Kuwait Projects Company (Cayman)

FINANCIAL STATEMENTS

31 December 2014

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY (CAYMAN)

We have audited the accompanying financial statements of Kuwait Projects Company (Cayman) (the "Company"), which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance for the year then ended in accordance with International Financial Reporting Standards.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

21 February 2015
Kuwait

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	*2014 USD*	*2013 USD*
ASSETS			
Due from the Parent Company	3	**1,532,432,423**	1,022,521,890
TOTAL ASSETS		**1,532,432,423**	1,022,521,890
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	**1**	1
TOTAL EQUITY		**1**	1
LIABILITIES			
Medium term notes	5	**1,492,106,887**	991,848,528
Accrued interest	5	**40,325,535**	30,673,361
TOTAL LIABILITIES		**1,532,432,422**	1,022,521,889
TOTAL EQUITY AND LIABILITIES		**1,532,432,423**	1,022,521,890

Faisal Hamad Al-Ayyar
Director

The attached notes 1 to 9 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *USD*	*2013* *USD*
REVENUE		
Interest income	**112,912,174**	91,260,000
Amortisation of premium	**1,308,360**	1,834,321
TOTAL REVENUE	**114,220,534**	93,094,321
EXPENSES		
Interest expense	**112,912,174**	91,260,000
Amortisation of discount	**1,308,360**	1,834,321
TOTAL EXPENSES	**114,220,534**	93,094,321
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital USD	*Total USD*
As at 1 January 2014 and 31 December 2014	**1**	**1**
As at 1 January 2013 and 31 December 2013	1	1

The attached notes 1 to 9 form part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Kuwait Projects Co. (Cayman) (the "Company") is registered and incorporated under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

The financial statements of the Company for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the board of directors on 21 February 2015.

The Company is a wholly owned subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Parent Company").

The objective for which the Company is established is to issue medium term notes on behalf of the Parent Company.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared under the historical cost convention.

The financial statements are presented in US Dollars ("USD") which is the functional currency of the Company.

The Company do not have any bank accounts and all transactions are accounted for in the bank accounts of the Parent Company. Accordingly, no cash flow statement has been presented.

Statement of compliance
The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Changes in accounting policy and disclosures
The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the following amendment effective as of 1 January 2014:

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2014)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off' and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in any impact on the financial position or performance of the Company.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Company.

Standard issued but not yet effective
The following new and amended IASB standard has been issued but not yet mandatory, and has not been adopted by the Company:

IFRS 9: Financial Instruments: Classification and Measurement
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 introduces new requirements for classification and measurement, impairment, and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the Company's consolidated financial statements, when adopted.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities
The Company classifies its financial assets and liabilities for the purpose of IAS 39 as "loans and receivables" or "financial liabilities".

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase of financial assets is recognised using the trade date accounting.

Financial assets and liabilities are measured initially at fair value (transaction price) including directly attributable transaction costs. Transaction costs on debt instruments are amortised as part of the effective interest rate.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate method.

"Due from the Parent Company" is classified as "loans and receivables".

Financial liabilities
Financial liabilities are stated at amortised cost using the effective interest rate method. "Medium term notes" and "accrued interest" are classified as financial liabilities.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expired.

When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting
Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense
Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on effective interest basis, under which the rate used exactly discounts estimated future cash receipts and payments through the expected life of the financial asset and financial liability to the net carrying amount of the financial asset and financial liability.

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

3 DUE FROM THE PARENT COMPANY

Due from the Parent Company represent medium term notes and accrued interest on medium term notes amounting to USD 1,532,432,423 (2013: USD 1,022,521,890), the terms of which match to the associated liabilities denominated in the same currency (notes 5 and 6).

4 SHARE CAPITAL

The Company has an authorised share capital consisting of 50,000 shares (2013: 50,000 shares) with a par value of USD 1 (2013: USD 1) per share. The issued and paid-up capital of the Company as at 31 December 2014 consists of 1 share (2013: 1 share).

5 MEDIUM TERM NOTES

	2014 USD	*2013 USD*
Fixed rate notes amounting to USD 500 million having a term of 7 years maturing on 17 October 2016 and carrying a coupon interest rate of 8.875% payable on a semi annual basis. The notes are listed on the London Stock Exchange.	**497,332,235**	495,989,962
Fixed rate notes amounting to USD 500 million having a term of 10 years maturing on 15 July 2020 and carrying a coupon interest rate of 9.375% payable on a semi annual basis. The notes are listed on the London Stock Exchange.	**495,653,121**	495,858,566
Fixed rate notes amounting to US$ 500 million having a term of 5 years maturing on 5 February 2019 and carrying a coupon interest rate of 4.8% payable on a semi annual basis. The notes are listed on the London Stock Exchange.	**499,121,531**	-
	1,492,106,887	991,848,528

The accrued interest on the above mentioned notes amounts to USD 40,325,535 (2013: USD 30,673,361).

6 RELATED PARTY TRANSACTIONS

These represent transactions with the Parent Company. Pricing policies and terms of these transactions are approved by the Parent Company's management. All the expenses relating to the medium term notes are directly paid by the Parent Company. There are no related party transactions and balances other than those mentioned in note 3 above.

7 RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is mainly exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest risk and foreign currency risk, which are managed by the Parent Company.

7.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's exposure to credit risk on the financial assets equals the carrying amount of these instruments, all of which comprise the amount due from the Parent Company.

7.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. The Company manages its liquidity risk by ensuring that repayment terms of assets match those of liabilities. The table below shows an analysis of financial liabilities based on the remaining undiscounted contractual maturities.

	1 to 3 months USD	*3 to 12 months USD*	*More than 1 year USD*	*Total USD*
2014				
Financial liabilities				
Medium term notes	-	-	1,500,000,000	1,500,000,000
Accrued Interest	35,440,000	81,070,000	339,404,000	455,914,000
	35,440,000	**81,070,000**	**1,839,404,000**	**1,955,914,000**
2013				
Financial liabilities				
Medium term notes	-	-	1,000,000,000	1,000,000,000
Accrued Interest	21,529,130	9,144,231	430,576,639	461,250,000
	21,529,130	9,144,231	1,430,576,639	1,461,250,000

7.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates and foreign exchange rates.

7.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. The Company is not exposed to significant interest rate risk as the Parent Company allocates the same interest amount as the Company's interest obligation on its medium term note.

7.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk as all its assets and liabilities are denominated in USD.

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of 'due from the Parent Company' and financial liabilities consist of 'medium term' notes and 'accrued interest'. Fair value of all financial instruments are not materially different from their carrying values except for EMTN whose fair value amounts to USD 1,706,080 thousand (note 5).

9 CAPITAL MANAGEMENT

Due to the nature of operations, management does not consider it necessary to maintain any capital.