
Investments Held for Sale	-	-	-	600,000	600,000
Investments in Subsidiaries Companies	-	-	-	1,400,000	1,400,000
Fixed Assets	-	-	-	884,038	884,038
Goodwill	25,987	51,974	233,883	1,169,412	1,481,256
<b>Total Non-Current Assets</b>	<b>25,987</b>	<b>51,974</b>	<b>233,883</b>	<b>4,053,450</b>	<b>4,365,294</b>
<b>Total Assets</b>	<b>27,203,157</b>	<b>1,309,474</b>	<b>504,989</b>	<b>4,078,365</b>	<b>33,095,985</b>
<b>Current Liabilities</b>					
Due to Banks	5,165,256	-	-	-	5,165,256
Creditors & Other Credit Balances	4,963,932	439,454	-	-	5,615,299
<b>Total Current Liabilities</b>	<b>10,129,188</b>	<b>439,454</b>	<b>211,913</b>	<b>-</b>	<b>10,780,555</b>
<b>Non-Current Liabilities</b>					
Provision for Staff Indemnity	-	-	-	151,697	151,697
Minority Interests	-	-	-	3,140,147	3,140,147
Total Non-Current Liabilities	-	-	-	3,291,844	3,291,844
Share Capital	-	-	-	17,000,000	17,000,000
Share Premium	-	-	-	384,500	384,500
Legal Reserve	-	-	-	165,927	165,927
Voluntary Reserve	-	-	-	160,235	160,235
Revaluation of Real Estate in Subsidiary	-	-	-	176,379	176,379
Retained Earnings	-	-	-	1,136,545	1,136,545
<b>Total Shareholders Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,023,586</b>	<b>19,023,586</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>10,129,188</b>	<b>439,454</b>	<b>211,913</b>	<b>22,315,430</b>	<b>33,095,985</b>

## 22. Segment Information

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's major products.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### (a) Primary Segment Information - Business Segments

Financial information about business segments for the year ended 31 December 2003 are set out below:

	Investment Management KD	Food Stuff KD	Chemical Products KD	Total KD
Total Revenue	1,400,891	580,343	24,082	2,005,316
Segment Results	1,198,625	184,182	11,257	,394,064
Segment Assets	25,329,093	7,420,932	345,960	33,095,985
Segment Liabilities	9,883,589	1,012,467	36,196	10,932,252

### (b) Geographical Segments

As per company's management, the geographical location of revenues, assets and liabilities are in State of Kuwait.

	KD
Total Revenue	2,005,316
Total Assets	33,095,985
Total Liabilities	10,932,252

## 23. Comparative Statements

The comparative financial statements have been restated to confirm with current year's presentation. The comparative financial statements have been prepared by a colleague audit firm.

## SUBSIDIARIES & ASSOCIATED COMPANIES

NO.	COMPANY NAME	YEAR OF FOUNDATION	CAPITAL K.D	OWNERSHIP
1	Raad Stores Company (K.S.H.C)	1996	5 Million	51%
2	Al-Safat Real Estate Co. (K.S.H.C)	2003	1 Million	100%
3	Al-Safat Holding Co. (K.S.H.C)	2003	1 Million	100%
4	Al-Safat Tourism & Travel Co. (K.S.H.C)	2003	1Million	100%
5	Al-Safat United Food Co. (K.S.H.C)	2003	1 Million	100%
6	Middle East Chemical Manufacturing Co.  (W.L.L)	1983	100 Thousand	100%