

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

**FINANCIAL STATEMENTS  
31 DECEMBER 2003**

**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 2003, 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 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting 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 2003 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

15 March 2004

Kuwait

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

### INCOME STATEMENT

Year ended 31 December 2003

	<i>Note</i>	<b>2003</b> <b>KD</b>	<b>2002</b> <b>KD</b>
General and administration expenses	3	<b>(190,109)</b>	(15,656)
<b>LOSS FROM OPERATIONS</b>		<b>(190,109)</b>	(15,656)
Profit from murabaha deals		<b>12</b>	60,222
Interest income		<b>18,863</b>	5,879
Dividend income		<b>426,455</b>	-
Gain on sale of available for sale investments		<b>1,049,817</b>	-
Revaluation gain on held for trading investments		<b>711,820</b>	-
Other income		<b>1,094</b>	-
Contribution to Kuwait Foundation for the Advancement of Sciences		<b>(18,162)</b>	(454)
<b>NET PROFIT FOR THE YEAR</b>		<b>1,999,790</b>	49,991

The attached notes 1 to 12 form part of these financial statements.

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

## BALANCE SHEET

At 31 December 2003

	<i>Notes</i>	<b>2003 KD</b>	<b>2002 KD</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment		<b>1</b>	<b>1</b>
Available for sale investments	4	<b>28,903,844</b>	9,032,800
		<b>28,903,845</b>	9,032,801
<b>Current assets</b>			
Cash and cash equivalents	5	<b>105,190</b>	1,388,849
Held for trading investments	6	<b>3,209,947</b>	-
Accounts receivable and prepayment		<b>8,750</b>	-
		<b>3,323,887</b>	1,388,849
<b>TOTAL ASSETS</b>		<b>32,227,732</b>	10,421,650
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	7	<b>20,000,000</b>	10,000,000
Statutory reserve	8	<b>221,412</b>	19,617
General reserve	8	<b>221,412</b>	19,617
Cumulative changes in fair values		<b>4,833,095</b>	245,101
Retained earnings		<b>1,727,220</b>	131,020
<b>Total equity</b>		<b>27,003,139</b>	10,415,355
<b>Non current liabilities</b>			
Employees' end of service benefits		<b>8,160</b>	4,176
<b>Current liabilities</b>			
Accounts payable and accruals	9	<b>5,216,433</b>	2,119
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,227,732</b>	10,421,650

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Mohammad Saud Al Osaimi  
Deputy Chairman

The attached notes 1 to 12 form part of these financial statements.

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

## STATEMENT OF CASH FLOWS

Year ended 31 December 2003

	<i>Note</i>	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		<b>1,999,790</b>	49,991
Adjustments for:			
Provision for employees' end of service benefits		<b>4,846</b>	2,357
Profit from murabaha deals		<b>(12)</b>	(60,222)
Interest income		<b>(18,863)</b>	(5,879)
Dividend income		<b>(426,455)</b>	-
Gain on sale of available for sale investments		<b>(1,049,817)</b>	-
Revaluation gain on held for trading investments		<b>(711,820)</b>	-
Operating loss before working capital changes:		<b>(202,331)</b>	(13,753)
Held for trading investments		<b>(2,498,127)</b>	-
Receivables		<b>(8,750)</b>	-
Payables		<b>5,214,314</b>	(7,745)
Cash from (used in) operations		<b>2,505,106</b>	(21,498)
Employees' end of service benefits paid		<b>(862)</b>	-
Net cash from (used in) operating activities		<b>2,504,244</b>	(21,498)
<b>INVESTING ACTIVITIES</b>			
Profit from murabaha deals received		<b>12</b>	60,222
Purchase of available for sale investments		<b>(21,006,722)</b>	(8,787,699)
Interest income received		<b>18,863</b>	5,879
Dividend income received		<b>426,455</b>	-
Proceeds from sale of available for sale investments		<b>6,773,489</b>	-
Net cash used in investing activities		<b>(13,787,903)</b>	(8,721,598)
<b>FINANCING ACTIVITIES</b>			
Increase in share capital		<b>10,000,000</b>	9,000,000
Net cash from financing activities		<b>10,000,000</b>	9,000,000
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(1,283,659)</b>	256,904
Cash and cash equivalents at beginning of the year		<b>1,388,849</b>	1,131,945
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>5</b>	<b>105,190</b>	1,388,849

The attached notes 1 to 12 form part of these financial statements.

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

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2003

	<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 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)	-
Unrealised gains on available for sale investments	-	-	-	245,101	-	245,101
At 31 December 2002	10,000,000	19,617	19,617	245,101	131,020	10,415,355
Movement during 2003:						
Issue of share capital	10,000,000	-	-	-	-	10,000,000
Net profit for the year	-	-	-	-	1,999,790	1,999,790
Transfer for the year	-	201,795	201,795	-	(403,590)	-
Realised gains on available for sale investments	-	-	-	(987,840)	-	(987,840)
Unrealised gains on available for sale investments	-	-	-	5,575,834	-	5,575,834
At 31 December 2003	<b>20,000,000</b>	<b>221,412</b>	<b>221,412</b>	<b>4,833,095</b>	<b>1,727,220</b>	<b>27,003,139</b>

The attached notes 1 to 12 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 2003

### 1 ACTIVITIES

The financial statements for the year ended 31 December 2003 of Kuwait Privatisation Project Company K.S.C. (Closed) were authorised for issue in accordance with a resolution of the board of directors on 15 March 2004.

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. (the parent company). 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 2003 was 4 (2002: 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 held for trading and 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.

Interest revenue is recognized on earned basis.

#### **Furniture and equipment**

Furniture and equipment is stated at cost, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

- Furniture 5 years
- Equipment 4 years

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

#### **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.

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Held for trading investments**

A financial asset or liability held for trading is one that is acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. It is recognised when the Company becomes a party to the contractual provisions of the instrument. After initial recognition it is measured at fair value. Gains and losses are included in net profit or loss for the period in which it arises.

### **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 cash in hand, bank balances and cash balances held with portfolio manager.

### **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.

### **Employees' end of service benefits**

The company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

### **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 income statement.

### **Trade and settlement date accounting**

All "regular way" purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### **Financial instruments**

Financial instruments on-balance sheet items, which includes cash and cash equivalents, accounts receivable, available for sale investments, held for trading investments and accounts payable.

### **Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

### **Fair values**

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

### 3 GENERAL AND ADMINISTRATION EXPENSES

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Salaries and wages	<b>20,131</b>	7,435
Employees' end of service benefits	<b>4,846</b>	2,861
Charges for services provided	<b>100,000</b>	-
Other general and administration expense	<b>65,132</b>	5,360
	<b><u>190,109</u></b>	<b><u>15,656</u></b>

Charges for services provided represent payment for support services rendered by the parent company.

### 4 AVAILABLE FOR SALE INVESTMENTS

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Quoted securities	<b><u>28,903,844</u></b>	<b><u>9,032,800</u></b>

Available for sale investments are managed on behalf of the company by a Kuwaiti financial institution.

### 5 CASH AND CASH EQUIVALENTS

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Cash in hand	<b>1,149</b>	-
Bank balances	<b><u>104,041</u></b>	<b><u>1,388,849</u></b>
	<b><u>105,190</u></b>	<b><u>1,388,849</u></b>

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

### 6 HELD FOR TRADING INVESTMENTS

These represent investment in a local equity fund managed by a Kuwaiti financial institution.

### 7 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 has been fully paid upto 31 December 2003. The legal formalities in respect of the increase in the share capital were completed on 10 June 2000.

During the year 2003, 100,000,000 shares of KD 10,000,000 were issued for cash at 100 fils per share.

On 31 December 2003, the total authorized, issued and fully paid up capital was 200,000,000 (2002: 100,000,000) shares of 100 fils (2002: 100 fils) each.

## 8 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.

## 9 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2003</i> <i>KD</i>	<i>2002</i> <i>KD</i>
Amounts due to related parties	<b>5,196,406</b>	-
Other payables	<b>1,366</b>	515
Kuwait Foundation for the Advancement of Sciences	<b>18,161</b>	454
Accrued expenses	<b>500</b>	1,150
	<b><u>5,216,433</u></b>	<b><u>2,119</u></b>

## 10 RELATED PARTY TRANSACTIONS

These represent transactions with parent company and entities affiliated with it. Pricing policies and terms of these transactions are approved by the company's management.

Charges for services provided are disclosed in Note 4 and amounts due to related parties are disclosed in Note 8.

At 31 December 2003, the company invested KD 5,559,300 in the parent company's equity securities.

## 11 FINANCIAL INSTRUMENTS

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

## 12 RISK MANAGEMENT

### Interest rate risk

The company is exposed to interest rate risk on its bank balances, however, the interest rate risk is limited due to the short-term nature of these assets.

### Credit risk

The company's assets are with reputable financial institutions thereby limiting its credit exposure.

### Liquidity risk

As the company's assets are funded from its capital and the assets are invested in short term maturities, it is not exposed to any liquidity risk.

### Currency risk

The company's assets are denominated in Kuwaiti Dinars hence it is not exposed to any significant currency risk.