

**Industrial Company for Light Projects KSCC  
Kuwait**

**Auditor's report and financial statements for the period  
from 22 January 2003 to 31 March 2004**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Auditor's report	1
Balance sheet as at 31 March 2004	2
Statement of income for the period from 22 January 2003 to 31 March 2004	3
Statement of changes in shareholders' equity for the period from 22 January 2003 to 31 March 2004	4
Statement of cash flows for the period from 22 January 2003 to 31 March 2004	5
Notes to the financial statements	6 - 10

## **Auditor's report**

The Shareholders  
Industrial Company for Light Projects KSCC  
Kuwait

We have audited the accompanying balance sheet of Industrial Company for Light Projects KSCC as at 31 March 2004 and the related statement of income, changes in shareholders' equity and cash flows for the period then ended. These financial statements are the responsibility of 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 the 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 estimate made by the 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 at 31 March 2004, and of the results of its operations, changes in its shareholders' equity and its cash flows for the period then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

We further report that we obtained all the information and explanations that we required for the purpose of our audit and the financial statements includes the information required by the Kuwait Commercial Companies Law of 1960, as amended and the Company's Articles and Memorandum of Association. In our opinion, proper books of account have been maintained by the Company and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the period ended 31 March 2004, of the Kuwait Commercial Companies Law of 1960, as amended or of the Company's Articles and Memorandum of Association that would materially affect the Company's activities or its financial position.

**Abdul Majeed Ashkanani, CIDA**

Licence No. 95 "A"

First Audit

Member of MGI International

Kuwait: 28 December 2004

**Balance sheet as at 31 March 2004**

	Note	<b>31-Mar-04</b> <b>KD</b>
<b>Assets</b>		
Cash and cash equivalents	3	41,341
Investments held for trading	4	1,332,501
<b>Total current assets</b>		<b>1,373,842</b>
Investments available for sale	5	1,091,510
<b>Total non-current assets</b>		<b>1,091,510</b>
<b>Total assets</b>		<b>2,465,352</b>
<b>Liabilities and shareholders' equity</b>		
Other credit balance	6	8,923
Due to related entities	7	57,451
<b>Total current liabilities</b>		<b>66,374</b>
Share capital	8	2,000,000
Statutory reserve	9	40,260
Voluntary reserve	10	40,260
Retained earnings		318,458
<b>Total shareholders' equity</b>		<b>2,398,978</b>
<b>Total equity and liabilities</b>		<b>2,465,352</b>

\_\_\_\_\_  
Mahmoud Al Jafar  
Chairman & Managing Director

\_\_\_\_\_  
Medhat Moneer Faheam  
Vice Chairman

The accompanying notes form an integral part of these financial statements.

**Industrial Company for Light Projects - KSCC - 31 March 2004**

**Interim statement of income  
for the period from 22 January 2003 to 31 March 2004**

	Note	<b>22-Jan-03 To 31-Mar-04 KD</b>
Gains from investments held for trading		352,507
Gains from investments available for sale		66,446
Interest income		388
<b>Total income</b>		<b>419,341</b>
General and administrative expenses	11	(16,740)
<b>Total expenses</b>		<b>(16,740)</b>
<b>Profit before contributions</b>		<b>402,601</b>
Kuwait Foundation for the Advancement of Science ("KFAS")		(3,623)
<b>Net Profit for the period</b>		<b>398,978</b>
Earning per share (fils)	12	29.27

The accompanying notes form an integral part of these financial statements.

**Statement of changes in shareholders' equity  
for the period from 22 January 2004 to 31 March 2004**

	Note	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
		KD	KD	KD	KD	KD
Authorised capital		5,000,000	-	-	-	5,000,000
Decrease in authorised capital		(4,000,000)	-	-	-	(4,000,000)
Paid up capital		1,000,000	-	-	-	1,000,000
Increase in capital		1,000,000	-	-	-	1,000,000
Net profit for the period		-	-	-	398,978	398,978
Transfer to reserves		-	40,260	40,260	(80,520)	-
Balance as at 31 March 2004		2,000,000	40,260	40,260	318,458	2,398,978

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows**  
**for the period from 22 January 2003 to 31 March 2004**

	<b>22-Jan-03 To 31-Mar-04 KD</b>
<b>Cash flows from operating activities</b>	
Net Profit for the period	398,978
Adjustment for:	
<i>Operating profit before changes in working capital</i>	<u>398,978</u>
<b>Increase/decrease in working capital components:</b>	
Other credit balances	8,923
Due to related entities	<u>57,451</u>
<i>Net cash from operating activities</i>	<u>465,352</u>
<b>Cash flows from investing activities</b>	
Investment held for trading	(1,332,501)
Investments available for sale	<u>(1,091,510)</u>
<i>Net cash used in investing activities</i>	<u>(2,424,011)</u>
<b>Cash flows from financing activities</b>	
Share capital	2,000,000
<i>Net cash from financing activities</i>	<u>2,000,000</u>
Net increase/decrease in cash and cash equivalents	41,341
Cash and cash equivalents at end of period	<u><u>41,341</u></u>

The accompanying notes form an integral part of these financial statements.

**Notes to the financial statements  
for the period from 22 January 2003 to 31 March 2004**

**1 Status and activities**

Industrial Company for Light Projects KSCC (the “Company”) is a closed shareholding Company incorporated in the State of Kuwait on 24 December 2002. In accordance to the Articles and Memorandum of Association, the Company is engaged in carrying out the following activities inside and outside Kuwait:

- Establish small scale factory for carpet and glass manufacturing
- Equity participation in small scale manufacturing units
- Providing advisory services on economic and business valuation based on prior approval from the Ministry of Industry
- Investments in portfolio funds managed by others

The Company’s registered office is at Industrial Bank Building, 8th floor, Joint Banking Complex, Fahad Al-Salem Street, Kuwait city, P. O. Box 26019, Safat 13121, Kuwait.

The Company’s number of employees as at 31 March 2004 was 1.

The financial statements were approved for issue by the Board of Directors on 12 December 2004 and it is subject to approval from shareholders at their forthcoming annual general meeting.

**2 Significant accounting policies**

a) Preparation of financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of the Kuwaiti Commercial Companies Law of 1960, as amended and the Company's Articles and Memorandum of Association.

This is first year of financial statement of the company covered period from 22 January 2003 to 31 March 2004.

b) Basis of preparation

The consolidated financial statements are prepared on a fair value basis for financial assets and liabilities held for trading and available for sale, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non financial assets and liabilities are stated at amortized cost or historical cost.

c) Cash and cash equivalents

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

d) Investments

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as investments held for trading. Trading investments are measured initially at cost, including transaction costs and subsequently stated at fair value with any resultant gain or loss recognized in the income statement.



**Notes to the financial statements  
for the period from 22 January 2003 to 31 March 2004**

Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity are classified as investments held to maturity. Held to maturity investments are measured initially at cost, including transaction costs and subsequently measured at amortized cost less impairment losses. Income is recognized in the income statements as and when it is received.

Investments, which are not held for trading and held to maturity, are classified as investments available for sale. Management has the express intention of holding the investments for more than twelve months from the balance sheet date. Unlisted equity securities classified as available for sale and whose fair value cannot be reliably determined which are initially measured at cost less impairment losses. Realised and unrealised gain or loss and provision for any impairment losses are recognised in the statement of income.

The fair value of trading and available for sale investments is determined based on their quoted bid price. If a quoted market price is not available, the fair value of the investment is estimated using generally accepted valuation methods such as discounted cash flow techniques or net asset value or market price of similar investments.

e) Revenue

Gain on investments held for trading is recognised in the income statement when the right to receive payment is established.

Interest income is recognised in the income statement as it accrues.

f) Provision for employee's end of service indemnity

Provision is made for employees' end of service indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labour Law based on the employees' salaries and accumulated years of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is un-funded, is determined as the liability that would arise as a result of the involuntary termination of staff at the balance sheet date, on the basis that this computation is a reliable approximation of the present value of this obligation.

g) Impairment

The carrying amounts of property, plant and equipment, goodwill, intangible assets and investments are reviewed at the balance sheet date to determine whether there is any indication of impairment. In case of existence of events or changes in circumstances, indicates that the carrying amount for the assets may be unrecoverable. An impairment loss is recognized in the statement of income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of the assets is greater of their net selling price or value in use. The net selling price is the amount obtainable from the asset in an arm's length commercial transaction. The value in use is the present value of the estimated future cash flows that expected to arise from the continuing use of assets and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or if not possible for the cash-generating unit to which the asset belongs.

Reversal of impairment loss previously recognized is recorded as income in the period when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

**Notes to the financial statements**  
**for the period from 22 January 2003 to 31 March 2004**

<b>3</b>	<b>Cash and cash equivalents</b>	<b>31-Mar-04</b>
		<b>KD</b>
	Cash at bank	41,341
		<u>41,341</u>

<b>4</b>	<b>Investment held for trading</b>	<b>31-Mar-04</b>
		<b>KD</b>
	Local listed securities	1,332,501
		<u>1,332,501</u>

Local listed securities represents portfolio fund managed by the Industrial & Financial Investment Co. KSCC. The trading investments are stated at fair value with resultant gain recognized in the income statement.

<b>5</b>	<b>Investments available for sale</b>	<b>31-Mar-04</b>
		<b>KD</b>
	Unlisted securities	<u>1,091,510</u>

Unlisted securities represents direct investments made by the portfolio fund managed by the Industrial & Financial Investment Co. KSCC ("IFIC") and are carried at fair value. There are some investment amounting to KD 483,350 are stated at cost since the fair value of these investments cannot be reliably determined. There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

<b>6</b>	<b><u>Other credit balances</u></b>	<b>31-Mar-04</b>
		<b>KD</b>
	Accrued expenses	1,000
	Payable to KFAS	3,623
	Others	<u>4,300</u>
		<u>8,923</u>

**7    Related party transactions**

parties comprise of the shareholder of the Company and enterprises in which a substantial interest is owned directly or indirectly by the shareholders of the Company. The Company has dealing in the normal course of business with its associated Companies and subsidiary Companies. All transactions with related parties are approved by the management and are carried out on an arms-length basis.

**Notes to the financial statements  
for the period from 22 January 2003 to 31 March 2004**

**8 Share capital**

The Company's share capital comprises 20,000,000 authorized, issued and paid up shares of 100 fils each.

**9 Statutory reserve**

In accordance with the Commercial Companies Law and the parent Company's articles of association, 10% of the net profit is required to be transferred to statutory reserve. The general assembly may discontinue such annual transfer when the reserve equals 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in periods when the profit is not sufficient for the payment of such dividends.

**10 Voluntary reserve**

In accordance with the parent Company's Articles of Association, 10% of net profit for the period is required to be transferred to voluntary reserve. This deduction may be discontinued based on a suggestion by the Board of Directors. This suggestion is subject to the approval of the shareholders' general assembly meeting. There are no restrictions on distributing the voluntary reserve.

**11 General and administrative expenses**

**31-Mar-04**

**KD**

Salary and bonus	13,000
Administrative fees	1,000
Professional fees	1,000
Other expenses	1,740
	<u>16,740</u>

**12 Earning per share**

Earning per share are calculated on the basis of net earnings for the period distributable to shareholders and the weighted average number of ordinary shares outstanding during the period.

**31-Mar-04**

**KD**

Net profit for the period	398,978
Weighted average number of shares outstanding	<u>13,632,184</u>
Earning per share (fils)	<u>29.27</u>

**Notes to the financial statements**  
**for the period from 22 January 2003 to 31 March 2004**

**13 Financial instruments – fair value**

Financial instruments consist of contractual claim on financial assets. Financial instruments include both primary instrument, such as accounts receivable and payable, investments and financial commitments.

Information on fair value of these financial instruments is set out below:

Primary financial instruments are reflected in the balance sheet. Those on the asset side are recognized at nominal value less any provision for impairment, financial instruments constituting liabilities are carried at nominal or redemption value, whichever is higher.

Fair value of the financial assets and liabilities are determined using accepted method. The fair value of the Company's assets and liabilities has been derived based on management's assumption with respect to future economic conditions, the amount and timing of future cash flows and estimated discount rates. Management believes that the fair value of all assets and liabilities on the balance sheet is not materially different from their carrying value.

***a. Credit risk***

The Company's credit risk is considered to be low, as it does not have significant exposure to any individual customer on counter party. Cash is placed with the bank with high credit ratings. Policies and procedures are in place to perform ongoing credit evaluations of the financial condition of counter parties.

***b. Market risk***

Market risk is the risk that the value of a financial instrument will fluctuate as a result of change in market prices. The Company manages this risk by investing surplus funds with professional portfolio managers.

***c. Liquidity risk***

liquidity risk is the risk that the company may encounter difficulty in raising funds to meet commitments associated with financial instruments. The company's management mitigates these risks by dealing with the reputed counter parties, and set convenient conditions and rules to grant credit to diversifying its investment and matching the maturities of financial assets against financial liabilities.