

**Kuwait Privatisation Project Company  
K.S.C. (Closed)**

**FINANCIAL STATEMENTS  
31 DECEMBER 2002**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
KUWAIT PRIVATISATION PROJECT COMPANY K.S.C. (CLOSED)**

We have audited the accompanying balance sheet of Kuwait Privatisation Project Company K.S.C. (Closed) as of 31 December 2002, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 the company as of 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Furthermore, in our opinion proper books of account have been kept by the company and the financial statements, together with the contents of the report of the board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2002 that might have had a material effect on the business of the company or on its financial position.

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WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
OF ERNST & YOUNG

31 May 2003

Kuwait

## Kuwait Privatisation Project Company K.S.C. (Closed)

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### INCOME STATEMENT

Year ended 31 December 2002

	<i>2002</i> <i>KD</i>	<i>2001</i> <i>KD</i>
General and administration expenses	<u>(15,656)</u>	<u>(9,281)</u>
<b>LOSS FROM OPERATIONS</b>	<b>(15,656)</b>	<b>(9,281)</b>
Profit from murabaha deals	<b>60,222</b>	40,601
Interest income	<b>5,879</b>	-
Contribution to Kuwait Foundation for the Advancement of Sciences	<b>(454)</b>	(564)
Directors' remuneration	-	<u>(8,000)</u>
<b>NET PROFIT FOR THE YEAR</b>	<b><u>49,991</u></b>	<b><u>22,756</u></b>

The attached notes 1 to 7 form part of these financial statements.

# Kuwait Privatisation Project Company K.S.C. (Closed)

## BALANCE SHEET

At 31 December 2002

	<i>Notes</i>	<b>2002 KD</b>	<b>2001 KD</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment		<b>1</b>	1
Available for sale investments		<b>9,032,800</b>	-
		<b>9,032,801</b>	1
<b>Current assets</b>			
Cash and cash equivalents	4	<b>1,388,849</b>	1,131,945
<b>TOTAL ASSETS</b>		<b>10,421,650</b>	1,131,946
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	5	<b>10,000,000</b>	1,000,000
Statutory reserve	6	<b>19,617</b>	14,572
General reserve	6	<b>19,617</b>	14,572
Cumulative changes in fair values		<b>245,101</b>	-
Retained earnings		<b>131,020</b>	91,119
<b>Total equity</b>		<b>10,415,355</b>	1,120,263
<b>Non current liabilities</b>			
Employees' end of service benefits		<b>4,176</b>	1,819
<b>Current liabilities</b>			
Accounts payable	7	<b>2,119</b>	9,864
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,421,650</b>	1,131,946

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Waleed Abdul Rahman Al-Huwail  
Chairman and Managing Director

The attached notes 1 to 7 form part of these financial statements.

# Kuwait Privatisation Project Company K.S.C. (Closed)

## STATEMENT OF CASH FLOWS

Year ended 31 December 2002

	<i>Note</i>	<b>2002</b> <b>KD</b>	<b>2001</b> <b>KD</b>
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		<b>49,991</b>	22,756
Adjustments for:			
Provision for employees' end of service benefits		<b>2,357</b>	439
Profit from murabaha deals		<b>(60,222)</b>	(40,601)
Interest income		<b>(5,879)</b>	-
		<hr/>	<hr/>
Operating loss before working capital changes		<b>(13,753)</b>	(17,406)
Receivables		-	800
Payables		<b>(7,745)</b>	8,160
		<hr/>	<hr/>
Net cash used in operating activities		<b>(21,498)</b>	(8,446)
		<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>			
Profit from murabaha deals received		<b>60,222</b>	40,601
Purchase of available-for-sale investments		<b>(8,787,699)</b>	-
Interest income received		<b>5,879</b>	-
		<hr/>	<hr/>
Net cash from investing activities		<b>(8,721,598)</b>	40,601
		<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>			
Increase in share capital		<b>9,000,000</b>	-
		<hr/>	<hr/>
Net cash from financing activities		<b>9,000,000</b>	-
		<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>256,904</b>	32,155
Cash and cash equivalents at beginning of the year		<b>1,131,945</b>	1,099,790
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	4	<b>1,388,849</b>	1,131,945
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The attached notes 1 to 7 form part of these financial statements.

## Kuwait Privatisation Project Company K.S.C. (Closed)

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2002

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>General reserve KD</i>	<i>Cumulative changes in fair values KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
At 31 December 2000	1,000,000	11,440	11,440	-	74,627	1,097,507
Movement during 2001:						
Net profit for the year	-	-	-	-	22,756	22,756
Transfer for the year	-	3,132	3,132	-	(6,264)	-
At 31 December 2001	1,000,000	14,572	14,572	-	91,119	1,120,263
Movement during 2002:						
Issue of share capital	9,000,000	-	-	-	-	9,000,000
Net profit for the year	-	-	-	-	49,991	49,991
Transfer for the year	-	5,045	5,045	-	(10,090)	-
Net unrealised gains on available for sale investments	-	-	-	245,101	-	245,101
At 31 December 2002	<b>10,000,000</b>	<b>19,617</b>	<b>19,617</b>	<b>245,101</b>	<b>131,020</b>	<b>10,415,355</b>

The attached notes 1 to 7 form part of these financial statements.

# Kuwait Privatisation Project Company K.S.C. (Closed)

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

### 1 ACTIVITIES

The financial statements for the year ended 31 December 2002 of Kuwait Privatisation Project Company K.S.C. (Closed) were authorised for issue in accordance with a resolution of the board of directors on 31 May 2003.

Kuwait Privatisation Project Company K.S.C. (Closed) is a Kuwaiti closed shareholding company registered in Kuwait on 10 October 1994 and is a subsidiary of National Industries Group (Holding) K.S.C. It is licensed to engage in providing financial, administrative and technical consulting services relating to investment and privatisation projects. All activities of the company are required to be carried out in compliance with the Noble Islamic Sharee'a. The company is currently inactive.

The company's registered office is located in Al Qibla – Area 2, Block 4, P.O. Box 4323, Safat 13104, Kuwait.

The number of employees at 31 December 2002 was 3 (2001: 3).

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of Ministerial Order No. 18 of 1990.

The financial statements have been presented in Kuwaiti Dinars.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

The accounting policies are consistent with those used in the previous year.

The significant accounting policies adopted are as follows:

#### **Revenue recognition**

Dividend revenue is recognised when the right to receive the dividend is established.

#### **Furniture and equipment and depreciation**

Furniture and equipment are recorded at cost. Depreciation is provided on all items of furniture and equipment at rates calculated to write off the cost of each asset over its expected useful life. Expected future cash flows are not discounted to their present values in determining the recoverable amount of items of furniture and equipment.

#### **Available for sale investments**

After initial recognition, investments are classified as "available for sale," and are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the period.

#### **Accounts receivable**

Services rendered on credit are included in "Accounts receivable" at the balance due, net of provision for amounts estimated to be uncollectible.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of bank balances and cash and cash balances held with portfolio manager.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Murabaha deals**

Murabaha deals represent short-term international murabaha deals in local currency and U.S. Dollars, managed by Kuwait Finance House K.S.C., on behalf of the company. These deals are secured by irrevocable letters of guarantee issued by the financial institutions concerned. Murabaha deals are stated on the balance sheet at the balance due on maturity, net of its related deferred profit.

### **Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

### **Accounts payable**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate 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.

### **Financial instruments**

Financial instruments include on balance sheet items. On-balance sheet financial instruments include receivable, cash and cash equivalents and accounts payable.

## 3 FAIR VALUES

The fair values of the company's accounts receivable, accounts payable and cash and cash equivalents approximate the respective book values.

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

## 4 CASH AND CASH EQUIVALENTS

	<i>2002</i> <i>KD</i>	<i>2001</i> <i>KD</i>
Bank balances	<u>1,388,849</u>	<u>129,168</u>
Murabaha deals, at gross	-	1,004,579
Less: deferred profit	-	(1,802)
Murabaha deals, at net	<u>-</u>	<u>1,002,777</u>
	<u><u>1,388,849</u></u>	<u><u>1,131,945</u></u>

Bank balances are held in local currency and U.S. Dollars in current and saving accounts with Kuwait Finance House K.S.C. and cash balance available with Kuwait Financial Centre S.A.K. (Closed).

The company has no significant exposure to credit, currency and profit rate risks.

## 5 SHARE CAPITAL

The Extra Ordinary General Assembly of the shareholders of the company held on 26 November 1997 approved the increase of authorised share capital from KD 1 million to KD 20 million which was not yet fully paid upto 31 December 2002 paid. The additional 190,000,000 shares will be subscribed for at a price of 100 fils each. The legal formalities in respect of the increase in the share capital were completed on 10 June 2000.

During the year 2002, 90,000,000 shares of KD 9,000,000 were issued for cash at 100 fils per share.

On 31 December 2002, the total issued and fully paid -up capital was 100,000,000 (2001: 10,000,000) shares of 100 fils (2001: 100 fils) each.

## 6 RESERVES

In accordance with the Commercial Companies Law and the company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences and Directors' remuneration has been transferred to statutory reserve.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

In accordance with the company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences and Directors' remuneration has been transferred to general reserve.

## 7 ACCOUNTS PAYABLE

	<i>2002</i> <i>KD</i>	<i>2001</i> <i>KD</i>
Other payables	<b>1,665</b>	1,300
Kuwait Foundation for the Advancement of Sciences	<b>454</b>	564
Directors' remuneration	-	8,000
	<hr/> <b>2,119</b> <hr/>	<hr/> 9,864 <hr/>