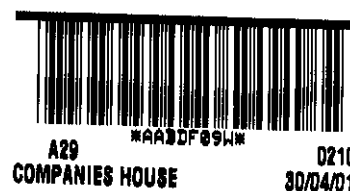


Company No. 1505579

**NBK Investment
Management Limited**

Report and Financial Statements

31st December 2000



REPORT AND FINANCIAL STATEMENTS 31st DECEMBER 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S K Al Bahar
I Al-Sagar (Chairman)
P J W Harrison
G Y A Nasra
J Tanner

SECRETARY

M E Gledhill

REGISTERED OFFICE

13 George Street
London
W1U 3QJ

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

BANKERS

National Bank of Kuwait (International) plc
13 George Street
London
W1U 3QJ

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31st December 2000.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6. The profit after tax for the year was \$838,480. (1999 - \$1,124,574). Interim dividends of \$263,755 were paid during the year (1999 - \$646,080). The Directors do not recommend the payment of a final dividend (1999 - nil). The retained profit of \$574,725 has been transferred to reserves (1999 - \$478,494).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of NBK Investment Management Limited ('the Company') are the management of private, corporate and institutional investment portfolios and the provision of investment advisory services. The business of the Company is expected to continue without significant change in 2001. The Company changed its reporting currency from Sterling to US Dollars during the year as most of its transactions are denominated in US Dollars.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:-

I M Attiya	(Resigned, 11.1.2000)
S K Al Bahar	
S G Barakat	(Resigned, 11.1.2000)
I S Dabdoub	(Chairman, resigned 11.1.2000)
J Day	(Appointed 1.4.1999) (Resigned, 11.1.2000)
D Germany	(Appointed 1.4.1999) (Resigned, 11.1.2000)
P J W Harrison	
G Y A Nasra	(Appointed 10.1.2000)
I Al-Sagar	(Chairman)
J Tanner	

During the year ended 31st December 2000, none of the Directors had a disclosable beneficial interest in the shares or loan capital of the Company or the Company's Parent Companies.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Ernst & Young has stated, that during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young LLP.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'P.J. Harrison', with a long horizontal stroke extending to the right.

P J W Harrison
Managing Director

Date: 24th April 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . state whether applicable accounting standards have been followed; and
- . prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS**to the Members of NBK Investment Management Limited**

We have audited the financial statements on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of Directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

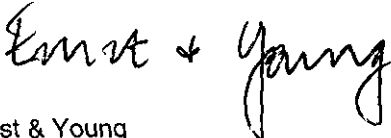
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditors
London

25.12.01

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2000

	Notes	2000 \$	1999 \$
TURNOVER	2	6,181,615	7,489,939
Staff costs	3	(503,927)	(582,722)
Other operating charges		(4,602,689)	(5,406,948)
		<hr/>	<hr/>
OPERATING PROFIT	4	1,074,999	1,500,269
Income from shares in subsidiary undertaking		-	-
Interest receivable		177,603	173,024
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,252,602	1,673,293
Tax on profit on ordinary activities	6	(414,122)	(548,719)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		838,480	1,124,574
Dividends	7	(263,755)	(646,080)
		<hr/>	<hr/>
PROFIT RETAINED FOR THE YEAR		574,725	478,494
		<hr/>	<hr/>

The above all relates to continuing operations. A reconciliation of the movement in shareholders' funds has been prepared per Note 13 to the financial statements.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of \$838,480 for the year ended 31st December 2000, and \$1,124,574 for the year ended 31st December 1999.

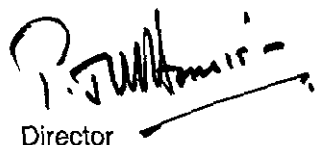
BALANCE SHEET
 as at 31st December 2000

	Notes	2000 \$	1999 \$
FIXED ASSETS			
Investments	8	40,300	40,300
CURRENT ASSETS			
Debtors	9	3,366,185	3,069,661
Cash at bank		3,246,604	3,094,631
		6,612,789	6,164,292
CREDITORS: amounts falling due within one year	10	(2,115,085)	(2,275,117)
NET CURRENT ASSETS		4,497,704	3,889,175
TOTAL ASSETS LESS CURRENT LIABILITIES		4,538,004	3,929,475
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(77,244)	(43,440)
NET ASSETS		4,460,760	3,886,035
CAPITAL AND RESERVES			
Called up share capital	12	1,948,908	1,948,908
Profit and loss account	13	2,511,852	1,937,127
EQUITY SHAREHOLDERS' FUNDS	13	4,460,760	3,886,035

The financial statements were approved by the Board of Directors on

 24th April 2001

Signed on behalf of the Board of Directors.


 Director

CASH FLOW STATEMENT
for the year ended 31st December 2000

	Notes	2000 \$	1999 \$
NET CASH INFLOW FROM OPERATING ACTIVITIES	14(a)	455,381	1,691,843
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest Received	14(b)	177,603	173,024
TAXATION: Tax Paid		(217,256)	(986,770)
EQUITY DIVIDENDS PAID		(263,755)	(646,080)
INCREASE IN CASH		<u>151,973</u>	<u>232,017</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

INCREASE IN CASH	151,973	232,017
NET FUNDS AT 1st JANUARY 2000	<u>3,094,631</u>	<u>2,862,614</u>
NET FUNDS AT 31st DECEMBER 2000	<u><u>3,246,604</u></u>	<u><u>3,094,631</u></u>

NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2000**1 ACCOUNTING POLICIES*****Accounting convention***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currencies

All monetary assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars at the rates ruling at the balance sheet date. Transactions in US Dollars are recorded at the average exchange rate for the year. Translation differences are dealt with through the profit and loss account.

Deferred taxation

Deferred taxation is provided on all timing differences which are expected to reverse in the future and is calculated at the rate at which it is estimated that the tax will be payable.

Pensions

Annual contributions are made by the Company to the scheme based on a fixed percentage of each employee's pensionable salary. The cost of funding these benefits is charged to the profit and loss account as incurred.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2000

2 TURNOVER

Turnover represents investment management, custody, transaction and performance fees and commissions for services supplied by the Company and is stated net of value added tax.

3 STAFF COSTS

	2000 \$	1999 \$
Wages and salaries	427,161	496,448
Social security costs	36,420	42,562
Pension costs	40,346	43,712
	<u>503,927</u>	<u>582,722</u>

The average number of employees during the year was seven (1999 - seven). All employees are seconded by NBK International.

4 OPERATING PROFIT

	2000 \$	1999 \$
This is stated after charging:		
Auditors' remuneration - audit	13,139	24,228
- other services	-	15,344
	<u>13,139</u>	<u>39,572</u>

5 DIRECTORS' EMOLUMENTS

The Company had 5 directors during the year ended 31st December 2000 (1999 - ten), none of whom received any remuneration or other emoluments from the Company (1999 - Nil).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 \$	1999 \$
UK Corporation tax		
- current year at 30% (1999 - 30.25%)	375,781	505,265
- prior year adjustment	1,266	-
Deferred tax		
- current year (refer to Note 11)	37,075	43,454
	<u>414,122</u>	<u>548,719</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2000

7 DIVIDENDS

	2000 \$	1999 \$
Ordinary dividends on equity shares	263,755	646,080

8 FIXED ASSET INVESTMENTS

The Company's fixed asset investment of \$40,300 represents the Company's 100 per cent holding in the issued share capital, at nominal value, of NBK Investment Management (Jersey) Limited, incorporated in Jersey. NBK Investment Management (Jersey) Limited is an Asset Management company. Group accounts are not produced since the Company itself is a subsidiary of NBK Overseas (London) Limited, a company registered in England and Wales, which will prepare group accounts for the year to 31 December 2000.

The directors are of the opinion that the aggregate value of the subsidiary's assets is not less than the amount at which they are included in the accounts.

9 DEBTORS

	2000 \$	1999 \$
Trade debtors	3,354,782	3,024,532
Prepayments	11,403	45,129
	<u>3,366,185</u>	<u>3,069,661</u>

10 CREDITORS - amounts falling due within one year

	2000 \$	1999 \$
Amounts owed to group undertakings	1,706,606	1,795,603
Corporation tax	281,114	118,052
Accruals	127,365	361,462
	<u>2,115,085</u>	<u>2,275,117</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2000

11 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation has been fully provided. The liability relates primarily to short term timing differences. The movement in deferred taxation during the year is as follows:

	\$
At 1st January 2000	43,440
Current year timing differences	37,075
Prior year	(3,271)
At 31st December 2000	<u>77,244</u>

12 CALLED UP SHARE CAPITAL

Authorised

	2000 £	1999 £
3,000,000 'A' ordinary shares of £0.39 each	1,170,000	1,170,000
2,000,000 'B' ordinary shares of £0.39 each	780,000	780,000
	<u>1,950,000</u>	<u>1,950,000</u>

Allotted and fully paid

	2000 \$	1999 \$
1,860,000 'A' Ordinary shares of £0.39 each	1,169,345	1,169,345
1,240,000 'B' Ordinary shares of £0.39 each	779,563	779,563
	<u>1,948,908</u>	<u>1,948,908</u>

13 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital	Profit and loss account	Total
	\$	\$	\$
At 1st January 2000	1,948,908	1,937,127	3,886,035
Profit for the year	-	838,480	838,480
Dividends paid	-	(263,755)	(263,755)
At 31st December 2000	<u>1,948,908</u>	<u>2,511,852</u>	<u>4,460,760</u>

14(a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	\$	\$
Operating Profit	1,074,999	1,500,269
Increase in debtors	(296,524)	(839,820)
Decrease/Increase in creditors	(323,094)	1,031,394
Net Cash Inflow	<u>455,381</u>	<u>1,691,843</u>

14(b) ANALYSIS OF CHANGES IN NET FUNDS

	2000	1999
	\$	\$
Cash at bank and in hand as at 1st January 2000	3,094,631	2,862,614
Cash at bank and in hand as at 31st December 2000	<u>3,246,604</u>	<u>3,094,631</u>
Cash Flows	<u>151,973</u>	<u>232,017</u>

NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2000**15 PENSIONS**

The employees are members of the defined contribution scheme administered by NBK International Ltd. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable to the fund and amounted to \$40,345 (1999 - \$43,712). Contributions of 15% were paid in respect of members of the scheme. There were no amounts outstanding at the balance sheet date (1999 - nil).

16 RELATED PARTY TRANSACTIONS

Under the terms of agreements with National Bank of Kuwait SAK, the ultimate parent company, and a subsidiary undertaking, \$760,000 was payable by the Company in respect of marketing and management services provided during the year, of which \$190,000 was outstanding at the balance sheet date.

Fees in respect of administration and securities transaction services of \$3,302,318.18 were incurred during the year to Morgan Stanley Dean Witter Investment Management Limited, a company of which NBK Investment Management Limited is an associate, \$1,516,598.12 of which was outstanding at the balance sheet date.

17 PARENT COMPANY

The ultimate parent company and controlling party is National Bank of Kuwait SAK, which is incorporated in Kuwait. The parent undertaking of the smallest group of undertakings for which group accounts are prepared and of which the Company is a member is NBK Overseas (London) Limited, a company registered in England and Wales. Copies of the accounts of NBK Overseas (London) Limited and National Bank of Kuwait SAK can be obtained from the Company's offices at 13 George Street, London W1U 3QJ.