

SHAMIL BANK OF YEMEN AND BAHRAIN
(YEMEN SHAREHOLDING CLOSED COMPANY)
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2002

MOHAMED TAHA HAMOOD & Co.

CORRESPONDENT FOR

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SHAMIL BANK OF YEMEN AND BAHRAIN (ISLAMIC BANK) YSCC**

We have audited the accompanying balance sheet of Shamil Bank of Yemen and Bahrain (Islamic Bank) (Yemen Shareholding Closed Company) as of 31 December 2002 and the related statements of income, cash flows, changes in equity for the period then ended and the notes to the financial statements set out on page 6 to 21. These financial statements and the bank's undertaking to operate in accordance with Islamic Shar'iah rules and principles are the responsibility of the bank's management. These financial statements supersede those for the same period, on which we reported on 10 April 2003, which have been withdrawn by the management for the reasons set out in note 34. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions, International Standards on Auditing and the applicable Yemeni laws and regulations. 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 statements 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 the Shamil Bank of Yemen and Bahrain (Islamic Bank) (Yemen Shareholding Closed Company) as of 31 December 2002 and the results of its operations, its cash flows and changes in equity for the period then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, International Accounting Standards and the applicable laws and regulations.

Except for the matter mentioned in the note 29 to the financial statements, we further report to the best of our knowledge and belief that no violation of the Commercial Banking law no. 38 of 1998, nor of the Islamic Bank law no. 21 of 1996 nor of the local legislation have occurred during the financial period ended 31 December 2002 that might have had a material adverse effect on the business of the bank or on its financial position.

Mohamed Taha Hamood & Co.

Mohamed Taha Hamood & Co.

Sana'a

16 September 2003

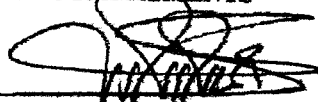
MOHAMED TAHA HAMOOD
(CERTIFIED ACCOUNTANT)
SANA'A

Shamil Bank of Yemen and Bahrain (Islamic Bank) Y.S.C.C.

BALANCE SHEET

31 December 2002

	Note	2002 YR
ASSETS		
Cash and reserve balances with Central Bank of Yemen	8	836,023,585
Balances with banks and financial institutions	9	4,932,510,143
Murabaha contracts	10	433,806,218
Investment in an associate	12	10,000,000
Receivables and other assets	13	342,154,636
Fixed assets	14	180,493,861
TOTAL ASSETS		<u>6,734,988,443</u>
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Customers' current accounts and other deposits	15	4,432,122,460
Balance due to banks and financial institutions	16	191,297,818
Payables and other liabilities	17	88,994,307
Other provisions	18	44,671,194
TOTAL LIABILITIES		<u>4,757,085,779</u>
UNRESTRICTED INVESTMENT ACCOUNTS	19	156,544,824
TOTAL LIABILITIES AND UNRESTRICTED INVESTMENT ACCOUNTS		<u>4,913,630,603</u>
EQUITY		
Share capital	20	2,000,000,000
Accumulated losses		(178,642,160)
TOTAL EQUITY		<u>1,821,357,840</u>
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		<u>6,734,988,443</u>
CONTINGENT LIABILITIES AGAINST LETTERS OF CREDIT, GUARANTEE AND OTHER COMMITMENTS		<u>6,969,071,061</u>


Mr. Ahmad Abubaker Bazar'a
Chairman


Mr. Mohamed Najeb
General Manager


Mr. Khalid Barnatraf
Finance Manager

The attached notes 1 to 34 form part of these financial statements.

Shamil Bank of Yemen and Bahrain (Islamic Bank) Y.S.C.C.

STATEMENT OF INCOME

Period ended 31 December 2002

	<i>Note</i>	<i>31 December 2002</i> <i>(Nine months)</i> <i>YR</i>
Revenue from murabaha contracts		17,221,385
Less:		
Allocated to unrestricted investment account holders	22	<u>(2,347,898)</u>
Bank share from murabaha revenue		14,873,487
Bank income from own investments	23	80,040,461
Fee and commission income	24	125,298,823
Foreign exchange gain	25	32,553,025
Other income		336,410
OPERATING INCOME		<u>253,102,206</u>
Less:		
Staff costs		64,746,200
General and administration expenses		42,485,229
Commissions and bank charges		1,910,828
Provisions	26	49,153,412
Amortisation of establishment expenses	27	229,789,067
Depreciation	14	20,899,027
OPERATING EXPENSES		<u>408,983,763</u>
NET LOSS FOR THE PERIOD		<u>(155,881,557)</u>

The attached notes 1 to 34 form part of these financial statements.

Shamil Bank of Yemen and Bahrain (Islamic Bank) Y.S.C.C.

STATEMENT OF CASH FLOWS

Period ended 31 December 2002

	<i>Note</i>	<i>31 December 2002</i> <i>(Nine months)</i> <i>YR</i>
OPERATING ACTIVITIES		
Net loss for the period		
Adjustments for:		(155,881,557)
Depreciation		20,899,027
Provisions		44,671,194
Operating loss before changes in operating assets and liabilities		<u>(90,311,336)</u>
Net (Increase) in reserves with Central Bank of Yemen		(280,566,280)
Net (Increase) in receivables and other assets		(342,154,636)
Net (Increase) in payables and other liabilities		88,994,307
Net cash (used in) operating activities		<u>(624,037,945)</u>
INVESTING ACTIVITIES		
(Increase) in murabaha contracts		(433,806,218)
(Increase) in investment in an associate		(10,000,000)
Equipment purchases and branch improvements		(201,392,888)
Net cash (used in) investing activities		<u>(645,199,106)</u>
FINANCING ACTIVITIES		
Increase in unrestricted investment accounts		156,544,824
Net increase in current accounts and other deposits		4,432,122,460
Increase in balance due to banks and financial institutions		191,297,818
Share capital		2,000,000,000
Distribution to shareholders		(22,760,603)
Net cash from financing activities		<u>6,757,204,499</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,487,967,448
Cash and cash equivalent at the beginning of the period		---
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>5,487,967,448</u>
CASH AND CASH EQUIVALENT AT END OF THE PERIOD		
Cash and balances with Central Bank of Yemen except reserve balances	8	555,457,305
Deposits with banks and financial institutions	9	4,932,510,143
Total		<u>5,487,967,448</u>

The attached notes 1 to 34 form part of these financial statements.

Shamil Bank of Yemen and Bahrain (Islamic Bank) Y.S.C.C.

STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2002

	<i>Share capital YR</i>	<i>Accumulated losses YR</i>	<i>Total (Nine months) YR</i>
Share capital introduced	2,000,000,000	---	2,000,000,000
Net loss for the period	---	(155,881,557)	(155,881,557)
Distribution to shareholders (note 29)	---	(22,760,603)	(22,760,603)
Balance at 31 December 2002	<u>2,000,000,000</u>	<u>(178,642,160)</u>	<u>1,821,357,840</u>

The attached notes 1 to 34 form part of these financial statements.

31 December 2002

1 ACTIVITIES

The bank is a Yemeni Shareholding Closed Company (Y.S.C.C.) registered in Yemen as an Islamic Bank on 17 February 2002 in accordance with Islamic Banking law No. 21 of 1996, Commercial Companies law No. 22 of 1997 and Banking law No. 38 of 1998. It is engaged in all banking, financial, commercial and investment activities, the development and contribution in the construction of industrial and economic development projects within and outside the country according to Islamic principles.

The bank operates in the Republic of Yemen through its head office and branch in Sana'a.

The bank started its activities from 26 March 2002.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, local legislation and Central Bank of Yemen guidelines.

3 SIGNIFICANT ACCOUNTING POLICIES

3-1 Foreign currencies

The bank maintains its accounting records in Yemeni Riyals and transactions in other currencies are recorded during the period on the basis of exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

3-2 Revenue recognition

Murabaha

Revenue from murabaha contracts are recorded on accrual basis where income is recognised on a time apportioned basis over the period of the contract based on the principal amount outstanding.

In accordance with Central Bank instructions the revenue from irregular murabaha contracts cease to be recorded in the income statement and when an account is dealt with on the non accrual basis all revenue relating to the previous three months relating to the irregular accounts are not reported in the income statement and are excluded from the unrestricted investment account holders and are included in payables and other liabilities as deferred revenue.

3-3 Revaluation murabaha financing contracts

During the period prior to the completion of the murabah contract the bank records the value of the assets available for sale at historical cost and at the end of each financial year a provision is made for each assets where the fair value of these asset is reduced from the carrying value. These assets are disclosed in the financial statements under the murabaha contracts heading after deducting the related provision.

Receivables relating to murabaha contracts are recorded at cost plus the profit agreed in the murabaha contract. In accordance with Central Bank of Yemen guidelines provision should be made for irregular murabaha contracts or contingent liabilities. In addition a general provision should be made against general risks calculated as a percentage of total value of murabaha contracts and other contingent liabilities after deducting balances secured by deposits or bank guarantees issued by external banks. The provision is to be computed in the light of a detailed periodical study of the balances of murabaha contracts and contingent liabilities according to the following percentages, as a minimum:

Regular receivables	1%
Irregular receivables:	
Receivables below standard	15%
Doubtful receivables	45%
Bad debts	100%

Murabaha financing contracts receivables are written off in cases where the bank collection procedures fail to recover the debt or according to the instructions of the Central Bank of Yemen based on its inspection procedures. Amounts written off are deducted from the provision account. Amount recovered from debts previously written off are credited to the provision account. The outstanding balances of murabaha financing contracts, whether short or long term are disclosed in the financial statements at net book value after the deduction of the related provision, the specific and general provision and after the deduction of the amount of deferred revenue which is outstanding on the date of financial statements.

3-4 Contingent liabilities and commitments

Contingent liabilities and commitments which the bank undertakes on behalf of its customers are disclosed under "contingent liabilities and other commitments" since these do not represent actual assets or liabilities at the balance sheet date.

3-5 Cash and cash equivalent

For the purposes of preparing the statement of cash flows cash and cash equivalent include cash, balances with the Central Bank of Yemen excluding the reserve balances and current account balances with banks.

3-6 Establishment expenses

The bank amortised fully the establishment expenses during the first financial period.

3-7 Fixed assets and depreciation

Fixed assets are recorded at historical cost after deducting accumulated depreciation and any impairment in the value of the fixed assets. These assets are depreciated using the straight-line method over the estimated useful life of each asset. The depreciation is taken to the income statement. The rate of depreciation is based upon the following estimated useful lives:

<i>Asset</i>	<i>Depreciation rate</i>
Leasehold improvements	8 years
Equipment, computers and software	5 to 33 years
Motor vehicles	5 years
Furniture and fixtures	5 to 8 years

3-8 Impairment in fixed assets value

An assessment is made at each balance sheet date to determine whether there is objective evidence that a fixed assets or group of fixed assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, recognised for the difference between the recoverable amount and the carrying amount taken to the statement of income. Where there are increases in the assets values, which were previously written down and charged to the income statement then these increases are recognised to the extent of the value of the relevant assets prior to the reduction of their book value.

3-9 Taxation

Taxation is provided for in accordance with the fiscal regulations and article no.26 of law no. 21 of 1996. The bank therefore enjoys the exemption of all taxes and charges for the specified period from the date of commencement of its operations.

3-9 Revenue and expenses not compliant with Islamic principles

Net revenue and expenses not compliant with Islamic principles are recorded in the balance sheet under the heading payables and other liabilities and are used for charities and donations.

3-10 Letters of credit and guarantee commissions

The bank records commission income from letters of credit and guarantee when earned.

3-11 Unrestricted investment account holders income

At the end of each financial period income for each deposit will be calculated by a percentage of the deposit amount to the total amount invested from net profits for the period. The bank is a mudareb and deducts its share from such profits.

4 SUPERVISION OF THE BANK

The bank activities are subject to the supervision of the Central Bank of Yemen and according to instructions and laws which regulate the banking activity in Yemen such as determining reserve ratio to be deposited with the Central Bank and the basis of the classification of debts and contingent liabilities and also the matters which relate to the Islamic banks.

5 SHARI'AH COMMITTEE

The bank activities are subject to the supervision of Shari'ah committee, which consists of three or more members who are appointed annually by the General Meeting (GM) based on the board of directors' recommendation. They should be selected from Shari'ah scholars and their responsibilities are restricted to the supervision of the bank activities to ensure that the bank operates according to the Islamic Shari'ah rules and to issue an annual report to the General Meeting (GM) of the bank to provide its opinion as to the operations of the bank.

6 ZAKAT

Zakat calculation is in accordance with the fatwa issued by the Shari'ah committee of the bank. Zakat is collected from the shareholders and is paid to the relevant government authority which will distribute it in accordance with Shari'ah. The bank commenced its operations in April 2002 and one year is not completed so zakat is not accrued at the end of the period.

7 FINANCIAL INSTRUMENTS AND RELATED RISKS MANAGEMENT

7-1 *Financial instruments*

a) Financial instruments of the bank consist of financial assets and liabilities. Financial assets include cash balances, current accounts, deposits with banks, murabaha financing transactions and related receivables. Financial liabilities include customers' current accounts, saving accounts, unrestricted investment account holders and due to banks. Also included in financial instruments are right and obligations included under contingent liabilities and commitments. Note (3) to the financial statements include the accounting policies adopted for the recording and measurement of the important financial instruments and the related revenue and expenses.

b) *Fair value of financial instruments*

According to the basis used for the revaluation of the bank assets and liabilities as specified in the notes to the financial statements, the fair value of the financial instruments are not materially different from their book values at the balance sheet date.

7-2 *Risks management related to financial instruments*

a) *Credit risk*

Murabaha financing transactions and their related receivables, current account balances, deposits with banks, rights and obligations from others are financial assets which are subject to credit risk in the form of the inability of the customers for settling part or the whole of the outstanding amounts on the due dates.

In accordance with the instruction no. 10 of 1997 issued by the Central Bank of Yemen regarding credit risks the bank is required to maintain the minimum standards to enable it to manage the credit risks.

As mentioned in article (3-3) the bank follows the Central Bank of Yemen instructions regarding the computation of provision for the murabaha receivables and applies the following procedures:

- Preparation of credit assessments for customers and determining their credit rating.
- Prior to providing any facilities obtaining adequate securities to minimise the credit risk which may arise in cases where the customers default.
- Regular follow up and study of customers with the objective of evaluation of their financial and credit position and determining the provision required for irregular facilities.
- Distribution of operations and investment to different sectors to avoid the concentration of risk.

Note (31) shows the distribution of assets, liabilities and contingent liabilities and commitment at balance sheet date.

7-3 Risks management related to financial instruments

b) Foreign exchange rate fluctuations risk

The bank deals with a number of foreign currencies, which may expose it to the risk of fluctuation of the exchange rates. For the purposes of minimising the risk, the bank attempts to balance the foreign currency positions according to the Central Bank of Yemen instruction no. 6 of 1998 whereby the excess in each currency position does not exceed 15% of the total value of capital and reserves. Also the bank ensures that the excess in the cumulative currency position of the bank does not exceed 25% of the total value of its capital and reserves.

8 CASH AND RESERVE BALANCES WITH CENTRAL BANK OF YEMEN

	2002 YR
Cash in hand	555,457,305
Reserve balances with Central Bank of Yemen	280,566,280
	<u>836,023,585</u>

9 BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	2002 YR
(i) Central bank of Yemen	
Current accounts	<u>1,159,235,131</u>
(ii) Local banks	
Current accounts	<u>3,076,212</u>
(iii) Foreign banks	
Current accounts	1,200,833,149
Deposits with Islamic banks	1,988,005,651
Portfolio investment in Islamic banks	581,360,000
	<u>3,770,198,800</u>
	<u>4,932,510,143</u>

10 MURABAHA CONTRACTS

	2002 YR
Murabaha contracts	448,221,798
Provision for murabaha contracts (note 11)	(4,482,218)
	<u>443,739,580</u>
Deferred revenues	(9,933,362)
	<u>433,806,218</u>

Shamil Bank of Yemen and Bahrain (Islamic Bank) Y.S.C.C.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2002

11 PROVISIONS FOR MURABAHA CONTRACTS

	<i>General Provision YR</i>	<i>2002 Total YR</i>
Charge for the period	4,482,218	4,482,218
Balance at the end of the period	<u>4,482,218</u>	<u>4,482,218</u>

12 INVESTMENT IN AN ASSOCIATE

	<i>2002 YR</i>
Yemen Islamic Insurance Company (Y.S.C.)	<u>10,000,000</u>

The bank owns 10% share capital of the Yemen Islamic Insurance Company (Y.S.C.) which is 10,000 shares of YR 1,000 each.

13 RECEIVABLES AND OTHER ASSETS

	<i>2002 YR</i>
Letters of credit	251,786,824
Overdrafts	47,653,444
Accrued revenue	13,228,730
Prepaid expenses	11,957,860
Stationary stock	2,130,682
Staff advances	9,542,398
Sundry debtors	5,854,698
	<u>342,154,636</u>

Shamil Bank of Yemen and Bahrain (Islamic Bank) Y.S.C.C.
NOTES TO THE FINANCIAL STATEMENTS
 31 December 2002

14 FIXED ASSETS

	<i>Leasehold Improvements</i>		<i>Equipment, computers and software</i>		<i>Motor vehicles</i>		<i>Furniture and Fixtures</i>		<i>Total</i>	
	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR
Cost:										
Additions during the period	68,142,268	94,821,561	22,144,267	16,284,792	201,392,888					
Balance at the end of the period	68,142,268	94,821,561	22,144,267	16,284,792	201,392,888					
Depreciation:										
Provided during the period	6,372,035	9,708,481	3,216,106	1,602,405	20,899,027					
Balance at the end of the period	6,372,035	9,708,481	3,216,106	1,602,405	20,899,027					
Net book value	61,770,233	85,113,080	18,928,161	14,682,387	180,493,861					

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

15 CUSTOMERS' CURRENT ACCOUNTS AND OTHER DEPOSITS

	2002 YR
Current accounts	2,041,227,950
Saving accounts	31,713,095
Margin accounts	2,359,181,415
	<u>4,432,122,460</u>

16 BALANCES DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2002 YR
Foreign banks	
Current accounts	<u>191,297,818</u>

17 PAYABLES AND OTHER LIABILITIES

	2002 YR
Due to shareholders	8,606,800
Due to employees	2,482,656
Cheques under collection	2,569,747
Accrued expenses	1,419,449
Unpaid accrued profit	494,906
Other payables	73,420,749
	<u>88,994,307</u>

18 OTHER PROVISIONS

	<i>General provision</i>	
	<i>Provided during the period</i>	<i>Balance at</i>
	YR	31 December 2002 YR
Contingent liabilities provision	42,601,006	42,601,006
Other provisions	2,070,188	2,070,188
	<u>44,671,194</u>	<u>44,671,194</u>

19 UNRESTRICTED INVESTMENT ACCOUNTS

	2002 YR
Deposits payable within one year	60,680,791
Deposits payable within six months	11,265,000
Deposits payable within three months	30,935,033
Deposits payable within one month	53,664,000
	<u>156,544,824</u>

20 SHARE CAPITAL AND RESERVES

a) SHARE CAPITAL

	<i>Authorised, issued and paid in capital</i>		
	<i>No of shares</i>	<i>Value per share YR</i>	<i>Total YR</i>
Paid in capital	<u>2,000,000</u>	<u>1,000</u>	<u>2,000,000,000</u>

b) RESERVES

In accordance with the law, 10 % of the profit for the period should be transferred to the statutory reserve, until it reaches to 100% of the value of the share capital.

There was no transfer to statutory reserve due to the loss for the period.

21 CALCULATION OF REVENUE SHARE TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

The shares of the unrestricted investment account holders and that of the bank are calculated from the net revenue generated from the investment and the different trade transactions on the basis of the contract signed between the customer and the bank at the time of opening the deposit or savings account or investment account. The average shares of the unrestricted investment accounts during the period were as follows:

	<i>YR</i>	<i>Foreign currency</i>
Deposits payable within one year	13%	3%
Deposits payable within six months	9.5%	2.5%
Deposits payable within three months	8%	2%
Deposits payable within one month	7%	1.5%
Savings accounts	6%	1%

22 ALLOCATED TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2002 YR
Income for unrestricted investment account holders	2,896,078
Less: Bank share from income of unrestricted investment accounts holders.	<u>(548,180)</u>
	<u>2,347,898</u>

23 BANK INCOME FROM OWN INVESTMENTS

	2002 YR
Income from portfolios investment	4,423,876
Income from investment deposits	<u>75,616,585</u>
	<u>80,040,461</u>

24 FEES AND COMMISSION INCOME

	2002 YR
Commission from letters of credit	61,514,915
Commission from letters of guarantee	57,399,769
Commission from cash transfers	2,746,802
Commission from cheques collection	421,452
Bank service fees	3,170,285
Commission from sold cheques and certified cheques	<u>45,600</u>
	<u>125,298,823</u>

25 FOREIGN EXCHANGE GAIN

	2002 YR
Gain from trading in foreign currencies	7,884,423
Gain from revaluation of foreign currency balances	<u>24,668,602</u>
	<u>32,553,025</u>

26 PROVISIONS

	2002 YR
Provision for murabaha contracts	4,482,218
Provision for contingent liabilities	42,601,006
Other provisions	<u>2,070,188</u>
	<u>49,153,412</u>

27 ESTABLISHMENT EXPENSES

	2002 YR
Pre-operating expenses	229,789,067
Amortisation during the period	<u>(229,789,067)</u>
Net book values as at 31 December 2002	<u>---</u>

The bank amortised fully the establishment expenses during the first financial period.

28 REVUNUE NON COMPLIANT WITH ISLAMIC PRINCIPLES

During this period the bank received interest income of YR 944,633 for its statutory reserve balances held with the Central Bank of Yemen. The bank spent YR 424,270 to purchase books and for donations and the remaining balance YR 520,363 as of 31 December 2002 was included in "payables and other liabilities".

29 DISTRIBUTION TO SHAREHOLDERS

Income from investment deposits includes an amount of YR 22,760,603 earned during the establishment period and which was distributed to shareholders during the period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

30 MATURITY OF ASSETS AND LIABILITIES

	<i>Maturity within three months</i>		<i>Maturity within six months</i>		<i>Maturity within nine months</i>		<i>Maturity within one year</i>		<i>Maturity more than one year</i>		<i>2002 Total</i>
	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR	
A) Assets											
Balances with banks and financial institutions	4,843,070,143		89,440,000		---		---		---		4,932,510,143
Murabaha contracts	197,512,473		106,143,204		58,238,267		23,049,094		63,278,760		448,221,798
	<u>5,040,582,616</u>		<u>195,583,204</u>		<u>58,238,267</u>		<u>23,049,094</u>		<u>63,278,760</u>		<u>5,380,731,941</u>
B) Liabilities											
Customers current and saving accounts	2,049,156,223		7,928,274		7,928,274		7,928,274		---		2,072,941,045
Balances due to banks and financial institutions	191,297,818		---		---		---		---		191,297,818
Unrestricted investment accounts	91,093,153		6,600,800		5,992,480		52,858,391		---		156,544,824
	<u>2,331,547,194</u>		<u>14,529,074</u>		<u>13,920,754</u>		<u>60,786,665</u>		<u>---</u>		<u>2,420,783,687</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

31 DISTRIBUTION OF ASSETS, CONTINGENT AND OTHER LIABILITIES

<i>Details</i>	<i>Industrial</i>		<i>Agricultural and fishing</i>		<i>Commercial</i>		<i>Services</i>		<i>Financial</i>		<i>Undistributed</i>		<i>2002 Total</i>	
	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR	YR
First: Assets														
Balances with banks	---	---	---	---	---	---	---	---	4,932,510,143	---	---	---	---	4,932,510,143
Murabaha contracts	153,006,142	---	---	---	94,377,227	---	39,925,213	---	---	---	160,913,216	---	---	448,221,798
Second: Liabilities														
Current and savings accounts	1,614,502	---	835,240	---	1,293,128,442	---	---	---	10,193,990	---	767,168,871	---	---	2,072,941,045
Balances due to banks	---	---	---	---	---	---	---	---	191,297,818	---	---	---	---	191,297,818
Unrestricted investment accounts	---	---	35,776,000	---	---	---	---	---	---	---	120,768,824	---	---	156,544,824
Third: Contingent Liabilities														
Letters of credit	6,222,847	---	---	---	665,093,480	---	---	---	6,995,748	---	3,312,924,385	---	---	3,991,236,460
Letters of guarantee	10,625,864	---	---	---	177,025,864	---	23,344,119	---	---	---	2,356,536,735	---	---	2,567,532,582

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

32 CURRENCY POSITIONS

According to the Central Bank of Yemen instruction no. 6 of 1998 the bank imposes limits for each currency position in addition to imposing a limit to the accumulated currency position. Surplus in each currency position should not exceed 15 % of the total value of the capital and reserves of the bank. Surplus for the accumulated currency position should not exceed 25 % of the total value of the share capital and reserves of the bank.

The bank had the following significant net exposure denominated in foreign currency:

	2002 Surplus (Deficit) YR	Percentage of bank share capital and reserves
US dollar	294,800,000	14.74%
Pound Sterling	(2,456,000)	(0.12%)
Euro	(140,771,000)	(7.04%)
Emirate Dirham	(6,765,000)	(0.34%)
Japanese Yen	75,970,000	3.80%
Saudi Riyal	(2,456,000)	(0.12%)
Total:	<u>218,322,000</u>	<u>10,92%</u>

33 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, directors, management and companies of which they are principal owners. The bank enters into transactions with related parties in the ordinary course of business at commercial rates in accordance with the instruction no 4 of 1999 issued by the Central Bank of Yemen, which imposed limits for the transactions with the related parties, which the bank complies with when dealing with related parties.

The balances and major transactions with the related parties included in the financial statements are as follows:

	2002 YR
Murabaha contracts	<u>222,738,277</u>
Overdrafts	<u>46,582,844</u>
Current and saving accounts	<u>1,237,075,346</u>
Payables and other liabilities	<u>180,354,494</u>
Unrestricted investment accounts	<u>35,776,000</u>
Contingent liabilities	<u>1,677,223,629</u>
Revenue from murabaha contracts	<u>3,765,242</u>
Revenue from letters of guarantee and credit	<u>13,965,157</u>
Bank commissions and fees	<u>5,990,861</u>

34 POST BALANCE SHEET EVENT

On 15 September 2003, the bank provided the supporting documents for the establishment expenses, general and administration expenses and fixed assets for YR 183,366,732 YR 13,401,602 and YR 98,520,749 respectively which we qualified previously in our audit report dated 10 April 2003.