SHUAA CAPITAL PSC

Annual Report 2002

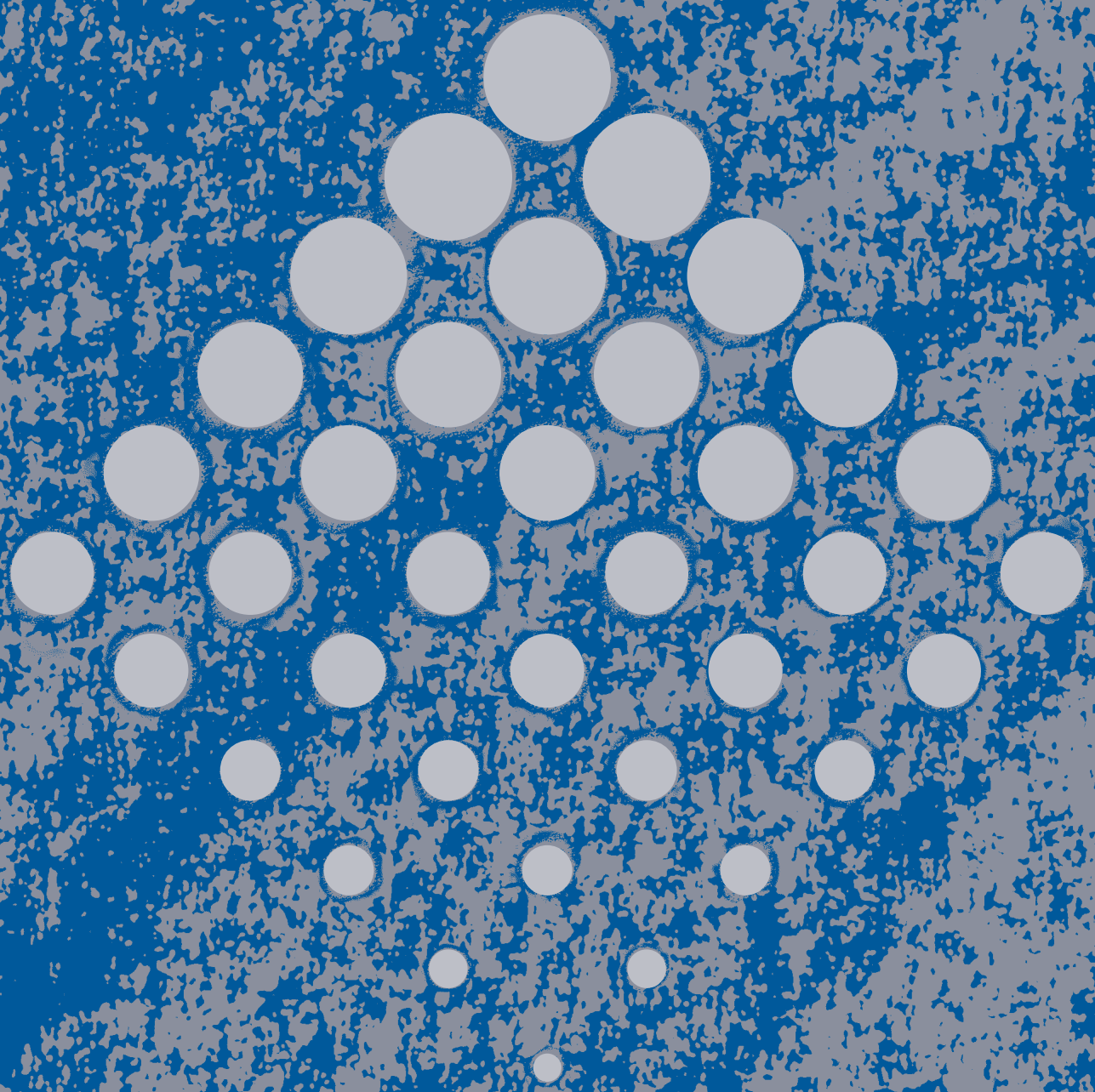


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stock exchange as the leading non-bank brokerage company, and second overall among all brokers based on volume of transactions settled.

ES will add international brokerage to its offering next year in order to grow its future income, coupled with plans to introduce sell-side research on a number of UAE companies. Correspondingly, SHUAA Capital will transfer its international brokerage desk and clients to Emirates Securities.

V. Associated and Subsidiary Companies:

Gulf Finance Company (GFC)

Gulf Finance Company showed solid progress during the year. Its assets increased by 77 percent to AED 115 million, and net profits doubled during the same period. During the period we concluded the purchase of another 40 percent stake in GFC, bringing our ownership in the company to 97.5 percent.

This company has promising prospects and we foresee strong future growth as evidenced by strong results in the first quarter. As a long-term strategic investment, we consolidate its accounts into those of SHUAA Capital.

Emirates Securities L.L.C. (ES)

Emirates Securities turned in a strong performance this year with a 16 percent return on investment in 2002.

Its performance reflects increased trading volumes in the local market from last year. Monthly volume at the Dubai Financial Market and Abu Dhabi Stock Market during the year averaged AED 350 million, giving ES a market share of around 13.5 percent. It was ranked by the



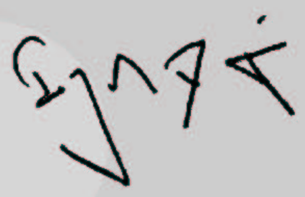


As we close this financial year we are building our brand as specialists in Arab/GCC financial markets, with particular focus on UAE. We are making significant headway in specializing in providing advisory services for debt and equity placement, as well as participating in complex hybrid transactions where both debt and equity components are attached to the underlying instrument.

As a people business, our priority of recruiting top class professionals, which account for around two-thirds of our overall costs, is reaping rewards. Facing forward, we rely heavily on these talented specialists in the different fields and services that we offer to drive our top line through increased revenue streams.

Our investment in technology continues to provide the necessary tools to allow our fund managers to assess and monitor client and company investments. Risk management tools are being automated to ensure a sound and controlled operational environment and in compliance with regulatory and corporate guidelines in terms of investments and exposures to different risks.

Iyad Duwaji
Chief Executive Officer





INDEPENDENT AUDITOR'S REPORT

To the Shareholders of: SHUAA Capital psc

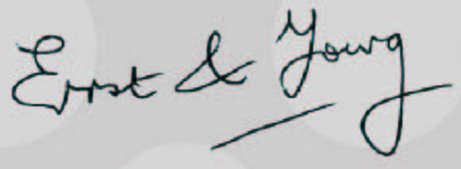
We have audited the accompanying balance sheet of SHUAA Capital PSC (Public Shareholding Company) and Subsidiaries as of 31 March 2003, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SHUAA Capital PSC (Public Shareholding Company) and Subsidiaries as of 31 March 2003 and the results of the Group's operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that in our opinion proper books of account have been kept by the company and its subsidiaries, and the contents of the report of the Board of Directors relating to these consolidated financial statements are in agreement with the books of account. We have obtained all the information and explanations we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the company or its subsidiaries have occurred during the year which would have had a material effect on the business of the company or on its financial position.

By: Edward B. QUINLAN
Partner (Registration No 93)
For: Ernst & Young
Dubai United Arab Emirates
11 May 2003



MANAGEMENT



Iyad Duwaji
Chief Executive Officer

Financial Services

Executive Managing Director
Ziad Makkawi

Haissam Arabi
Head of Arab Equities - Asset Management

Salam Saadeh
Head of Debt Asset Management

Mohieddine Kronfol
Head of Capital Markets

Waseem Baban
Head of Portfolio & Investment Services

Hisham Ayass
Head of International Brokerage

Walid Shihabi
Head of Research

Private Equity

Mohamed El Bakary
Managing Director

Corporate Finance

Makram Kubeisy
Senior Vice President

Legal Affairs

Gary R. Feulner
Legal Counsel

Finance & Administration

Kerim Mitri
Chief Financial Officer

Information Technology

Samer Hamwi
Chief Technology Officer

Corporate Communication

Wael Mardam-Bey
Head of Corporate Communication

Operations

Alain Antoniades
Head of Operations

BOARD MEMBERS



Mr. Majid Saif Al Ghurair*
Chairman



Mr. Hamad Abdul Aziz Al Sagar*
Vice Chairman



Mr. Abdul Rahman Al-Saleh
Director



Mr. Diraar Yusuf Alghanim
Director



Mr. Fahad Yacoub Al Jovaan
Director



Mr. Hamdi Abdul Majeed
Director



Mr. Hussain Jassim Al-Nowais
Director



Mr. Mohammed Ibrahim Al Shibani
Director



Mr. Salem Abdullah Salem
Director



Mr. Iyad Duwaji*
Chief Executive Officer

(*) Member of the Executive Committee

Majid Saif Al Ghurair
Chairman



CHAIRMAN'S MESSAGE

The year ending 31 March 2003 was another difficult year for world markets, marked by military activities in the first half of 2002 in Afghanistan and the war in Iraq in March of this year. Uncertainties associated with these conflicts had a severe impact on investor sentiment and activity and few escaped unscathed as a result.

World economic growth continued sluggish and interest rates declined to 50 year lows. Despite this, default rates on corporate bonds and bank loans increased to an all time high. 2002 saw a host of regional financial institutions reporting losses, some for the first time ever.

Most Middle Eastern economies, with the exception of the GCC, suffered severely as a result of lack of peace in the region and the exit of foreign investment. Most notable was Egypt where the Egyptian Pound has lost over two thirds of its value in the past two years (25 percent alone in our financial year 2002), while its stock market lost over 86 percent in US dollar terms from a high at the end of 1999. The market capitalization of Egypt has gone from $30 billion to less than $4 billion today.

On a positive note, the economies of the GCC bucked the trend and turned in stellar performances, aided by sustained high oil prices and the repatriation of funds from overseas markets.

SHUAA Capital returned 13.5 percent on shareholders equity (before operating expenses) in this environment and 5.7 percent on a net basis (before one-time provision). Expenses increased on last year to 6.3 percent of shareholders equity, in part due to the consolidation of Gulf Finance Company into our own figures and in line with our strategy to drive revenues by recruiting premium, specialized professionals rather than cost-cutting.

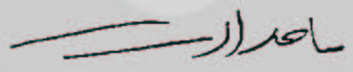
It is important to note that we have achieved these results while a quarter of our assets remain invested in long-term direct investment (driven by capital gain upon sale) and while our exposure to Egypt remains high. Concurrently, our strategy of retrenching into the Gulf markets has proved very successful and we now have over 50 percent of our assets and more than 60 percent of our revenue derived from the GCC markets.

In conclusion, we remain focused on our goal of becoming the UAE's leading investment bank. Despite the downturn in global investment appetite, we continue to make excellent progress in diversifying our revenues and the building of off-balance sheet income which includes fee and placement income.

Today, SHUAA Capital is less exposed to the market volatility of securities and private equity while generating revenues from asset and portfolio management, corporate finance, consumer finance and brokerage.

Finally, on behalf of my colleagues the members of the board, I would like to take this opportunity to extend my thanks to the shareholders of the company, the concerned authorities in the United Arab Emirates for their continued support and the management and employees of our company - the essential backbone of our business.

Majid Saif Al Ghurair
Chairman





MANAGEMENT REPORT



The financial year 2002 provided exceptional challenges for SHUAA Capital. Pushing forward with our strategy to diversify revenue streams and achieve our goal of becoming a full-fledged financial services company, we faced the same issues as our regional and international colleagues following military action in Afghanistan and Iraq and an overall downturn in investor appetite.

However, these challenges proved our focus and direction sound and we were able to record commendable results with an increase in total income to AED 57.4 million from AED 31.6 million in 2001 and total consolidated assets increased by 24 percent to AED 658 million. Net operating income amounted to AED 45 million after financing charges and provisions.

I. Asset Management:

Assets under management continued to grow but at a slower pace than anticipated, largely due to global political issues and associated investor sentiment. At the close of our financial year, funds under management totaled AED 365 million compared with AED 251 million at the end of March 2002.

The asset management business is growing nicely. Throughout this year we stayed focused and maintained our exposure in the market – particularly in the GCC. Our funds' performance (Arab Gateway Fund +9.44%, Al-Thiqa +6.50%, and The Arab Income Fund +14.50%) has gradually filtered across investors and our lead in the UAE with Al-Thiqa, has significantly raised the appeal of our products to investors.

	Index	Our Funds (Net of Fees)
Arab Equites	7.93%	9.44%
GCC Equites	9.81%	16.6%
UAE Equites	7.34%	6.50%
Arab Bonds	16.30%	14.50%

Our Al-Thiqa Fund under-performed in the UAE in 2002 due to our conservative strategy in the period preceding the war on Iraq, mainly by maintaining high cash positions within our funds. We recaptured however our lead as the best performing fund in the UAE* as of end of April 2003. Our risk-adjusted performance is even more impressive due to lower volatility of our fund.

In the fixed income arena, SHUAA Capital Arab Income Index was up by 16.3 percent while our Arab Fixed Income Fund (TAIF), launched May 2002, was up by 14.5 percent annualized. TAIF distributed US$ 5.31 dividend at the end of December 2002, which translates into an annualized yield of more than eight percent.

TAIF under-performed our benchmark due to its heavy underweight in Lebanon and Egypt. Lebanon has a weight of 28 percent in the index, being the largest Arab borrower on the international market, but we kept a conservative weighting for Lebanon of less than 8 percent in our fund because of the political and economic risks at that time.

Going forward we are concentrating on offering banks and financial institutions a regional asset management partnership with us. Drawing on our experience as leading GCC Asset Manager, we help such institutions develop the right investment solutions for themselves and their clients.

* By comparison with other local funds' NAV and measured against SHUAA Capital's own index and other banks' indices.





II. Capital Markets:

On the fixed income side, we have been very active on the primary markets issuance and the secondary markets trading of all regional issues.

SHUAA Capital psc

SHUAACAPITAL psc شعاع كابيتال

US Dollars 25,000,000
Debut Bond Issue
3 Year Maturity - 6M LIBOR + 200 bps
Co-lead Manager
July 2002

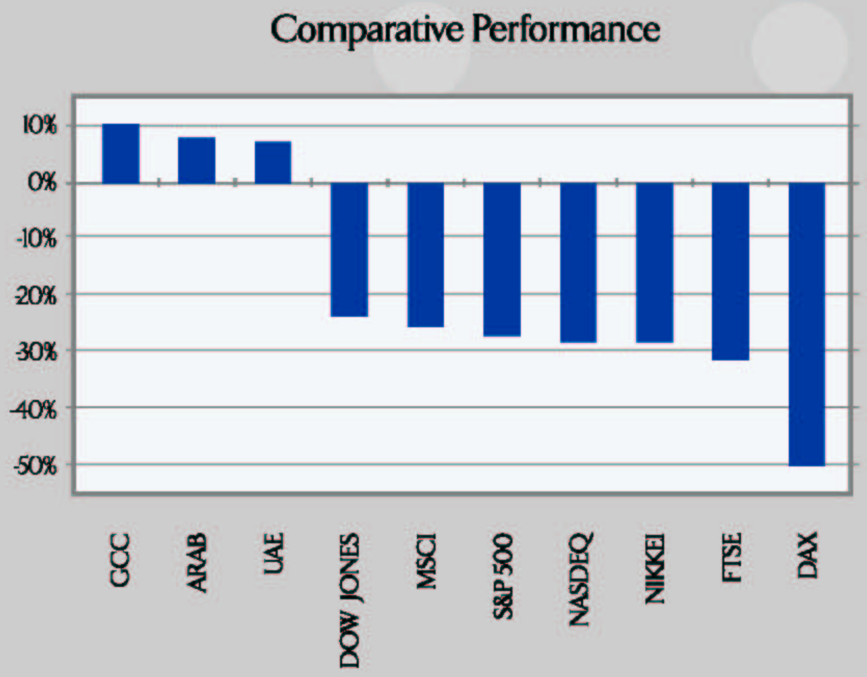
SHUAA Capital psc

Bank Markazi Jomhouri Islami Iran

Euro 625,000,000
Debut Bond Issue
8.75% July 23, 2007

Co-lead Manager
July 2002

Arab equity markets performed much better than international markets during our fiscal year of 2002-2003.



Accordingly, we feel that focusing on this region has paid us a great deal and has made many of our clients, who have advisory accounts with us, extremely satisfied. Building on that experience, we made official plans to introduce GCC brokerage service to high net worth clients on a non-discretionary and advisory basis through an in-house desk supported by knowledgeable advisors and backed by a strong research department covering twelve markets in the region.

III. Corporate Finance:

This area has shown the most promise and we expect it to make a large contribution to our results for the financial year 2003, despite being less than one year old.

We executed two significant mandates worth over AED 140 million which generated AED 4.2 million in revenue. The first mandate involved an equity placement of EGP 45 million for Technopack, Egypt. The second involved providing acquisition finance for the management buyout of Group Cupola Limited, a regional investment company with a diverse portfolio of branded investments including Spinneys Middle East.

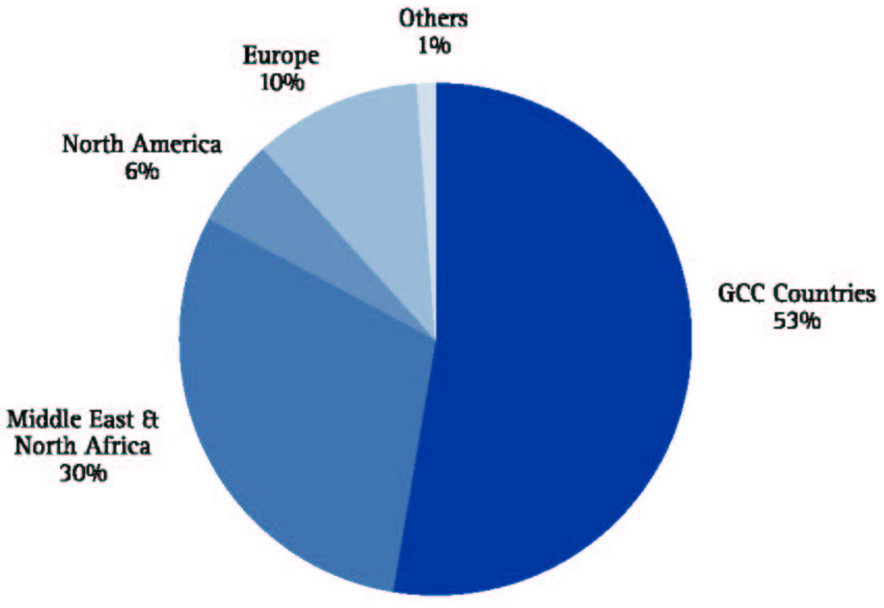
IV. Private Equity:

During the year we serviced our portfolio of private equity investments and did not exit from any investments since the situation of unattractive valuations persisted throughout the year.

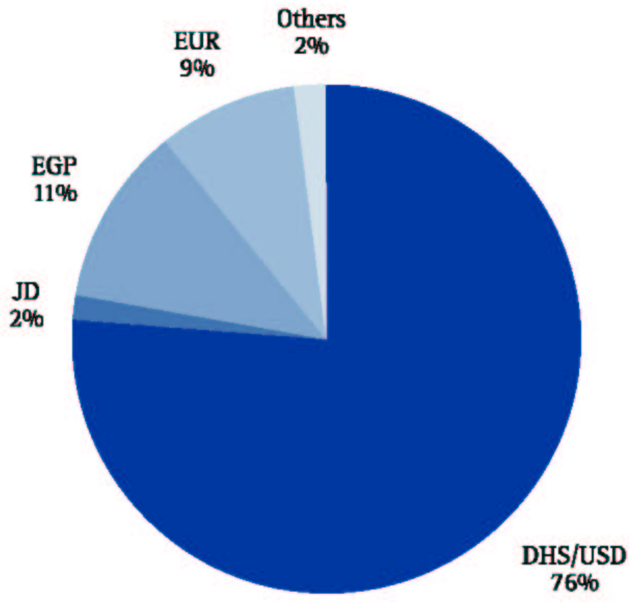
We did however take advantage of prevailing market conditions to consolidate some of our investments and streamline ownership in others to better position our exit strategy.

SEGMENTATION OF ASSETS

Geographic Segmentation

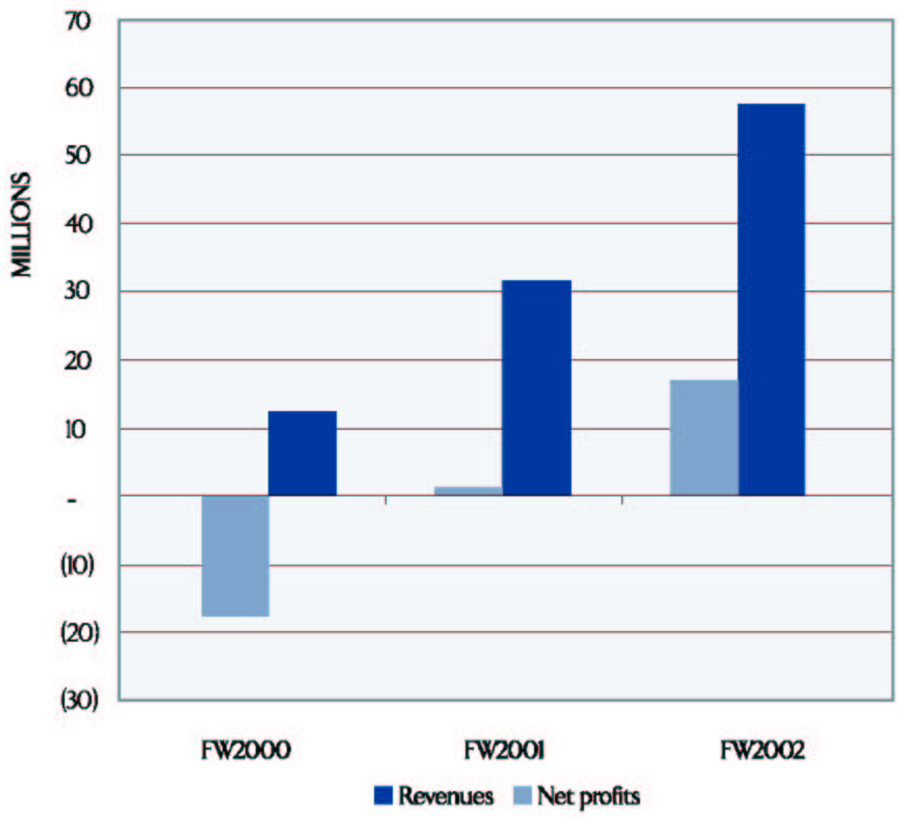


Currency Exposure

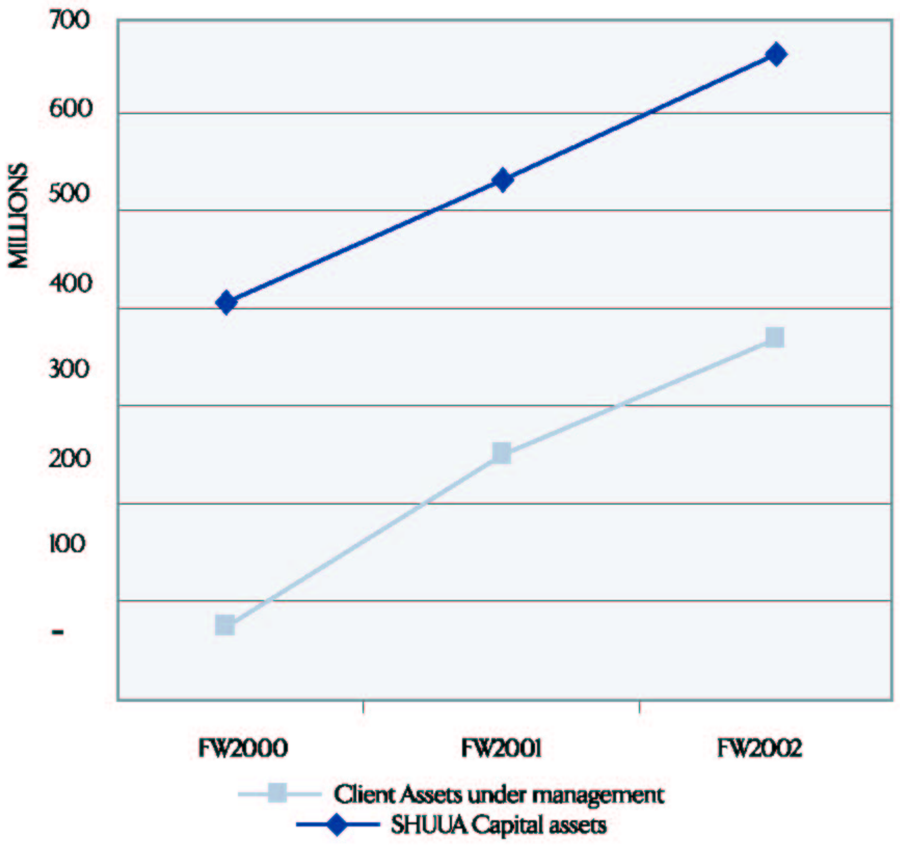


SELECTED PERFORMANCE FIGURES

Net profit to total revenues



Asset Growth





• Group Cupola Limited (GCL)

SHUAA Capital arranged a US$ 30 million facility to finance a management buyout of a regional group of companies. SHUAA Capital was Lead Arranger and Agent for this hybrid facility of debt and equity components, placing part of the transaction with clients and investors and retaining around half for its own books. The transaction has a one-year term maturing in December 2003.

• Modern Packaging Products (Technopack)

Our participation in this company, with co-investors, has risen to equal 66 percent, and management and operational restructuring have been completed. Technopack has undertaken a capital increase of EGP 45 million to finance the addition of a second BOPP line with an annual capacity of 14,000 tons. The foregoing will take Technopack capacity to 21,000 ton and will make it the undisputed market leader in Egypt. The line has already been contracted and is expected to start production in November 2003. We expect the new line to make a huge impact on Technopack's profitability. Technopack reported positive results for 2002 during a difficult year for businesses in Egypt. More importantly, it managed to increase its sale price in line with international markets while keeping production at full capacity. Accordingly, the devaluation of the currency has had little impact on its value.

The results achieved are a reflection of our choice to invest in an 'import substitute' which has done remarkably well in the current adverse environment in Egypt, and has allowed Technopack to capture more market share.

• Hospitality Europe (HEBV)

HEBV turnover was down by 4 percent in 2002 while Group EBIDTA was down 3.4 percent but is expected to recover in 2003.

With the expansion program now finished, the company has already returned Euro 0.91 per share to its shareholders this year and our share of this distribution equaled AED 3.4 million.

The company is still suffering from the impact of 9/11, the global economic slowdown and most recently the decline in travel during the war on Iraq.

HEBV is the owner of eight prime properties in key European cities. Its portfolio comprises of 3,230 rooms and its hotels are run by operators such as Starwood, Hyatt, and Marriott.

تكنوباك

Private Placement of 3,229,717 Shares of
Common Stock at a Price of EGP 8.25 per Share

Financial Advisor and Placement Agent

SHUAACAPITAL psc

September 30, 2002
This advertisement appears as a matter of record only





- **Porta Egypt for Packaging Materials and Rotopack Misr for Printing Packaging Materials**

In the printing industry, Porta's results have been above expectations while Rotopack did not perform as strongly. Rotopack reported a loss due to a one-time write off of bad debt arising from poor credit policies. As a result, measures were taken to change management and to expedite its merger with Porta.

We are currently in the process of carrying out the proposed merger and consolidating the management of the two companies.

- **Orascom Telecom (OT)**

Orascom Telecom sold its 91 pecent stake in Fastlink for US$ 437 million in February 2003. The sale of Fastlink and other smaller investments reduced its debt/equity from 2.3 times to 0.3 times.

We believe that OT is severely undervalued following the solution of its funding problems on the back of the above. Furthermore, OT is suffering unjustifiably from its association with Egypt and from the devaluation of the Egyptian Pound.

We have therefore used the opportunity to purchase additional GDRs and bring our average cost down.

- **Royal Clicks Limited (RCL)**

We invested in RCL in October 2001 as part of a private placement offered to UAE investors. RCL is a retail and distribution company based in Singapore with substantial interest in the Middle East, primarily GCC and UAE.

RCL plans included expansion by entry into the fashion apparel business, given that its traditional lines of footwear (Reebok and Sketchers) and sports items and accessories were approaching maturity.

In 2002 RCL secured key global successful brands that include Spain's Inditex renowned names such as Zara, Massimo Dutti, Bershka, and Pull & Bear for Singapore and Malaysia. In addition it also acquired 25.6percent of Westco Jeans, a retailer in Australia with 146 shops. RCL also acquired the exclusive franchise to Mango in Australia. RCL plans to open/convert 20 Westco stores in Australia to Mango in the next three years.

RCL has also plans to open six Zara stores in Singapore and Malaysia by year-end 2003. RCL turnover has exceeded US$ 270 million in the 2002 financial year.

CONSOLIDATED BALANCE SHEET

As of 31 March 2003

(In Thousands)

	Notes	31 Mar. 2003 AED (Note 1)	31 Mar. 2002 AED	31 Mar. 2003 US$ (Note 1)	31 Mar. 2002 US$
Assets					
Cash and deposits with banks		9,082	4,790	2,472	1,304
Other deposits	3	19,771	17,200	5,383	4,683
Receivables and other debit balances		41,061	17,192	11,179	4,681
Trading securities	4	200,264	169,060	54,523	46,028
Installment credits, loans and advances, net	5	193,423	149,205	52,661	40,622
Investments available-for-sale	6	176,508	158,770	48,056	43,226
Investment in an associate	7	5,917	5,767	1,611	1,570
Fixed assets	8	2,523	2,927	687	797
Goodwill	9	9,634	4,596	2,623	1,251
Total Assets		658,183	529,507	179,195	144,162
Liabilities					
Due to banks	10	179,606	154,286	48,899	42,005
Payables and other credit balances		50,776	23,598	13,824	6,425
Corporate bonds, net	11	74,904	–	20,393	
Total Liabilities		305,286	177,884	83,116	48,430
Minority interest	12	1,175	18,462	320	5,026
Shareholders' Equity					
Paid-up share capital	13	300,000	300,000	81,677	81,677
Statutory reserve	15	50,272	48,568	13,687	13,223
Investment revaluation reserve		(17,059)	(18,576)	(4,644)	(5,057)
Retained earnings		18,509	3,169	5,039	863
Total Shareholders' Equity		351,722	333,161	95,759	90,706
Total Liabilities, Minority Interest and Shareholders' Equity		658,183	529,507	179,195	144,162
Contra accounts					
Clients funds under management	27	368,876	251,271	100,429	68,410

These financial statements were authorised for issue by the Board of Directors on 11 May 2003.

The attached notes 1 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March 2003

(In Thousands)

	Notes	31 Mar. 2003 (12 months) AED	31 Mar. 2002 (15 months) AED(Note 1)	31 Mar. 2003 (12 months) US$	31 Mar. 2002 (15 months) US$(Note 1)
Interest income		17,945	4,439	4,886	1,209
Investment banking income:					
Income from trading securities		19,417	17,438	5,286	4,748
Income from investments available-for-sale	16	8,467	5,685	2,305	1,548
Fees and commission income		10,551	6,118	2,873	1,666
Income from an associate		650	544	177	148
Foreign currency exchange (loss)		414	(2,645)	113	(720)
Investment banking income		39,499	27,140	10,754	7,390
Total income		57,444	31,579	15,640	8,599
Interest expense		(8,510)	(3,919)	(2,317)	(1,067)
Provision for impairment	17	(3,863)	(4,480)	(1,052)	(1,220)
Net operating income		45,071	23,180	12,271	6,312
General and administrative expenses	18	(24,030)	(20,259)	(6,543)	(5,516)
Depreciation and amortization		(1,917)	(1,594)	(522)	(434)
Operating expenses		(25,947)	(21,853)	(7,065)	(5,950)
Net profit for the period before minority interest		19,124	1,327	5,206	362
Minority interest		(2,080)	(208)	(566)	(57)
Net profit for the year/ period		17,044	1,119	4,640	305
Earnings per share	19	AED 0.057	AED 0.004	USD 0.016	USD 0.001

The attached notes 1 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March 2003

(Currency - Thousands of U.A.E. Dirhams)

	Paid-up share capital	Statutory reserve	Investment revaluation reserve	Retained earnings	Proposed dividend	Total
Balance as of 1 January 2001	300,000	48,456	–	15,814	15,000	379,270
Reclassification of effect of adoption of IAS 39	–	–	13,652	(13,652)	–	–
Net profit for the period	–	–	–	1,119	–	1,119
Transfer to statutory reserve	–	112	–	(112)	–	–
Changes in fair value of investments available for-sale	_	_	(32,228)	_	_	(32,228)
Dividend paid	_	_	_	_	(15,000)	(15,000)
Balance as of 31 March 2002	300,000	48,568	(18,576)	3,169	–	333,161
Net profit for the year	_	_	_	17,044	_	17,044
Transfer to statutory reserve	_	1,704	_	(1,704)	_	_
Changes in fair value of investments available-for-sale	_	_	1,517	_	_	1,517
Balance as of 31 March 2003	300,000	50,272	(17,059)	18,509	_	351,722

The attached notes 1 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2003

(Currency - Thousands of U.A.E. Dirhams)

	Notes	31 Mar. 2003 (12 months)	31 Mar. 2002 (15month) (Note 1)
Cash flows from operating activities:			
Net profit for the year/ period		17,044	1,119
Adjustments to reconcile net profit for the year/period to net cash used in operating activities:			
Depreciation and amortization		1,917	1,594
Income from investment in an associate		(650)	(544)
Gain from sale of investments available-for-sale		_	(1,917)
Minority Interest		2,080	208
Provision for impairment		3,863	4,480
Other non-operating losses		_	30
Net cash from operating activities before changes in assets and liabilities		24,254	4,970
Changes in assets and liabilities:			
(Increase) decrease in other deposit		(2,571)	25,800
(Increase) decrease in receivables and other debit balances		(23,869)	3,419
Increase in installment credits, loans and advances		(45,508)	(81,899)
Increase in trading securities		(31,204)	(8,194)
Increase in payables and other credit balances		27,178	5,617
Acquisition of an associate		_	(6,200)
Acquisition of subsidiary	22	(24,981)	(25,961)
Additions to investments available-for-sale		(22,952)	(23,708)
Proceeds from sale of investments available-for-sale		4,158	7,462
Proceeds from investment in an associate		500	
Purchase of fixed assets		(937)	(725)
Net cash used in operating activities		(95,932)	(99,419)
Cash flows from financing activities:			
Increase in amounts due to banks		25,320	102,234
Issue of corporate bonds, net		74,904	_
Dividend paid		_	(15,000)
Net cash provided by financing activities		100,224	87,234
Net increase (decrease) in cash and cash equivalents		4,292	(12,185)
Cash and cash equivalents at beginning of year/period		4,790	16,975
Cash and cash equivalents at end of year / period		9,082	4,790

The attached notes 1 to 30 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2003

(Currency - Thousands of U.A.E. Dirhams)

1. Legal status and activities

SHUAA Capital psc (the 'Company') is a public shareholding company established in Dubai, United Arab Emirates, pursuant to the Emiree Decree No. 6 of 25 April 1979 and in accordance with the Federal Law No. (8) of 1984.

The Company pursues a broad investment strategy with special emphasis on the Arab region in general, the U.A.E. and G.C.C. markets in particular and is actively involved in public and private capital markets in the region. The Company's shares are traded on the Dubai Financial Market in the United Arab Emirates and the Kuwait Stock Exchange.

The Company is licensed by the Central Bank of the United Arab Emirates to conduct financial investment business services including underwriting of securities and other corporate finance activities, investment advisory services, asset and portfolio management and brokerage in local and international securities. As at 31 March 2002, the Company has an investment grade rating of BBB-.

During the Extraordinary General Meeting held on 21 April 2001, the shareholders resolved to change the financial year-end from 31 December to 31 March. Accordingly, the comparative financial statements have been prepared for the fifteen-month period ended 31 March 2002.

The financial statements for the year ended 31 March 2003 were authorized for issue in accordance with the resolution of the Board of Directors on 11 May 2003.

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

a. Basis of preparation –

The consolidated financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee.

The consolidated financial statements have been presented in thousands of UAE Dirhams.

b. Basis of consolidation –

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (the "Group"). The results of these subsidiaries are included in the consolidated statement of income from the effective date of formation or acquisition. All significant inter-company balances, transactions and profits have been eliminated upon consolidation.

Subsidiary companies formed or acquired with the intention of resale and where control is intended to be temporary are not consolidated and are accounted for as investments available for sale.

2. Significant accounting policies - continued

c. Trade date accounting –

All “regular way” sales and purchases of financial assets are recognized on the “trade date”, i.e. the date that the entity commits to sell or purchase the asset. Regular way sales or purchases are sales or purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

d. Installment credits, loans and advances and provision for impairment -

Installment credits, loans and advances are carried at anticipated gross amount due from customers less an estimate of the provision required for impairment based on a review of all outstanding amounts at year-end, including unearned income. The Group has a policy of establishing specific provisions against installment credits and loans and advances to customers, where management considers the recovery of the balance to be unlikely. Installment credits and loans and advances are only written off after all practical means of pursuing recovery have been exhausted.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component and reflecting the current economic climate in which the borrowers operate.

e. Trading securities -

Trading securities represent investments acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price.

Trading securities are initially recognized at cost, being the fair value of the consideration given, including all acquisition costs associated with the investment.

After initial recognition, securities held for trading are measured at fair value. The fair value of securities traded in recognized financial markets is their quoted price. For securities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis, option pricing models or other reliable valuation methods. Securities whose fair value cannot be reliably measured are carried at cost less any impairment losses.

Any gain or loss arising from a change in the fair value of securities categorized as trading securities is recognized in the statement of income for the period in which it arises. Dividend, interest and other revenues generated from trading securities are included in “income from trading securities” in the consolidated statement of income.

f. Investments available-for-sale -

Investments available-for-sale are initially recognized at cost, being the fair value of the consideration given including all acquisition costs associated with the investment.

After initial recognition, investments available-for-sale are measured at fair value. For investments actively traded in organized financial markets, fair value is generally determined by reference to stock exchange quoted bid prices at the close of business on the balance sheet date, adjusted for illiquidity constraints and other costs necessary to realize the asset.

2. Significant accounting policies - continued

f. Investments available-for-sale - continued

Where the investments are not traded in an active market, traded in small volumes, or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on earnings factors, projected cash flow and/or a valuation multiple that considers comparable indicators used in recent mergers and acquisitions, or the projected sale value of the investment if negotiations are currently in-progress. Investments whose fair value cannot be reliably measured are carried at cost less any impairment losses.

Gains or losses arising from a change in the fair value of investments available-for-sale are recognized directly in equity, in the investment revaluation reserve. Upon disposal of an investment, the cumulative gain or loss, previously recognized in equity relating to that investment, is included in the consolidated statement of income for the period.

When a financial asset is determined to be impaired, the cumulative net gain or loss previously recognized in equity relating to that investment is included in the consolidated statement of income for the period.

g. Investment in associated companies -

Investments in associated companies comprising 20% to 50% of the voting capital and over which the Company exerts significant influence are stated using the equity method of accounting.

Investments in associated companies formed or acquired with the intention of resale and where ownership is intended to be temporary are accounted for as available-for-sale investments.

h. Goodwill -

Goodwill represents the excess of purchase consideration over the fair value of the net assets acquired on acquisition of a subsidiary and an associate and is amortized over a period of 10 years

i. Fixed assets and depreciation -

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the assets' estimated useful lives over the following periods:

Furniture and leasehold improvements	1-5 years
Office equipment and computers	3 years
Motor vehicles	4 years

j. Financial assets and liabilities -

Financial assets and liabilities categorized as “held-to-maturity” are stated at amortized cost.

k. Income recognition -

All significant items of income and expenses are accounted for on the accrual basis. Recognition of interest income on loans and advances is suspended when the recovery of the interest or principal is in doubt.
Commissions and fees are recognized in income as they become due. Commission charges paid are expensed as incurred.

l. Provision for employee benefit costs -

Provision is made for amounts payable to employees in accordance with statutory and contractual obligations and other benefit plans approved by the Group. These amounts are included in payables and other credit balances.

2. Significant accounting policies - continued

m. Derivative instruments -

Derivatives are initially measured at cost and are subsequently measured at fair value. Derivatives are carried in receivables and other debit balances where the fair value is positive and in payables and accrued expenses where the fair value is negative. Gains or losses arising from derivatives are recognized in the consolidated statement of income for the year.

n. Repurchase and resale agreements -

Assets sold with a simultaneous commitment to repurchase at a specified future date ('Repo') continue to be recognized in the balance sheet. The counterparty liability for amounts received under these agreements is included in payables and accrued liabilities. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the Repo agreement.

Assets purchased with a corresponding commitment to resell at a specified future date ('Reverse Repo') are not recognized in the balance sheet, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in receivables and other debit balances. The difference between the purchase and resale price is treated as interest income and accrued over the life of the Reverse Repo agreement.

o. Translation of foreign currencies -

Transactions denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing on the transaction dates. Assets and liabilities held at balance sheet date and denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing at the balance sheet date. The resulting exchange differences are taken to the consolidated statement of income.

On consolidation, assets and liabilities of the subsidiaries are translated at rates of exchange prevailing at the balance sheet date and the results of their operations are translated at the average rates of exchange for the year.

p. Cash and cash equivalents -

Cash and cash equivalents consist of cash and short term investments in money market instruments maturing within 90 days of the balance sheet date.

3. Other deposits

Other deposits comprise the following:

a. An amount of 17,200 (31 March 2002 – 17,200) that represents a margin amount that was deposited against a guarantee issued to comply with the Central Bank of the United Arab Emirates requirement regarding the license to conduct financial investment business services (Note1).

b. An amount of 2,571 (31 March 2002 – Nil) that represents a margin amount that was deposited against guarantees.

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For the year ended 31 March 2003

4. Trading securities

Trading securities comprise the following –

	31 Mar. 2003	31 Mar. 2002
Quoted fund investments	164,383	56,798
Equity securities	27,637	31,769
Fixed income securities	8,244	80,493
	200,264	169,060

5. Installment credits, loans and advances

Installment credits, loans and advances comprise the following -

	31 Mar. 2003	31 Mar. 2002
Installment credits	109,007	64,264
Term loan	57,850	65,037
Loans and advances	20,393	14,189
Due from clients	6,173	5,715
	193,423	149,205

a. Installment credits -

	31 Mar. 2003	31 Mar. 2002
Total installment credits	125,354	76,203
Cumulative provision for impairment	(4,017)	(2,445)
Unearned income on installment credits	(12,330)	(9,494)
	109,007	64,264

b. Term loan -

The term loan represents the Company's participation in a facility of 110,000 arranged by the Company to finance a management buyout of a regional company with diversified operations. The term loan carries an interest rate of 10% and matures in December 2003.

5. Installment credits, loans and advances – continued

c. Loans and advances -

	31 Mar. 2003	31 Mar. 2002
Loans	16,078	7,284
Bills discounted	5,073	6,628
Others	-	794
	21,151	14,706
Cumulative provision for impairment	(483)	(382)
Unearned interest	(275)	(135)
	20,393	14,189

Loans include an amount of 7,550 (31 March 2002 - 2,908) due from a related party.

d . Due from clients -

The Company extends margins to clients for trading in quoted securities. These advances are short-term in nature and are secured by the underlying securities held in custody by the Company. As of 31 March 2003, these securities were valued at 17,571 (31 March 2002 - 17,033).

6. Investments available-for-sale

Investments available-for-sale are categorized as follows -

	31 Mar. 2003	31 Mar. 2002
Unquoted direct equity investments	85,074	88,970
Quoted direct equity investments	72,300	42,234
Unquoted fund investments	19,134	27,566
	176,508	158,770

These investments are stated at their estimated fair value. For the comparative period, investments totaling 22,904 were stated at their historical cost because it was not possible to reliably measure the fair value of certain unquoted funds and unquoted direct equity investments.

6. Investments available-for-sale – continued

Investments available-for-sale comprise the following investments -

	31 Mar. 2003	31 Mar. 2002
Hospitality Europe B.V. A company formed to hold a portfolio of prime hotels located in major cities across Europe	38,700	41,614
Modern Packaging Products Co. (Technopack) S.A.E. A manufacturing company specialized in the production of flexible packaging film for the packaging of food products, pharmaceuticals and other agricultural and industrial products	37,666	25,871
Middle East and North Africa Private Equity Fund ("MENAVEST") A fund focused on direct equity and debt investments in the MENA region	24,103	20,430
Porta Egypt for Packaging Materials S.A.E. The second largest rotogravure printing company in Egypt	8,567	8,582
Rotopack Misr for Printing Packaging Material S.A.E. The largest rotogravure printing company in Egypt	18,511	18,527
Jordinvest An investment bank focusing on the Jordanian market	5,809	5,809
Royal Clicks A retailer of sportswear in South East Asia and the UAE with over 650 outlets	7,233	7,233
Egyptian Financial & Industrial Company A leading producer of phosphate fertilizer in Egypt	9,174	9,174
Misr Fone ("Click") A GSM operator in Egypt	8,141	8,141
Orascom Telecom A GSM network operator in the Middle East, Africa and South Asia	16,022	12,515
United Natural Glass A manufacturer of natural glass products for medical usage	2,266	2,266
Arab Music A holding company of music content and three production companies	5,144	5,144
Arabia Online A branded Arab internet portal company based in Dubai Internet City	2,102	1,355

6. Investments available-for-sale – continued

	31 Mar. 2003	31 Mar. 2002
Coast Mezzanine Investment Limited A managed fund specializing in subordinated debt for U.S companies	5,610	6,281
Mount European Private Equity L.P. A fund focused on European direct equity investments	674	674
Rasmala Fund L.P. A fund focused on investments in financial services companies	1,100	2,474
Other investments	2,745	1,256
Total investments before fair value adjustments	193,567	177,346
Fair value adjustments	(17,059)	(18,576)
Total investments	176,508	158,770

7. Investment in an associate

The Company acquired a 50% ownership interest on 1 February 2001 in Emirates Commercial Center for Shares and Bonds L.L.C., a brokerage firm in the United Arab Emirates licensed to operate in the Abu Dhabi Securities Market and the Dubai Financial Market, for a consideration of 6,200. The net assets of the associate as of 1 February 2001 amounted to 5,223. The excess of the consideration over the fair value of the net assets at the date of purchase is included in goodwill (Note 9). This is a strategic investment over which the Company exerts significant influence. Accordingly, this investment is accounted for using the equity method of accounting.

8. Fixed assets

The movement on fixed assets during the period is as follows -

	Furniture & leasehold improvements	Office equipment & computers	Motor vehicles	Total
Cost -				
At 1 April 2002	3,223	3,311	365	6,899
Additions	343	443	151	937
Disposals	(441)	(451)	(185)	(1,077)
At 31 March 2003	3,125	3,303	331	6,759
Accumulated depreciation -				
At 1 April 2002	1,346	2,337	289	3,972
Charge for the period	619	651	71	1,341
Disposals	(441)	(451)	(185)	(1,077)
At 31 March 2003	1,524	2,537	175	4,236
Net book value -				
At 31 March 2003	1,601	766	156	2,523
At 31 March 2002	1,877	974	76	2,927

9. Goodwill

The movement in goodwill during the period is as follows -

	31 Mar. 2003	31 Mar. 2002
Cost -		
Balance, beginning of period	4,752	-
Goodwill from acquisitions (Notes 7 & 22)	5,614	4,752
Balance, end of period	10,366	4,752
Accumulated amortization -		
Balance, beginning of period	156	-
Charge for the period	576	156
Balance, end of period	732	156
Net book value	9,634	4,596

10. Due to banks

Due to banks comprises borrowings, repayable within 12 months, obtained from commercial banks in the ordinary course of business against the Group's established credit lines with these banks.

The Group's banking facilities are renewable every six months and carry US Dollar LIBOR based floating rates of interest plus a spread ranging between 1% and 3.5%. During the year, the Group secured new credit facilities of 113,650.

11. Corporate bonds

On 10 July 2002, the Company issued 91,825 (US$ 25 Million) three year bonds maturing on 10 July 2005. The bonds bear interest at the rate of 2% per annum above US Dollar LIBOR for six months with a coupon payable semi-annually. The bonds were issued at par by way of a public offering.

As of 31 March 2003, the Company offset an amount of 16,323 representing the value of bonds held by the Company in its capacity as market maker in the secondary market. The bonds are stated net of transaction costs which are amortized over the life of the bonds.

12. Minority interest

Minority interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of the Subsidiary (Note 22) and the results of the Subsidiary's operations.

13. Paid up share capital

Authorized, issued and fully paid capital comprises of 300,000,000 shares of UAE Dirham 1.00 each.

14. Stock option plan

Following the General Assembly meeting in 1998, the Company's shareholders approved a stock option plan for senior employees to purchase up to 4% of the authorized and issued capital.

The plan is administered by a trustee and gives the Board the authority to determine which employees of the Company will be granted options. The options granted under the plan become exercisable after three years of the grant and expire ten years after the date of the grant.

Outstanding options granted to employees as of 31 March 2003 comprised of 10,200,000 shares at an average exercise price of AED 1.52 per share. During the year, employees exercised options in respect of 2,300,000 shares.

15. Statutory reserve

In accordance with the Law of Commercial Companies of United Arab Emirates and the Company's articles of association, the Company allocates 10% of the annual net income to the statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve amounts to 50% of the paid-up share capital.

16. Income from investments available-for-sale

Income from investments available-for-sale comprises the following -

	31 Mar. 2003	31 Mar. 2002
Dividends	2,375	2,219
Income from funds	476	1,300
Gain on investments	5,616	2,166
	8,467	5,685

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For the year ended 31 March 2003

17. Provision for impairment

Provision for impairment represents provision for the following -

	31 Mar. 2003	31 Mar. 2002
Installment credits	1,150	200
Loans and advances	140	217
Investments available-for-sale	2,573	4,063
	3,863	4,480

18. General and administrative expenses

The Group's general and administrative expenses comprise the following -

	31 Mar. 2003	31 Mar. 2002
Employee costs	17,366	13,664
Office rent and related expenses	1,303	1,314
Corporate marketing and branding costs	580	1,123
Other general and administrative expenses	4,781	4,158
	24,030	20,259

As of 31 March 2003, the Group had a total of 70 employees (31 March 2002 – 59) represented by 50 employees in SHUAA Capital and 20 in a Subsidiary.

19. Earnings per share

The earnings per share - basic for the year has been computed using the net income for the year of 17,044 (for the 15 months period ending 31 March 2002 – 1,119) divided by the weighted average number of shares outstanding of 300,000,000. The earnings per share are rounded to the third decimal place.

There were no diluting elements resulting from potential ordinary shares or other financial instruments during the period.

20. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions.

At 31 March 2003, assets and liabilities with related parties amounted to 11,091 and 2,323 respectively (31 March 2002 – 6,358 and 5,488 respectively).

21. Subsidiaries

The Company has the following significant subsidiaries consolidated into these financial statements:

Name	Country of incorporation	Holding
SHUAA Capital (Assets) Inc.	British Virgin Islands	100%
SHUAA Capital Inc.	British Virgin Islands	100%
Gulf Finance Corporation	United Arab Emirates	97.5%

22. Acquisition

On 19 February 2002 the Group acquired 55% of the share capital of Gulf Finance Corporation ("GFC"), a finance company engaged in installment financing, receivable financing and check discounting in the U.A.E. On 31 July 2002 the Group acquired an additional 2.5% of the share capital of GFC and an additional 40% was acquired on 1 February 2003. As at 31 March 2003, the Group's share of the net assets of the subsidiary acquired amounted to 45,807.

The excess of the consideration over the Company's share in the fair value of the net assets at the date of purchase is included in goodwill (Note 9). The acquired business contributed revenues of 13,081 and operating profit of 3,875 during the year.

23. Maturity profile of assets and liabilities

The maturity profile of assets and liabilities at the end of the period, determined on the basis of the remaining contractual maturity, where applicable, was as follows:

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and deposits with banks	9,082	–	–	–	9,082
Other deposits	17,200	2,571	–	–	19,771
Receivables and other debit balances	17,740	10,597	12,724	–	41,061
Trading securities	192,020	8,244	–	–	200,264
Installment credits, loans and advances	42,061	108,455	42,907	–	193,423
Investments available-for-sale	–	–	176,508	–	176,508
Investment in an associate	–	–	–	5,917	5,917
Fixed assets	–	–	2,523	–	2,523
Goodwill	–	–	–	9,634	9,634
Total Assets	278,103	129,867	234,662	15,551	658,183
Liabilities, minority interest and shareholders' equity					
Due to banks	98,444	73,372	7,790	–	179,606
Payables and other credit balances	40,629	7,754	1,595	798	50,776
Corporate bonds	–	–	74,904	–	74,904
Minority interest	–	–	–	1,175	1,175
Shareholders' Equity	–	–	–	351,722	351,722
Total liabilities, minority interest and shareholders' equity	139,073	81,126	84,289	353,695	658,183

24. Concentration of assets, liabilities and off-balance sheet items

The currency exposure of the balance sheet assets and liabilities is as follows -

	31 March 2003		31 March 2002	
	Assets	Liabilities	Assets	Liabilities
United Arab Emirates Dirhams	500,264	304,371	391,747	172,482
Kuwaiti Dinars	88	81	9,820	5,029
Jordanian Dinars	12,013	_	12,500	_
Egyptian Pounds75,432	17	62,368	18	
Euro	58,142	808	47,155	355
Other currencies	12,244	9	5,917	_
	658,183	305,286	529,507	177,884

United Arab Emirates Dirham position also includes the US Dollar denominated transactions because the UAE Dirham exchange rate has been fixed against the US Dollar.

25. Interest rate risk management

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group seeks to limit its exposure to such movements by managing the interest rate and maturity structure of assets and liabilities.

The Group's interest rate sensitivity position at year end, determined by the earlier of contractual re-pricing or maturity dates, was as follows:

	Up to 3 months	3-12 months	1-5 years	Non interest bearing	Total	Effective interest rate
Assets						
Cash and deposits with banks	8,862	–	–	220	9,082	0.50%
Other deposits	17,200	2,571	–	–	19,771	0.98%
Receivables and other debit balances	–	–	–	41,061	41,061	–
Trading securities	82,268	7,377	–	110,619	200,264	7.19%
Installment credits, loans and advances	42,061	108,455	42,907	–	193,423	11.56%
Investments available-for-sale	–	–	–	176,508	176,508	–
Investment in an associate	–	–	–	5,917	5,917	–
Fixed assets	–	–	–	2,523	2,523	–
Goodwill	–	–	–	9,634	9,634	–
Total Assets	150,391	118,403	42,907	346,482	658,183	
Liabilities, minority interest and shareholders' equity						
Due to banks	98,444	73,372	7,790	–	179,606	3.40%
Payables and other credit balances	10,000	4,554	–	36,222	50,776	3.13%
Corporate bonds	–	74,904	–	–	74,904	3.40%
Minority interest	–	–	–	1,175	1,175	–
Shareholders' equity	–	–	–	351,722	351,722	–
Total liabilities, minority interest and shareholders' equity	108,444	152,830	7,790	389,119	658,183	
Interest rate sensitivity gap	41,947	(34,427)	35,117	(42,637)	–	
Cumulative interest rate sensitivity gap	41,947	7,520	42,637	–	–	

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For the year ended 31 March 2003

26. Segmented information

The company accounts for its activities on the basis of the four main business segments; trading securities,investments available-for-sale, asset management and advisory services and financing activities. Net income for the year ending 31 March 2003 contributed by the company's business segments and presented by geographical region is as follows:

	Trading securities	Investments available-for-sale	Commissions and fee income	Finacing activities	Others	Total
GCC Countries	11,720	452	4,526	13,470	649	30,817
Middle East and North Africa	5,230	7,766	5,780	2,631	–	21,407
North America	1,520	249	245	–	–	2,014
Europe	853	–	–	–	–	853
Unallocated expenses	94	–	–	–	(38,141)	(38,047)
	19,417	8,467	10,551	16,101	(37,492)	17,044

The geographical segmentation of the balance sheet assets and liabilities as of 31 March 2003 is as follows:

	GCC countries	Middle East & North Africa	North America	Europe	Others	Total
Assets						
Cash and deposits with banks	8,878	15	189	–	–	9,082
Other deposit	19,771	–	–	–	–	19,771
Receivables and other debit balances	25,718	10,283	1,505	3,517	38	41,061
Trading securities	85,071	69,731	31,948	13,514	–	200,264
Installment credits, loans and advances	185,873	7,550	–	–	–	193,423
Investments available-for-sale	3,202	111,075	3,344	51,154	7,733	176,508
Investment in an associate	5,917	–	–	–	–	5,917
Fixed assets	2,523	–	–	–	–	2,523
Goodwill	9,634	–	–	–	–	9,634
Total assets	346,587	198,654	36,986	68,185	7,771	658,183
Liabilities, minority interest and shareholders' equity						
Due to banks	179,606	–	–	–	–	179,606
Payables and other credit balances	49,132	828	278	504	34	50,776
Coporate bonds	74,904	–	–	–	–	74,904
Minority interest	1,175	–	–	–	–	1,175
Shareholders' equity	351,722	–	–	–	–	351,722
Total liabilities minority interest and shareholders' equity	656,539	828	278	504	34	658,183

26. Segmented information - continued

Net income for the comparative period ending 31 March 2002 contributed by the company's business segments and presented by geographical region is as follows:

	Trading securities	Investments available-for-sale	Commissions and fee income	Finacing activities	Others	Total
GCC Countries	12,228	–	3,182	3,732	636	19,778
Middle East and North Africa	9,091	2,800	1,823	575	–	14,289
North America	(346)	2,636	377	–	–	2,667
Europe	(4,268)	249	736	–	(2,509)	(5,792)
Unallocated expenses	733	–	–	–	(30,556)	(29,823)
	17,438	5,685	6,118	4,307	(32,429)	1,119

The geographical segmentation of the balance sheet assets and liabilities as of 31 March 2002 is as follows:

	GCC countries	Middle East & North Africa	North America	Europe	Others	Total
Assets						
Cash and deposits with banks	1,661	1,145	1,968	16	–	4,790
Other deposit	17,200	–	–	–	–	17,200
Receivables and other debit balances	16,347	552	–	241	52	17,192
Trading securities	62,648	74,864	5,265	14,659	11,624	169,060
Installment credits, loans and advances	146,297	2,908	–	–	–	149,205
Investments available-for-sale	2,709	98,518	4,148	46,419	6,976	158,770
Investment in an associate	5,767	–	–	–	–	5,767
Fixed assets	2,927	–	–	–	–	2,927
Goodwill	4,596	–	–	–	–	4,596
Total assets	260,152	177,987	11,381	61,335	18,652	529,507
Liabilities, minority interest and shareholders' equity						
Due to banks	141,063	13,223	–	–	–	154,286
Payables and other credit balances	18,760	4,392	2	355	49	23,598
Coporate bonds	–	–	–	–	–	–
Minority interest	–	–	–	–	18,462	18,462
Shareholders' equity	–	–	–	–	333,161	333,161
Total liabilities, minority interest and shareholders' equity	159,823	17,615	42	355	351,672	529,507

27. Client funds under management

The Company is licensed as a financial services company regulated by the U.A.E. Central Bank (Note 1). At 31 March 2003, clients' funds were managed in a fiduciary capacity, without risk or recourse to the Company. These assets are considered as off-balance sheet items and do not constitute part of the Company's assets.

28. Financial Instruments

Financial assets of the Group include cash and cash equivalents, receivables, trading securities, installment credits, loans and advances, investments available-for-sale and investments in an associate. Financial liabilities of the Company include due to banks, payables and corporate bonds.

Fair value -

The fair values of the Company's assets and liabilities are not materially different from the carrying values as at 31 March 2003.

Interest rate risk -

Short-term borrowings are renewable over one to six months periods at variable market interest rates. Fixed income securities accrue interest at prevailing market rates.

Credit risk -

Credit risk or the risk of counterparties defaulting on payment is controlled by the application of credit approvals and monitoring procedures. Management regularly reviews the status of receivables and provision is made for any specific balances considered doubtful of recovery.

In addition, cash is placed with local and international banks with good credit ratings.

Installment credits, loans and advances include a term loan amounting to 57,850 due from a single counter party (Note 5).

Liquidity risk -

The Group's liquidity risk is managed through cash, bank deposits and short-term financial investments to cover current obligations.

Foreign exchange risk -

The Group has exposure in foreign currencies as a result of its geographically diversified operations. Foreign exchange risks are closely monitored by management.

Market risk -

The Group has exposure to market risk related to its financial assets and liabilities as a result of changes in market prices of the underlying instruments. Market risks are closely monitored by management.

29. Commitments and contingent liabilities

As at 31 March 2003, the Company had outstanding letters of guarantee of 45,571 (31 March 2002 - 43,000).

The Company has commitments of 14,229 (31 March 2002 – 18,450) to acquire financial assets under terms negotiated with third parties.

30. Prior period comparatives

Certain balances from the prior period have been reclassified to conform to the current year's presentation.



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