

**Kuwait Privatization Projects Holding Co.**  
Financial Statement - 2006

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## INCOME STATEMENT

Year ended 31 December 2006

	Note	2006 KD	2005 KD
<b>INCOME</b>			
Profit from murabaha deals		6,938	736
Interest income		80,893	171,812
Dividend income		2,153,439	1,263,675
Gain on sale of available for sale investments	17	588,117	-
Realised (loss) gain on sale of investments at fair value through income statement		(760,411)	1,500,162
Unrealised (loss) gain on investments at fair value through income statement		(651,716)	2,439,682
Share of results of associate	5	156,444	149,340
Other income		25,196	-
		<b>١٠٠٠٠٠٠٠</b>	<b>١٠٠٠٠٠٠٠</b>
		<b>1,598,900</b>	<b>5,525,407</b>
<b>EXPENSES</b>			
General and administrative expenses	3	(315,308)	(275,374)
Portfolio management fees		(193,521)	(77,270)
Interest expense		(705,074)	(312,030)
Impairment of goodwill	5	-	(818,208)
		<b>١٠٠٠٠٠٠٠</b>	<b>١٠٠٠٠٠٠٠</b>
<b>PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND DIRECTORS REMMUNERATION</b>		<b>384,997</b>	<b>4,042,525</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(1,901)	(34,889)
National Labour Support Tax (NLST)		-	(85,726)
Directors' remuneration		(25,000)	(25,000)
		<b>١٠٠٠٠٠٠٠</b>	<b>١٠٠٠٠٠٠٠</b>
<b>PROFIT FOR THE YEAR</b>		<b>358,096</b>	<b>3,896,910</b>
		<b>٦٦٦٦٦٦٦</b>	<b>٦٦٦٦٦٦٦</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	4	<b>1.0 Fils</b>	<b>12.9 Fils</b>
		<b>٦٦٦٦٦٦٦</b>	<b>٦٦٦٦٦٦٦</b>

The attached notes 1 to 20 form part of these financial statements.



The attached notes 1 to 20 form part of these financial statements.

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Cumulative changes in fair values KD	Retained earnings KD	Total KD
Balance as at 1 January 2005	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
Total income for the year recognised directly in equity	-	-	-	-	-	24,498,678	-	24,498,678
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 10)	15,000,000	6,097,516	-	-	-	-	-	21,097,516
Issue of bonus shares (Note 10)	1,000,000	-	-	-	-	-	(1,000,000)	-
Transfers to reserves	-	-	404,253	404,253	-	-	(808,506)	-
Balance at 31 December 2005	36,000,000	6,097,516	829,590	829,590	-	29,823,225	5,640,068	79,219,989
Balance at 1 January 2005	36,000,000	6,097,516	829,590	829,590	-	29,823,225	5,640,068	79,219,989
Realised gains on available for sale investments	-	-	-	-	-	(58,998)	-	(58,998)
Unrealised gains on available for sale investments	-	-	-	-	-	(2,837,276)	-	(2,837,276)
Total expense for the year recognised directly in equity	-	-	-	-	-	(2,896,274)	-	(2,896,274)
Profit for the year	-	-	-	-	-	-	358,096	358,096
Total loss for the year	-	-	-	-	-	(2,896,274)	358,096	(2,538,178)
Issue of bonus shares (Note 10)	1,800,000	-	-	-	-	-	(1,800,000)	-
Dividend distribution (Note 18)	-	-	-	-	-	-	(2,880,000)	(2,880,000)
Purchase of treasury shares	-	-	-	-	(1,578,868)	-	-	(1,578,868)
Transfers to reserves	-	-	38,500	38,500	-	-	(77,000)	-
<b>Balance at 31 December 2006</b>	<b>37,800,000</b>	<b>6,097,516</b>	<b>868,090</b>	<b>868,090</b>	<b>(1,578,868)</b>	<b>26,926,951</b>	<b>1,241,164</b>	<b>72,222,943</b>

The attached notes 1 to 20 form part of these financial statements.

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## CASH FLOW STATEMENT

Year ended 31 December 2006

	Note	2006 KD	2005 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		358,096	3,896,910
Adjustments for:			
Depreciation		1,265	483
Provision for employees' end of service benefits		5,416	4,201
Profit from murabaha deals		(6,938)	(736)
Interest income		(80,893)	(171,812)
Dividend income		(2,153,439)	(1,263,675)
Gain on sale of available for sale investments		(588,117)	-
Unrealised loss (gain) on investments at fair value through income statement		651,716	(2,439,682)
Share of results of associate		(156,444)	(149,340)
Interest expense		705,074	312,030
Impairment of goodwill		-	818,208
		!!!!!!!!!!!!	!!!!!!!!!!!!
		(1,264,264)	1,006,587
Working capital changes:			
Investments at fair value through income statement		(4,326,571)	(1,356,257)
Receivables		(21,126)	(17,544)
Payables		(242,380)	593,246
		!!!!!!!!!!!!	!!!!!!!!!!!!
Cash from operations		(5,854,341)	226,032
Employees' end of service benefits paid		-	(1,395)
		!!!!!!!!!!!!	!!!!!!!!!!!!
Net cash (used in) from operating activities		(5,854,341)	224,637
		!!!!!!!!!!!!	!!!!!!!!!!!!
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment		(2,148)	(3,888)
Purchase of available for sale investments		(14,028,701)	(9,688,718)
Proceeds from sale of available for sale investments		75,683	-
Purchase of investment in associate		-	(308,638)
Profit from murabaha deals received		6,938	736
Interest income received		80,893	171,812
Dividend income received		2,153,439	1,263,675
Dividend income received from associate		94,549	124,265
		!!!!!!!!!!!!	!!!!!!!!!!!!
Net cash used in investing activities		(11,619,347)	(8,440,756)
		!!!!!!!!!!!!	!!!!!!!!!!!!
<b>FINANCING ACTIVITIES</b>			
Increase in share capital		-	21,097,516
Dividends declare		(2,880,000)	-
Purchase of treasury shares		(1,578,868)	-
Short term loan taken		17,000,000	10,000,000
Short term loan repaid		(9,000,000)	(10,300,000)
Interest paid		(643,498)	(312,030)
		!!!!!!!!!!!!	!!!!!!!!!!!!
Net cash from financing activities		2,897,634	20,485,486
		!!!!!!!!!!!!	!!!!!!!!!!!!
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		(14,576,054)	12,269,367
Cash and cash equivalents at beginning of the year		11,276,975	(992,392)
		!!!!!!!!!!!!	!!!!!!!!!!!!
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	9	(3,299,079)	11,276,975
		öööööööööö	öööööööööö

The attached notes 1 to 20 form part of these financial statements.

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

---

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 1 ACTIVITIES

Kuwait Privatisation Projects 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 invest in 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 2006 of Kuwait Privatisation Projects Holding Company K.S.C. (Closed) were authorised for issue in accordance with a resolution of the board of directors on 27 February 2007. The general assembly of the company's shareholders has the power to amend these financial statements after issuance.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements have been prepared in accordance with the regulations of International Financial Reporting Standards (IFRS).

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

#### **IASB Standard issued but not adopted**

IFRS 7 Financial Instruments: Disclosures has been issued by the International Accounting Standards Board in August 2005, becoming effective for periods beginning on after 1 January 2007. The new standard will require additional disclosure for the significance of financial instruments for the company's financial position and performance and information about exposure to risks arising from financial instruments.

The significant accounting policies adopted are as follows:

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### *Dividends*

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

#### *Interest income*

Interest revenue is recognised on accrual basis.

#### **Recognition and derecognition of financial assets and liabilities**

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset is de-recognised either when the contractual rights to cash flows from the financial asset 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, but it no longer has control over the asset or a proportion of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.



**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Available for sale investments**

After initial recognition at cost including 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 available for sale 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**

These includes trading investments and non-trading investments classified as "Investments at fair value through income statement" upon initial recognition. Such investments are remeasured at fair value with all changes in fair value being recorded in the income statement. Transaction costs associated with the acquisition of investments at fair value through income statement are expensed as incurred.

**Fair values**

For investments 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 recent arm's length transactions, current fair value of another instrument that is substantially the same, an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

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

**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, less any impairment loss previously recognised in the income statement; and
- (b) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) for assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for equity instruments classified as available for sale, reversals of impairment losses are recognised in the income statement to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognised in the fair value reserve.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

**Investment in associate**

An associate is a company over which the company exerts significant influence usually evidenced by 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. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for sale under IFRS 5.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the company's share of net assets of the investee. The company recognises in the income statement its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the company's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The company's share of those changes is recognised directly in equity.

Whenever impairment requirements of IAS 36 indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

The associate's financial statements are prepared either to the company's reporting date or to a date not earlier than three months of the company's reporting date using consistent accounting policies where practicable.

**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.

**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.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employees' end of service benefits**

The company provides end of service benefits to its expatriate employees under the Kuwait labour law. 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.

With respect to its national employees, the company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The company's obligation are limited to these contribution, which are expensed when due.

**Cash and cash equivalents**

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

**Treasury shares**

The company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

**Foreign currencies**

The financial statements are presented in Kuwaiti Dinars, which is the company's functional and presentational currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to gain/ loss on foreign currency translation in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

**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.

**Judgements**

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

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Judgements (continued)

##### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through income statement, or available for sale.

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 in the regular management accounts, 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;
- an earnings multiple or industry specific earnings multiple;
- 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 quoted equity investments require significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

### 3 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2006</i>	<i>2005</i>
	<i>KD</i>	<i>KD</i>
Salaries and wages	<b>156,549</b>	95,980
Employees' end of service benefits and leave salaries	<b>22,926</b>	11,725
Other general and administrative expense	<b>135,833</b>	167,669
	<b>൬൬൬൬൬൬</b>	൬൬൬൬൬൬
	<b>315,308</b>	275,374
	<b>໖໖໖໖໖໖໖</b>	໖໖໖໖໖໖໖

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings for the year by the weighted average number of shares outstanding during the year as follows:

	2006	2005
Profit for the year (KD)	<b>358,096</b>	3,896,910
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ
Weighted average number of shares outstanding during the year (excluding treasury shares)	<b>375,762,137</b>	301,972,603
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ
Basic and diluted earnings per share	<b>1.0 Fils</b>	12.9 Fils
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ

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

### 5 INVESTMENT IN ASSOCIATE

This represents a 40.02% 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:*

	2006 KD	2005 KD
Carrying value at 1 January	<b>2,601,685</b>	3,086,180
Impairment	-	(818,208)
Addition	-	308,638
Dividends received during the year	<b>(94,549)</b>	(124,265)
Share of results	<b>156,444</b>	149,340
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ
Carrying value at 31 December	<b>2,663,580</b>	2,601,685
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ

*The associate's share of assets and liabilities:*

	2006 KD	2005 KD
Assets	<b>2,038,442</b>	1,691,960
Liabilities	<b>423,474</b>	138,887

*Share of associate's revenue and results:*

	2006 KD	2005 KD
Revenue	<b>1,033,763</b>	1,104,596
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ
Net profit	<b>156,444</b>	149,340
	<b>ﷲﷲﷲﷲﷲﷲ</b>	ﷲﷲﷲﷲﷲﷲ

The carrying amount of the investment in associate includes goodwill of KD 1,048,612 (2005: KD 1,048,612).

The fair value of the investment in associate amounts to KD 2,521,307 (2005: KD 3,099,108) based on market bid prices.

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 5 INVESTMENT IN ASSOCIATE (continued)

During 2005, the directors assessed impairment on goodwill relating to the associate based on its estimated recoverable value. The recoverable amount of the associate was determined based on fair value less costs to sell as determined by the directors. In determining fair value, directors 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.

### 6 AVAILABLE FOR SALE INVESTMENTS

	2006 KD	2005 KD
Quoted securities	45,360,277	48,441,340
Unquoted securities	14,597,488	6,744,583
Mutual funds	6,533,066	596,047
	<b>٥٥٥٥٥٥٥٥٥٥</b>	<b>٥٥٥٥٥٥٥٥٥٥</b>
	<b>66,490,831</b>	<b>55,781,970</b>
	<b>٥٥٥٥٥٥٥٥٥٥</b>	<b>٥٥٥٥٥٥٥٥٥٥</b>

The unquoted securities amounting to KD 13,152,509 (2005: KD 7,340,630) are carried at cost as the acquisition price of these investments is determined to be the fair value as these securities relate to recently formed or acquired companies.

Unquoted securities amounting to KD 7,978,045 (2005: KD Nil) are carried at cost because fair value cannot be reliably measured. In the opinion of management, there are no circumstances that would indicate any impairment in the value of these securities at the balance sheet date.

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

### 7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2006 KD	2005 KD
Due from sale of available for sale investment to a related party	936,000	-
Other assets	46,540	25,414
	<b>٥٥٥٥٥٥٥٥٥٥</b>	<b>٥٥٥٥٥٥٥٥٥٥</b>
	<b>982,540</b>	<b>25,414</b>
	<b>٥٥٥٥٥٥٥٥٥٥</b>	<b>٥٥٥٥٥٥٥٥٥٥</b>

### 8 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	2006 KD	2005 KD
Quoted securities	15,182,732	5,914,565
Investment in mutual funds	-	5,593,312
Investment in money market funds	-	10,484,183
	<b>٥٥٥٥٥٥٥٥٥٥</b>	<b>٥٥٥٥٥٥٥٥٥٥</b>
	<b>15,182,732</b>	<b>21,992,060</b>
	<b>٥٥٥٥٥٥٥٥٥٥</b>	<b>٥٥٥٥٥٥٥٥٥٥</b>

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

---

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2006

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

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 9 CASH AND CASH EQUIVALENTS

	<i>2006</i>	<i>2005</i>
	<i>KD</i>	<i>KD</i>
Cash in hand	<b>710</b>	712
Bank balances	<b>181,327</b>	798,217
	<del>nnnnnnnn</del>	<del>nnnnnnnn</del>
Cash and bank balances as per balance sheet	<b>182,037</b>	798,929
Money market funds (Note 8)	-	10,484,183
Bank overdraft	<b>(3,481,116)</b>	(6,137)
	<del>nnnnnnnn</del>	<del>nnnnnnnn</del>
Cash and cash equivalents	<b>(3,299,079)</b>	11,276,975
öööööööö		öööööööö

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 5.75% to 6.5% per annum (2005: 5.0% to 5.1%).

Bank overdraft represents an unsecured overdraft facility obtained by the company from National Bank of Kuwait and Al Ahli Bank of Kuwait. Carrying interest at the rate of 2% and 1.75% per annum respectively over Central Bank of Kuwait discount rate.

### 10 SHARE CAPITAL

Following approval of the ordinary general assembly held on 9 April 2006, the company issued 18,000,000 bonus shares amounting to KD 1,800,000.

The authorised, issued and fully paid capital as of 31 December 2006 comprised 378,000,000 (31 December 2005: 360,000,000) shares of 100 fils each.

### 11 RESERVES

In accordance with the Commercial Companies Law and the company's articles of association, 10% of the profit for the year before KFAS, NLST and directors fees has been transferred to statutory reserve and voluntary reserve. Transfers to statutory reserve may be discontinued if the reserve equals or exceeds 50% of the paid-up capital of the company. Transfers to voluntary reserve may be discontinued at any time by the company's board of directors.

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.

### 12 TREASURY SHARES

	<i>2006</i>	<i>2005</i>
Number of shares	<b>8,100,000</b>	-
Percentage of issued shares	<b>2.25%</b>	-
Cost (KD)	<b>1,578,868</b>	-
Market value (KD)	<b>1,474,200</b>	-

Reserves of the company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 13 SHORT TERM LOANS

This represents revolving short-term credit facilities taken from local banks.

- As per agreement with Al Ahli Bank of Kuwait, the company may withdraw upto a maximum of KD 9,000,000. Any withdrawals are repayable within 90 days of the withdrawal date and are subject to an interest rate of 1.75% per annum over the CBK discount rate. The company utilised the facility in two tranches of KD 3,000,000 and KD 2,000,000 on 9 May 2006 and 21 May 2006 respectively.
- As per agreement with National Bank of Kuwait, the company may withdraw upto a maximum of KD 15,000,000. Any withdrawals are repayable within 90 days of the withdrawal date and are subject to an interest rate of 1.875% per annum over the CBK discount rate. The company utilised the facility of KD 3,000,000 on 19 October 2006.

### 14 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2006</i>	<i>2005</i>
	<i>KD</i>	<i>KD</i>
Amounts due to related parties (Note 17)	<b>1,512,277</b>	1,798,856
Kuwait Foundation for the Advancement of Sciences	<b>1,901</b>	34,889
Accrued expenses	<b>266,494</b>	127,731
	<b>1,780,672</b>	1,961,476
	öööööööööö	öööööööööö

Included in amounts due to related parties is a margin loan of KD 1,337,869 (2005: 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 126,703 (2005: KD 90,411) has been charged during the year. The loan is repayable by 20 June 2007.

### 15 SEGMENT INFORMATION

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The majority of the company's assets and operation are located in the State of Kuwait. The segmental revenues earned by the assets and operation in business segment outside the State of Kuwait are immaterial.

### 16 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	<i>2006</i>	<i>2005</i>
	<i>KD</i>	<i>KD</i>
Capital commitments towards purchase of available for sale investments	<b>2,175,228</b>	2,427,293
Office renovation	<b>28,800</b>	-
	<b>2,204,028</b>	2,427,293
	öööööööö	öööööööö

# Kuwait Privatisation Projects Holding Company K.S.C. (Closed)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

### 17 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the company's management.

	<i>Major shareholders</i>	<i>Other related parties</i>	<b>2006 KD</b>	<b>2005 KD</b>
<i>Transactions included in the income statement:</i>				
Interest income	79,414	-	<b>79,414</b>	171,812
Dividend income	2,153,439	-	<b>2,153,439</b>	1,263,675
Gain on sale of available for sale investment	43,615	544,502	<b>588,117</b>	-
Realised (loss) gain on sale of investments carried at fair value through income statement	(760,411)	-	<b>(760,411)</b>	1,500,162
Unrealised (loss) gain on investments carried at fair value through income statement	(651,716)	-	<b>(651,716)</b>	2,439,682
Portfolio management fees	193,521	-	<b>193,521</b>	77,270
<i>Balances included in the balance sheet:</i>				
Available for sale investments	51,489,342	5,906,266	<b>57,395,608</b>	53,882,790
Account receivable and prepayments	-	936,000	<b>936,000</b>	-
Investments at fair value through income statement	15,182,732	-	<b>15,182,732</b>	21,992,060
Accounts payable and accruals	1,512,277	-	<b>1,512,277</b>	1,698,856

### Compensation of key management personnel

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

	<b>2006 KD</b>	<b>2005 KD</b>
Short-term benefits	<b>146,886</b>	91,550
Employees' end of service benefits	<b>1,726</b>	6,400

### 18 PROPOSED DISTRIBUTION

The board of directors has proposed a cash dividend of Nil (2005: 8%) per share amounting to Nil (2005: KD 2,880,000) and bonus shares of Nil (2005: 5%) amounting to Nil (2005: KD 1,800,000).

### 19 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. Directors 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.

**19 RISK MANAGEMENT (continued)**

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

**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 on the Kuwait Stock Exchange.

**20 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.

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2006**