

INCOME STATEMENT
Year ended 31 December 2005

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

INCOME STATEMENT

Year ended 31 December 2005

	<i>Note</i>	2005 KD	<i>(Restated)</i> 2004 KD
INCOME			
Profit from murabaha deals		736	2,989
Interest income		171,812	3,049
Dividend income		1,263,675	1,110,975
Gain on sale of available for sale investments		-	785,292
Realised gain (loss) on sale of investments at fair value through income statement		1,500,162	(9,837)
Unrealised gain on investments at fair value through income statement		2,439,682	97,478
Share of results of associate	6	149,340	59,623
Other income		-	68
		<hr/> 5,525,407	<hr/> 2,049,637
EXPENSES			
General and administrative expenses	3	(275,374)	(97,167)
Portfolio management fees		(77,270)	(34,674)
Interest expense		(312,030)	(90,411)
Impairment of goodwill	6	(818,208)	-
		<hr/> 4,042,525	<hr/> 1,827,385
PROFIT FOR THE YEAR			
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(34,889)	(18,353)
National Labour Support Tax (NLST)		(85,726)	-
Directors' remuneration		(25,000)	-
		<hr/> 3,896,910	<hr/> 1,809,032
NET PROFIT FOR THE YEAR			
		<hr/> 3,896,910	<hr/> 1,809,032
EARNINGS PER SHARE			
	4	<hr/> 13.7 Fils	<hr/> 8.6 Fils

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

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

BALANCE SHEET

At 31 December 2005

	<i>Notes</i>	2005 KD	<i>(Restated)</i> 2004 KD
ASSETS			
Non-current assets			
Furniture and equipment		3,406	1
Available for sale investments	5	55,759,946	21,594,574
Investment in associate	6	2,601,685	3,086,180
		<u>58,365,037</u>	<u>24,680,755</u>
Current assets			
Accounts receivable and prepayments		25,414	7,870
Investments at fair value through income statement	7	22,014,084	7,711,938
Cash and bank balances	8	798,929	29,742
		<u>22,838,427</u>	<u>7,749,550</u>
TOTAL ASSETS		<u>81,203,464</u>	<u>32,430,305</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	36,000,000	20,000,000
Share premium		6,097,516	-
Statutory reserve	10	829,590	425,337
Voluntary reserve	10	829,590	425,337
Cumulative changes in fair values		29,823,225	5,324,547
Retained earnings		5,640,068	3,551,664
Total equity		<u>79,219,989</u>	<u>29,726,885</u>
Non-current liabilities			
Employees' end of service benefits		15,862	13,056
Current liabilities			
Short term loan		-	300,000
Bank overdraft	8	6,137	1,022,134
Accounts payable and accruals	11	1,961,476	1,368,230
		<u>1,967,613</u>	<u>2,690,364</u>
TOTAL EQUITY AND LIABILITIES		<u>81,203,464</u>	<u>32,430,305</u>

Manaf Abdul 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)

STATEMENT OF CASH FLOWS

Year ended 31 December 2005

	<i>Note</i>	<i>2005</i> <i>KD</i>	<i>(Restated)</i> <i>2004</i> <i>KD</i>
OPERATING ACTIVITIES			
Net profit for the year		3,896,910	1,809,032
Adjustments for:			
Depreciation		483	-
Provision for employees' end of service benefits		4,201	12,514
Profit from murabaha deals		(736)	(2,989)
Interest income		(171,812)	(3,049)
Dividend income		(1,263,675)	(1,110,975)
Gain on sale of available for sale investments		-	(785,292)
Realised (gain) loss on sale of investments at fair value through income statement		(1,500,162)	9,837
Unrealised gain on investments at fair value through income statement		(2,439,682)	(97,478)
Share of results of associated company		(149,340)	(59,623)
Interest expense		312,030	90,411
Impairment of goodwill		818,208	-
Working capital changes:		(493,575)	(137,612)
Investments at fair value through income statement		121,881	1,394,276
Receivables		(17,544)	880
Payables		593,246	(3,875,924)
Cash from (used in) operations		204,008	(2,618,380)
Employees' end of service benefits paid		(1,395)	-
Net cash from (used in) operating activities		202,613	(2,618,380)
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(3,888)	-
Profit from murabaha deals received		736	2,989
Purchase of available for sale investments		(9,666,694)	(8,040,381)
Purchase of investment in associated company		(308,638)	(3,026,557)
Interest received		171,812	3,049
Dividend received		1,263,675	1,110,975
Dividends received from associate		124,265	-
Proceeds from sale of available for sale investments		-	11,241,031
Net cash (used in) from investing activities		(8,418,732)	1,291,106
FINANCING ACTIVITIES			
Short term loan taken		10,000,000	300,000
Short term loan paid		(10,300,000)	-
Increase in share capital		21,097,516	-
Interest paid		(312,030)	(70,308)
Net cash from financing activities		20,485,486	229,692
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,269,367	(1,097,582)
Cash and cash equivalents at beginning of the year		(992,392)	105,190
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	11,276,975	(992,392)

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

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary Reserve KD</i>	<i>Cumulative changes in fair values KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance at 31 December 2004, as previously reported	20,000,000	-	425,337	425,337	5,535,943	3,340,268	29,726,885
Adjustment arising on implementation of the revised IAS 39 (Note 2)	-	-	-	-	(211,396)	211,396	-
Balance as at 31 December 2004, as restated	20,000,000	-	425,337	425,337	5,324,547	3,551,664	29,726,885
Unrealised gains on available for sale investments	-	-	-	-	24,498,678	-	24,498,678
Income recognised directly in equity	-	-	-	-	24,498,678	-	24,498,678
Net profit for the year	-	-	-	-	-	3,896,910	3,896,910
Total income for the year	-	-	-	-	24,498,678	3,896,910	28,395,588
Issue of ordinary shares (Note 9)	15,000,000	6,097,516	-	-	-	-	21,097,516
Issue of bonus shares (Note 9)	1,000,000	-	-	-	-	(1,000,000)	-
Transfers to reserves	-	-	404,253	404,253	-	(808,506)	-
Balance at 30 December 2005	36,000,000	6,097,516	829,590	829,590	29,823,225	5,640,068	79,219,989
Balance at 31 December 2003, as previously reported	20,000,000	-	221,412	221,412	4,833,095	1,727,220	27,003,139
Adjustment arising on implementation of the revised IAS 39 (Note 2)	-	-	-	-	(423,262)	423,262	-
Balance at 31 December 2003, as restated	20,000,000	-	221,412	221,412	4,409,833	2,150,482	27,003,139
Realised gains on available for sale investments	-	-	-	-	(1,100,070)	-	(1,100,070)
Unrealised gains on available for sale investments	-	-	-	-	2,014,784	-	2,014,784
Income recognised directly in equity	-	-	-	-	914,714	-	914,714
Net profit for the year	-	-	-	-	-	1,809,032	1,809,032
Transfers to reserves	-	-	203,925	203,925	-	(407,850)	-
Total income for the year	-	-	203,925	203,925	914,714	1,401,182	2,723,746
Balance at 31 December 2004	20,000,000	-	425,337	425,337	5,324,547	3,551,664	29,726,885

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

1 ACTIVITIES

Kuwait Privatisation Project Holding 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. The company may also own local and foreign companies, invest in real estate, hold patents and copy rights, and advance loans to associates.

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

The financial statements for the year ended 31 December 2005 of Kuwait Privatisation Project Holding Company K.S.C. (Closed) were authorised for issue in accordance with a resolution of the board of directors on 21 February 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention except for the measurement at fair value of investments at fair value through income statement and available for sale investments.

The financial statements have been presented in Kuwaiti Dinars.

The accounting policies used are consistent with those used in the prior year except as discussed below:

The adoption of the applicable revised and new accounting standards that formed part of the International Accounting Standards Board's improvements project and are applicable from 1 January 2005 has had no material impact on the financial statements during the year except for the adoption of the revised IAS 32 and IAS 39 as discussed below. The comparative figures have been restated to conform to current year presentation.

Adoption of revised IAS 32 and IAS 39

The company has adopted the revised IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments Recognition and Measurement" with effect from 1 January 2005. The main changes are as follows:

Certain available for sale investments have been redesignated on 1 January 2005 as investments at fair value through the income statement. The total value of available for sale investments redesignated as investments carried at fair value through income statement was KD 4,192,647 at 1 January 2005. The total value of available for sale investments redesignated as investments at fair value through income statement as at 1 January 2004 was KD 3,843,032.

The company now classifies non-trading investments upon initial recognition into the following two categories:

- Available for sale
- Investments at fair value through income statement

In accordance with the transitional provisions of the revised standard, the company has reclassified with effect from 1 January 2004 positive fair value adjustments of KD 423,262 from cumulative changes in fair value to retained earnings as at that date. In addition, the company reclassified negative changes in fair value of KD 211,866 for the year ended 31 December 2004 previously reported in the cumulative changes in fair value in equity to the income statement for the same period. The impact of this was to reduce the net profit for the year ended 31 December 2004 by KD 211,866.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of revised IAS 39 (continued)

Available for sale investments

After initial recognition at cost (including the transaction costs associated with the acquisition), available for sale investments are remeasured at fair value unless fair value cannot be reliably measured.

Changes in fair value of the investments 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.

Investments at fair value through income statement

Investments classified as "Investments at fair value through income statement" upon initial recognition are remeasured at fair value with all changes in fair value being recorded in the income statement. Transaction costs associated with the acquisition are expensed as incurred.

Impairment of available for sale investments

In the case of available for sale equity investments reversal of previously recognised impairment losses are no longer recorded through the income statement but as increases in cumulative changes in fair value. There was no impact on the income statement for 2004 as there were no such reversals in that year.

Derecognition of financial assets

With effect from 1 January 2005, a financial asset (in whole or in part) is derecognised either when the contractual right to the cashflows expire, the company has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset.

The significant accounting policies adopted are as follows:

Revenue recognition

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

Interest revenue is recognised on accrual basis.

Interest expense

Interest expense is recognised on an accrual basis taking into account the outstanding loans balance and the applicable interest rate.

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.

Investment in associate

An associate is a company over which the company exerts significant influence including a holding of 20% to 50% of the voting power of the investee company. The financial statements include the company's share of the associate's results using the equity method of accounting based on the latest audited financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

Under the equity method of accounting, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognise the company's share of profit or loss and other changes in the equity of the associate. Distributions received from the associate reduce the carrying amount of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate (continued)

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

An assessment of the investment in associate is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

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 specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value; and
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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.

Cash and cash equivalents

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

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 accounting i.e. the date the asset is delivered. 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 securities traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment. Fair value estimates take into account liquidity constraints and assessment for impairment.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and characteristics.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the company's share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the company's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. Impairment loss recognised on goodwill can not be subsequently reversed. Negative goodwill arising on an acquisition is recognised directly in the income statement.

Judgements

In the process of applying the company's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

The company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through income statement depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the income statement, they are classified as at fair value through income statement.

All other investments are classified as available for sale.

Impairment of investments

The company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

3 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2005</i> <i>KD</i>	<i>2004</i> <i>KD</i>
Salaries and wages	95,980	50,722
Employees' end of service benefits and leave salaries	11,725	10,269
Other general and administrative expense	167,669	36,176
	<u>275,374</u>	<u>97,167</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>2005</i>	<i>Restated</i> <i>2004</i>
Net profit for the year (KD)	3,896,910	1,809,032
Weighted average number of shares outstanding during the year (shares)	283,979,603	210,000,000
Earnings per share	<u>13.7 Fils</u>	<u>8.6 Fils</u>

The comparative weighted average number of shares outstanding has been restated due to the bonus shares issued during the year.

5 AVAILABLE FOR SALE INVESTMENTS

	<i>2005</i> <i>KD</i>	<i>2004</i> <i>KD</i>
Quoted securities	48,441,340	21,594,574
Unquoted securities	7,318,606	-
	<u>55,759,946</u>	<u>21,594,574</u>

The company's quoted investments are managed by a related party, a local investment company specialising in asset management.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

6 INVESTMENT IN ASSOCIATE

This represents a 40.02% (2004: 36.23%) equity interest in Kuwait Building Materials Manufacturing Company K.S.C (Closed), a company listed on the Kuwait Stock Exchange engaged in the production of building materials.

Carrying amount of investment in associate:

	<i>2005</i>	<i>2004</i>
	<i>KD</i>	<i>KD</i>
Carrying value at 1 January	3,086,180	-
Impairment of goodwill	(818,208)	-
Addition	308,638	3,026,557
Dividends received during the year	(124,265)	-
Share of results	149,340	59,623
	<hr/>	<hr/>
Carrying value at 31 December	2,601,685	3,086,180
	<hr/> <hr/>	<hr/> <hr/>

The associate's aggregate assets and liabilities:

	<i>2005</i>	<i>2004</i>
	<i>KD</i>	<i>KD</i>
Assets	4,227,786	4,292,915
Liabilities	343,910	482,968

Share of associate's revenue and results:

	<i>2005</i>	<i>2004</i>
	<i>KD</i>	<i>KD</i>
Revenue	2,760,110	2,397,189
Net profit	303,293	388,929

The carrying amount of the investment in associate includes goodwill of KD 943,613 (2004: KD 1,593,155).

The fair value of the investment in associate amounts to KD 2,601,685 (2004: KD 3,233,400).

Management has booked an impairment loss on goodwill relating to the associate based on its estimated recoverable value. The recoverable amount of the associate has been determined based on fair value less costs to sell as determined by management. In determining fair value, management has considered the performance of the associate and its competitors, its market position, future prospects, liquidity constraints, the size of its holding, the market for the associate's security, and the expected market price in an arm's length transaction.

7 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>2005</i>	<i>2004</i>
	<i>KD</i>	<i>KD</i>
Quoted securities	5,914,565	4,192,647
Investment in mutual funds	5,615,336	3,519,291
Investment in money market funds	10,484,183	-
	<hr/>	<hr/>
	22,014,084	7,711,938
	<hr/> <hr/>	<hr/> <hr/>

The company's quoted investments are managed by a related party, a local investment company specialising in asset management.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

8 CASH AND CASH EQUIVALENTS

	<i>2005</i> <i>KD</i>	<i>2004</i> <i>KD</i>
Cash in hand	712	204
Bank balances	798,217	29,538
Money market funds (Note 7)	10,484,183	-
Bank overdraft	(6,137)	(1,022,134)
	<u>11,276,975</u>	<u>(992,392)</u>

Bank balances are held in local currency and U.S. Dollars in current and saving accounts with various banks. The saving accounts yield an effective interest rate ranging from 1.75% to 2.5% per annum.

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.

9 SHARE CAPITAL

Following approval of the ordinary general assembly held on 9 May 2005, the company issued 10,000,000 bonus shares amounting to KD 1,000,000.

On 4 July 2005, the company issued 150,000,000 shares at nominal value of 100 fils per share amounting to KD 15,000,000 and 40.65 fils per share premium amounting to KD 6,097,516.

The authorised, issued and fully paid capital as of 31 December 2005 comprised 360,000,000 (31 December 2004: 200,000,000) shares of 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 KFAS and NLST has been transferred to statutory reserve. Such transfer may be discontinued if the reserve equals or exceeds 50% of the paid-up capital of the company.

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 KFAS and NLST has been transferred to voluntary reserve. The board of directors may discontinue such transfers at any time.

11 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2005</i> <i>KD</i>	<i>2004</i> <i>KD</i>
Amounts due to related parties (Note 13)	1,798,856	1,320,523
Kuwait Foundation for the Advancement of Sciences	34,889	18,353
Accrued expenses	127,731	29,354
	<u>1,961,476</u>	<u>1,368,230</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

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.

12 SEGMENT INFORMATION

The company operates in one business segment: investment, and one geographical segment: Kuwait.

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 11.

Certain transactions with related parties are disclosed in Notes 5, 7 and 11.

Compensation of key management personnel

The remuneration of key management personnel of the company during the year were as follows:

	<i>2005</i>	<i>2004</i>
	<i>KD</i>	<i>KD</i>
Short-term benefits	<u>91,550</u>	<u>56,680</u>
Employees' end of service benefits	<u>6,400</u>	<u>3,980</u>

14 PROPOSED DISTRIBUTION

The board of directors has proposed a cash dividend of 8 fils (2004: Nil) per share amounting to KD 2,880,000 and bonus shares of 5% (2004: 5%) amounting to KD 1,800,000 (2004: KD 1,000,000). This proposal is subject to the approval of the shareholders at the Annual General Meeting.

15 RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of the financial instruments. The company is exposed to interest rate risk with respect to its cash and cash equivalents. Management believe the interest rate risk is limited due to the short-term nature of these assets.

Credit risk

Primarily, the company's credit risk arises on transactions relating to the purchase of investments which are short-term in nature. In addition, financial assets, which potentially subject the company to concentrations of credit risk, consist principally of cash and bank balances, and money market funds. The company's bank balances and money market funds are placed with high credit quality financial institutions. Receivables are stated net of provision for bad and doubtful debts.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

dry up immediately. To guard against this risk, the company's management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities

15 RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's assets are primarily denominated in Kuwaiti Dinars hence it is not exposed to any significant currency risk.

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Equity risk

Equity price risk arises from the change in the fair values of equity investments. The company's quoted investments are primarily listed in the Kuwait Stock Exchange.

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial assets consist of cash and bank balances, investments 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 RECLASSIFICATION OF COMPARATIVE INFORMATION

As discussed in Note 2 under basis of preparation, certain comparative amounts have been restated due to the adoption of the revised IAS 32 and IAS 39.

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

FINANCIAL STATEMENTS

31 DECEMBER 2005