

Kuwait Privatisation Project Holding Company K.S.C. (Closed)
(Formerly Kuwait Privatisation Project Company K.S.C. (Closed))

FINANCIAL STATEMENTS

31 DECEMBER 2004

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

We have audited the accompanying balance sheet of Kuwait Privatisation Project Holding Company K.S.C. (Closed) [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)] as of 31 December 2004, 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 2004, 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 2004 that might have had a material effect on the business of the company or on its financial position.

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

31 January 2005

Kuwait

Kuwait Privatisation Project Holding Company K.S.C. (Closed)
 [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)]

INCOME STATEMENT

Year ended 31 December 2004

	<i>Note</i>	2004 KD	2003 KD
OPERATING INCOME			
Profit from murabaha deals		2,989	12
Interest income		3,049	18,863
Dividend income		1,110,975	426,455
Gain on sale of available for sale investments		775,455	1,049,817
Revaluation gain on held for trading investments		309,344	711,820
Share of results of associated company		59,623	-
		2,261,435	2,206,967
OPERATING EXPENSES			
General and administration	3	(97,167)	(161,486)
Portfolio management fees		(34,674)	(28,623)
Interest expense		(90,411)	-
PROFIT FROM OPERATIONS		2,039,183	2,016,858
Other income		68	1,094
Contribution to Kuwait Foundation for the Advancement of Sciences		(18,353)	(18,162)
NET PROFIT FOR THE YEAR		2,020,898	1,999,790
EARNINGS PER SHARE	4	10.1 Fils	13.5 Fils

The attached notes 1 to 17 form part of these financial statements.

Kuwait Privatisation Project Holding Company K.S.C. (Closed)
 [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)]

BALANCE SHEET

At 31 December 2004

	<i>Notes</i>	2004 KD	2003 KD
ASSETS			
Non-current assets			
Furniture and equipment		1	1
Available for sale investments	5	25,787,221	28,903,844
Investment in associated company	6	3,086,180	-
		28,873,402	28,903,845
Current assets			
Cash and bank balances	7	29,742	105,190
Held for trading investments	8	3,519,291	3,209,947
Accounts receivable and prepayments		7,870	8,750
		3,556,903	3,323,887
TOTAL ASSETS		32,430,305	32,227,732
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	20,000,000	20,000,000
Statutory reserve	10	425,337	221,412
General reserve	10	425,337	221,412
Cumulative changes in fair values		5,535,943	4,833,095
Retained earnings		3,340,268	1,727,220
Total equity		29,726,885	27,003,139
Non current liabilities			
Employees' end of service benefits		20,674	8,160
Current liabilities			
Short term loan	11	300,000	-
Bank overdraft	7	1,022,134	-
Accounts payable and accruals	12	1,360,612	5,216,433
		2,682,746	5,216,433
TOTAL EQUITY AND LIABILITIES		32,430,305	32,227,732

Manaf Abudel Alaziz Al Hajeri
 Chairman and Managing Director

The attached notes 1 to 17 form part of these financial statements.

Kuwait Privatisation Project Holding Company K.S.C. (Closed)
 [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)]

STATEMENT OF CASH FLOWS

Year ended 31 December 2004

	<i>Note</i>	2004 KD	2003 KD
OPERATING ACTIVITIES			
Net profit for the year		2,020,898	1,999,790
Adjustments for:			
Provision for employees' end of service benefits		12,514	4,846
Profit from murabaha deals		(2,989)	(12)
Interest income		(3,049)	(18,863)
Dividend income		(1,110,975)	(426,455)
Gain on sale of available for sale investments		(775,455)	(1,049,817)
Revaluation gain on held for trading investments		(309,344)	(711,820)
Share of results of associated company		(59,623)	-
Interest expense		90,411	-
Operating loss before working capital changes:		(137,612)	(202,331)
Held for trading investments		-	(2,498,127)
Receivables		880	(8,750)
Payables		(3,875,924)	5,214,314
Cash (used in) from operations		(4,012,656)	2,505,106
Employees' end of service benefits paid		-	(862)
Interest paid		(70,308)	-
Net cash (used in) from operating activities		(4,082,964)	2,504,244
INVESTING ACTIVITIES			
Profit from murabaha deals received		2,989	12
Purchase of available for sale investments		(8,040,381)	(21,006,722)
Purchase of investment in associated company		(3,026,557)	-
Interest received		3,049	18,863
Dividend received		1,110,975	426,455
Proceeds from sale of available for sale investments		12,635,307	6,773,489
Net cash from (used in) investing activities		2,685,382	(13,787,903)
FINANCING ACTIVITIES			
Short term loan taken		300,000	-
Increase in share capital		-	10,000,000
Net cash from financing activities		300,000	10,000,000
DECREASE IN CASH AND CASH EQUIVALENTS		(1,097,582)	(1,283,659)
Cash and cash equivalents at beginning of the year		105,190	1,388,849
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	(992,392)	105,190

The attached notes 1 to 17 form part of these financial statements.

Kuwait Privatisation Project Holding Company K.S.C. (Closed)
 [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)]

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2004

	<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 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	20,000,000	221,412	221,412	4,833,095	1,727,220	27,003,139
Movement during 2004:						
Net profit for the year	-	-	-	-	2,020,898	2,020,898
Transfer for the year	-	203,925	203,925	-	(407,850)	-
Realised gains on available for sale investments	-	-	-	(1,100,070)	-	(1,100,070)
Unrealised gains on available for sale investments	-	-	-	1,802,918	-	1,802,918
At 31 December 2004	20,000,000	425,337	425,337	5,535,943	3,340,268	29,726,885

The attached notes 1 to 17 form part of these financial statements.

Kuwait Privatisation Project Holding Company K.S.C. (Closed)
[Formerly Kuwait Privatisation Project Company K.S.C. (Closed)]

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

1 ACTIVITIES

The financial statements for the period ended 31 December 2004 of Kuwait Privatisation Project Holding Company K.S.C. (Closed) [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)] were authorised for issue in accordance with a resolution of the board of directors on 31 January 2005.

Kuwait Privatisation Project Holding Company K.S.C. (Closed) [Formerly Kuwait Privatisation Project Company K.S.C. (Closed)] is a Kuwaiti shareholding company registered in Kuwait on 10 October 1994. It is licensed to engage in providing financial, administrative and technical consulting services relating to investment and privatisation projects.

At the extra ordinary general meeting held on 30 October 2004, the shareholders of Kuwait Privatisation Project Company K.S.C. (Closed) (the company) passed a resolution whereby clause number 2 of the company's Articles of Association was amended to change its name to Kuwait Privatisation Project Holding Company K.S.C. (Closed). An amendment has also been made in clause number 1 of the company's Articles of Association whereby the company's scope of operations has been amended to include owning local and foreign companies, making investments in real estate, holding patents and copyrights and advancing of loan facility to the associated companies.

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 2004 was 4 (2003: 4).

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 company has early adopted International Accounting Standard 28 "Investment in Associates" and International Financial Reporting Standard (IFRS) 3 "Business Combinations" for the year ended 31 December 2004.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment (continued)

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.

Investment in associated company

The company's investment in associated company is accounted for under the equity method of accounting. These are entities in which the company has between 20% to 50% of the voting power or over which it exercises significant influence. Investment in associated company is carried in the balance sheet at cost, plus post-acquisition changes in the company's share of net assets of the associated company, less any impairment in value. The income statement reflects the company's share of the results of the associated company.

Unrealised profits and losses resulting from transactions between the company and its associated company are eliminated to the extent of the company's interest in the associated company.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Accounts receivable

Accounts receivable are stated net of provisions for amounts estimated to be non-collectible. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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>2004</i> <i>KD</i>	<i>2003</i> <i>KD</i>
Salaries and wages	50,722	20,131
Employees' end of service benefits	10,269	4,846
Charges for services provided	-	100,000
Other general and administration expense	36,176	36,509
	<u>97,167</u>	<u>161,486</u>

4 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	<i>2004</i> <i>KD</i>	<i>2003</i> <i>KD</i>
Net profit for the year	2,020,898	1,999,790
Weighted average number of shares outstanding during the year	200,000,000	147,916,667
Earnings per share	<u>10.1 Fils</u>	<u>13.5 Fils</u>

5 AVAILABLE FOR SALE INVESTMENTS

	<i>2004</i> <i>KD</i>	<i>2003</i> <i>KD</i>
Quoted securities	25,787,221	28,903,844

Available for sale investments are managed on behalf of the company by a Kuwaiti financial institution, a related party (Note 13) and include KD 4,900,500 investment in the same related party. Portfolio management fees of KD 34,674 (2003: KD 28,623) have been charged by the related party during the year.

6 INVESTMENT IN ASSOCIATED COMPANY

<i>Name of company</i>	<i>Interest in equity %</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Kuwait Building Materials Manufacturing Company K.S.C. (Closed)	36.23	Kuwait	Production of building material.

The movement in the investment is as follows:

	<i>KD</i>
Cost of the business combination	3,026,557
Share of income of associated company	59,623
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Carrying value of the investment at the end of the period	3,086,180
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Goodwill included in the carrying value of the associated company is as follows:	
Cost of the business combination	3,026,557
Net fair value of associated company's identifiable assets And liabilities	1,433,402
	<hr/>
Goodwill	1,593,155
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7 CASH AND CASH EQUIVALENTS

	<i>2004</i>	<i>2003</i>
	<i>KD</i>	<i>KD</i>
Cash in hand	204	1,149
Bank balances	29,538	104,041
Bank overdraft	(1,022,134)	-
	<hr/>	<hr/>
	(992,392)	105,190
	<hr/> <hr/>	<hr/> <hr/>

Bank balances are held in local currency and U.S. Dollars in current and saving accounts with various banks.

Bank overdraft represents an unsecured overdraft facility obtained by the company from National Bank of Kuwait and carries interest at the rate of 1.5% per annum over Central Bank of Kuwait discount rate.

8 HELD FOR TRADING INVESTMENTS

These represent investment in a local equity fund managed by a Kuwaiti financial institution, a related party (Note 13).

9 SHARE CAPITAL

The total authorised, issued and fully paid up capital is 200,000,000 (2003: 200,000,000) shares of 100 fils (2003: 100 fils) each.

10 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.

11 SHORT TERM LOAN

This represents a short term unsecured loan obtained by the company from National Bank of Kuwait. The loan is repayable on 16 July 2005 and carries interest at the rate of 1% per annum over KIBOR.

12 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2004</i> <i>KD</i>	<i>2003</i> <i>KD</i>
Amounts due to related parties (Note 13)	1,320,523	5,196,406
Other payables	-	1,366
Kuwait Foundation for the Advancement of Sciences	18,353	18,161
Accrued expenses	21,736	500
	<u>1,360,612</u>	<u>5,216,433</u>

Included in amounts due to related parties is a margin loan of KD 1,209,910 which carries interest at the rate of 1.5% per annum over Central Bank of Kuwait discount rate. Interest of KD 90,411 has been charged during the year.

13 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders and senior management of the company, and entities affiliated with them. Pricing policies and terms of these transactions are approved by the company's management.

Amounts due to related parties are disclosed in Note 12.

Certain transactions with related parties are disclosed in Notes 5, 8 and 12.

14 PROPOSED BONUS ISSUE

The Board of Directors has proposed an issue of bonus shares of 5 fils per share totalling KD 1,000,000 which is subject to the approval of the shareholders at the Annual General Meeting.

15 RISK MANAGEMENT

Interest rate risk

The company is exposed to interest rate risk on its bank balances, bank overdrafts, short term loan and margin loan, 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

The company limits its liquidity risk by ensuring bank facilities are available.

Currency risk

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

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, short term loan, payables, and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values.

17 COMPARATIVE AMOUNTS

The corresponding figures for 2003 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

The presentation of the income statement for the year ended 31 December 2003 has been changed in accordance with the amendment of the company's activities (Note 1).