

Company No. 1505579

NBK Investment Management Limited

Annual Report and Financial Statements

31st December 2001

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



ANNUAL REPORT AND FINANCIAL STATEMENTS 31st DECEMBER 2001

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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
S Russo

SECRETARY

M E Gledhill

REGISTERED OFFICE

13 George Street
London
W1U 3QJ

AUDITORS

Ernst & Young LLP
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 annual report and financial statements for the year ended 31st December 2001.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6. The profit after tax for the year was \$659,248 (2000 - \$838,480). Interim dividends of \$375,000 were paid during the year (2000 - \$263,755). The Directors do not recommend the payment of a final dividend (2000 - nil). The retained profit of \$284,248 has been transferred to reserves (2000 - \$574,725).

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 Company is regulated by the Financial Services Authority. The business of the Company is expected to continue without significant change in 2002.

DIRECTORS AND THEIR INTERESTS

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

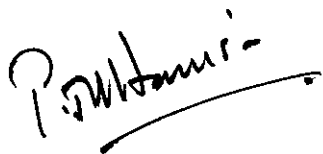
S K Al Bahar	
P J W Harrison	
G Y A Nasra	
I Al-Sagar	(Chairman)
J Tanner	(Resigned, 02/10/2001)
S Russo	(Appointed, 02/10/2001)

During the year ended 31st December 2001, 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

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board



P J W Harrison
Managing Director

Date: 26 March 2002

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.

INDEPENDENT AUDITORS' REPORT
to the members of NBK Investment Management Limited

We have audited the company's financial statements for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

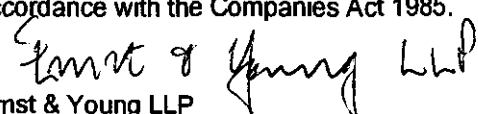
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

Date: 2. IV. 02

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2001

	Notes	2001 \$	2000 \$
REVENUE	2	4,400,131	6,181,615
Staff costs	3	(505,748)	(503,927)
Other operating charges		(3,682,634)	(4,602,689)
OPERATING PROFIT	4	211,749	1,074,999
Income from shares in subsidiary undertaking		351,405	-
Interest receivable		178,696	177,603
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		741,850	1,252,602
Tax on profit on ordinary activities	6	(82,602)	(414,122)
PROFIT FOR THE FINANCIAL YEAR		659,248	838,480
Dividends	7	(375,000)	(263,755)
PROFIT RETAINED FOR THE YEAR		284,248	574,725

The above all relates to continuing operations. A reconciliation of the movement in shareholders' funds is given in Note 13 to the financial statements.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses during the current or prior year other than those disclosed above. Accordingly no statement of recognised gains and losses has been prepared.

BALANCE SHEET

as at 31st December 2001

	Notes	2001 \$	2000 \$
FIXED ASSETS			
Investments	8	40,300	40,300
CURRENT ASSETS			
Debtors	9	2,116,872	3,366,185
Cash at bank		3,990,841	3,246,604
		6,107,713	6,612,789
CREDITORS: amounts falling due within one year	10	(1,403,271)	(2,115,085)
NET CURRENT ASSETS		4,704,442	4,497,704
TOTAL ASSETS LESS CURRENT LIABILITIES		4,744,742	4,538,004
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	266	(77,244)
NET ASSETS		4,745,008	4,460,760
CAPITAL AND RESERVES			
Called up share capital	12	1,948,908	1,948,908
Profit and loss account	13	2,796,100	2,511,852
EQUITY SHAREHOLDERS' FUNDS	13	4,745,008	4,460,760

The financial statements were approved by the Board of Directors on 26 March 2002

Signed on behalf of the Board of Directors.

P. J. Mahoney
Director

CASH FLOW STATEMENT
for the year ended 31st December 2001

	Notes	2001 \$	2000 \$
NET CASH INFLOW FROM OPERATING ACTIVITIES	14(a)	944,028	455,381
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest Received		178,696	177,603
Dividends Received from subsidiary undertaking		351,405	-
TAXATION: Tax Paid		(354,892)	(217,256)
EQUITY DIVIDENDS PAID		(375,000)	(263,755)
INCREASE IN CASH		<u>744,237</u>	<u>151,973</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
INCREASE IN CASH		744,237	151,973
NET FUNDS AT 1st JANUARY 2001		<u>3,246,604</u>	<u>3,094,631</u>
NET FUNDS AT 31st DECEMBER 2001	14(b)	<u>3,990,841</u>	<u>3,246,604</u>

NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2001**1 ACCOUNTING POLICIES*****Accounting convention***

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

Functional Currency

It is considered that a fairer reflection of the Company's activities is given by presenting accounts in US dollars, the functional reporting currency of the ultimate parent company, since the US dollar is the main currency of the Company's primary economic environment.

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.

Taxation

UK corporation tax is provided at amounts expected to be paid/recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The accounts reflect the implementation of the Financial Reporting Standard ("FRS") 19 Deferred Tax. Full provision has been made for deferred tax assets and liabilities arising from timing differences. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

2 REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2001

3 STAFF COSTS

	2001 \$	2000 \$
Wages and salaries	437,197	427,161
Social security costs	31,560	36,420
Pension costs	36,991	40,346
	<u>505,748</u>	<u>503,927</u>

The average number of employees during the year was 7 (2000 - 7). All employees are seconded by NBK International.

4 OPERATING PROFIT

	2001 \$	2000 \$
This is stated after charging:		
Auditors' remuneration - audit	12,799	13,139
- other services	-	-
	<u></u>	<u></u>

5 DIRECTORS' EMOLUMENTS

The Company had six directors during the year ended 31st December 2001 (2000 - 10), none of whom received any remuneration or other emoluments from the Company (2000 - Nil).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

6 (a) Analysis of charge in the year

	2001 \$	2000 \$
Current tax:		
UK Corporation tax at 30% (2000: 30%)		
- current year	249,487	375,781
- adjustment in respect of prior years	96	1,266
Foreign tax		
- underlying foreign tax credit	(89,471)	-
Total current tax (note 6(b))	<u>160,112</u>	<u>377,047</u>
Deferred tax		
- current year (refer to Note 11)	(77,510)	37,075
	<u>82,602</u>	<u>414,122</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2001

6 TAX ON PROFIT ON ORDINARY ACTIVITIES cont.

6 (b) Factors affecting tax charge for the year

The tax assessed for the current year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2001 \$	2000 \$
Profit on ordinary activities before tax	741,850	1,252,602
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2000: 30%)	222,555	375,781
Effects of:		
Expenses not deductible for tax purposes	180	-
Capital allowances for the year	(89)	-
Tax gross-up on overseas dividends received	26,841	-
Underlying tax relief on overseas dividends received	(89,471)	-
Adjustments to the tax charge in respect of prior years	96	1,266
	<u>160,112</u>	<u>377,047</u>

7 DIVIDENDS

	2001 \$	2000 \$
Ordinary dividends on equity shares	375,000	263,755

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 Manager. 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 2001.

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.

NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2001

9 DEBTORS

	2001 \$	2000 \$
Trade debtors	1,979,099	3,212,367
Amounts owed by group undertakings	137,401	142,415
Prepayments	372	11,403
	<u>2,116,872</u>	<u>3,366,185</u>

10 CREDITORS - amounts falling due within one year

	2001 \$	2000 \$
Amounts owed to group undertakings	1,156,823	1,706,606
Corporation tax	86,334	281,114
Accruals	160,114	127,365
	<u>1,403,271</u>	<u>2,115,085</u>

11 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation has been fully recognised. The remaining deferred tax asset relates to accelerated capital allowances.

	2001 \$	2000 \$
At 1st January 2001	77,244	43,440
Current year movement in respect of overseas dividends	<u>(77,599)</u>	<u>36,957</u>
	(355)	80,397
Current year movement in respect of accelerated capital allowances	89	118
Prior year adjustment	-	(3,271)
At 31st December 2001	<u>(266)</u>	<u>77,244</u>

The deferred tax movement principally reflects reversal of the deferred tax liability provided for the future receipt of overseas dividends.

NOTES TO THE FINANCIAL STATEMENTS
as at 31st December 2001

12 CALLED UP SHARE CAPITAL

<i>Authorised</i>	2001 £	2000 £
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

	2001 \$	2000 \$
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 2001	1,948,908	2,511,852	4,460,760
Profit for the year	-	659,248	659,248
Dividends paid	-	(375,000)	(375,000)
At 31st December 2001	<u>1,948,908</u>	<u>2,796,100</u>	<u>4,745,008</u>

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

	2001 \$	2000 \$
Operating Profit	211,749	1,074,999
Decrease/Increase in debtors	1,249,313	(296,524)
Decrease in creditors	(517,034)	(323,094)
Net Cash Inflow	<u>944,028</u>	<u>455,381</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st December 2001

14(b) ANALYSIS OF CHANGES IN NET FUNDS

	2001	2000
	\$	\$
Cash at bank and in hand as at 1st January 2001	3,246,604	3,094,631
Cash at bank and in hand as at 31st December 2001	3,990,841	3,246,604
Cash Flows	<u>744,237</u>	<u>151,973</u>

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 \$36,991 (2000 - \$40,345). Contributions of 15% were paid in respect of members of the scheme. There were no amounts outstanding at the balance sheet date (2000 - 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 \$2,454,086 were incurred during the year to Morgan Stanley Investment Management Limited, a company of which NBK Investment Management Limited is an associate, \$966,817 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.