

**BOUBYAN PETROCHEMICAL COMPANY
K.S.C.P. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

30 April 2017



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN PETROCHEMICAL COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Boubyan Petrochemical Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 30 April 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 April 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

a) Financial assets valued using other than observable market data

Financial assets valued using other than observable market data comprise of quoted and unquoted assets available for sale and unquoted financial assets at fair value through profit or loss. Financial assets available for sale that do not have a quoted price in an active market and whose fair values cannot be reliably measured, are measured at their cost less impairment. The financial asset at fair value through profit or loss is measured at fair value with the corresponding fair value change recognised in the consolidated statement of income for the year.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matter (continued)

a) Financial assets valued using other than observable market data (continued)

As the valuation of financial assets classified under level 3 is inherently subjective using inputs other than the observable market data, and given the judgement involved in assessing the significant or prolonged decline in value of unquoted financial assets available for sale, we determined this to be a key audit matter.

Our audit procedures comprised, amongst others, involving our specialists to assist us in assessment of the Group's methodology and the appropriateness of the valuation models and inputs used to value the level 3 financial assets, including comparing valuation models used with that used in the prior years. We also assessed the accuracy of key inputs used in the valuation such as the cash flow projections and considered the appropriateness of key inputs such as long-term growth rates used to extrapolate these cash flows and the discount rate and compared these to available external data.

Furthermore, we evaluated the Group's assessment about whether objective evidence of impairment exists for individual financial assets available for sale by challenging the judgments used by the management and whether the value of any investment declined significantly or for a prolonged period.

Additionally, we assessed the adequacy of the fair value disclosures in Note 25 to the consolidated financial statements.

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BOUBYAN PETROCHEMICAL COMPANY K.S.C.P. (continued)**

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and its executive regulations, and by the Parent Company's Articles of Association and Memorandum of Incorporation, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company's Articles of Association and Memorandum of Incorporation, have occurred during the year ended 30 April 2017, that might have had a material effect on the business of the Parent Company or on its financial position.



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



ALI KHALED AL-FARAJ
LICENCE NO. 28 A
OF AL-FARAJ AUDITING OFFICE

15 May 2017
Kuwait

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 April 2017

	<i>Notes</i>	2017 KD	2016 KD
Sales		25,795,507	30,561,908
Cost of sales		(21,821,579)	(25,475,667)
GROSS PROFIT		3,973,928	5,086,241
Dividend income	3	19,322,148	20,141,953
Loss on financial assets at fair value through profit or loss	10	(339,632)	(120,000)
Net gain on financial assets available for sale		62,241	4,141,727
Gain on reclassification of financial assets available for sale to associate	12	5,911,345	-
Share of results from associates	12	4,278,966	3,730,898
Impairment of associates	12	(1,398,675)	(918,108)
Impairment of goodwill		(857,715)	-
Impairment of property, plant and equipment	13	(2,726,306)	-
General and administrative expenses	5	(5,674,374)	(4,608,523)
Finance costs		(3,005,694)	(2,475,611)
Other income		216,129	989,366
Foreign exchange loss		(207,143)	(78,703)
Gain on sale of associate's assets	12	-	685,637
Profit before impairment of financial assets available for sale		19,555,218	26,574,877
Impairment of financial assets available for sale	11	(8,761,195)	(2,602,002)
PROFIT BEFORE TAXATION AND DIRECTORS' FEE		10,794,023	23,972,875
Taxation	7	(317,208)	(1,058,266)
Directors' fees		(75,000)	(75,000)
PROFIT FOR THE YEAR		10,401,815	22,839,609
BASIC AND DILUTED EARNINGS PER SHARE	8	20.18 fils	43.83 fils

The attached notes 1 to 27 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2017

	<i>Notes</i>	<i>2017 KD</i>	<i>2016 KD</i>
PROFIT FOR THE YEAR		10,401,815	22,839,609
Other comprehensive income (loss)			
<i>Items that are or may be reclassified subsequently to consolidated statement of income:</i>			
Unrealised gain (loss) on financial assets available for sale	11	5,236,707	(8,183,610)
Exchange differences on translation of foreign operations		256,700	(88,390)
Realised loss on sale of financial assets available for sale		-	(115,325)
Transfer to consolidated statement of income on impairment of financial assets available for sale	11	1,366,274	2,602,002
Share of other comprehensive income of associates	12	95,675	145,129
Transfer to consolidated statement of income reclassification of financial assets available for sale to associates	12	(985,854)	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		5,969,502	(5,640,194)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		16,371,317	17,199,415

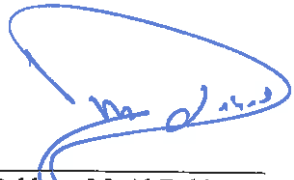
The attached notes 1 to 27 form part of these consolidated financial statements.

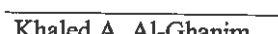
Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

	Notes	2017 KD	2016 KD
ASSETS			
Cash and cash equivalents	4	16,624,518	19,893,819
Accounts receivable and prepayments	6	11,080,831	14,210,111
Inventories	9	7,493,724	7,342,548
Financial assets at fair value through profit or loss	10	124,825,001	125,164,633
Financial assets available for sale	11	176,105,039	188,292,533
Investment in associates	12	56,502,844	31,385,625
Property, plant and equipment	13	18,428,154	21,601,594
Goodwill		5,144,748	6,002,464
TOTAL ASSETS		416,204,859	413,893,327
LIABILITIES AND EQUITY			
Liabilities			
Term loans	14	75,955,838	64,348,060
Islamic financing payables	15	31,381,259	33,469,564
Accounts payable and accruals	16	9,733,707	12,654,049
Dividend payable		3,632,421	3,605,529
Total liabilities		120,703,225	114,077,202
Equity			
Share capital	17	53,482,275	53,482,275
Share premium		2,400,000	2,400,000
Treasury shares	18	(9,806,151)	(9,741,292)
Treasury shares reserve		998,971	998,971
Statutory reserve	19	26,741,138	26,741,138
Voluntary reserve	20	25,467,750	25,467,750
Other reserves		50,516	50,516
Revaluation reserve		5,106,784	5,106,784
Foreign currency translation		2,012,734	1,756,034
Cumulative changes in fair value		128,760,744	123,047,942
Retained earnings		60,286,873	70,506,007
Total equity		295,501,634	299,816,125
TOTAL LIABILITIES AND EQUITY		416,204,859	413,893,327


Dabbous M. Al-Dabbous
(Chairman)


Khaled A. Al-Ghanim
(Deputy Chairman)

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 April 2017

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserves	Revaluation reserve	Foreign currency translation reserve	Cumulative changes in fair value	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 May 2016	53,482,275	2,400,000	(9,741,292)	998,971	26,741,138	25,467,750	50,516	5,106,784	1,756,034	123,047,942	70,506,007	299,816,125
Profit for the year	-	-	-	-	-	-	-	-	-	-	10,401,815	10,401,815
Other comprehensive income	-	-	-	-	-	-	-	-	256,700	5,712,802	-	5,969,502
Total comprehensive income for the year	-	-	-	-	-	-	-	-	256,700	5,712,802	10,401,815	16,371,317
Dividends (note 17)	-	-	-	-	-	-	-	-	-	-	(20,620,949)	(20,620,949)
Purchase of treasury shares (note 18)	-	-	(64,859)	-	-	-	-	-	-	-	-	(64,859)
Balance as at 30 April 2017	53,482,275	2,400,000	(9,806,151)	998,971	26,741,138	25,467,750	50,516	5,106,784	2,012,734	128,760,744	60,286,873	295,501,634

The attached notes 1 to 27 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 30 April 2017

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserves KD	Revaluation reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Total equity KD
Balance as at 1 May 2015	50,935,500	2,400,000	(6,142,427)	998,971	25,467,750	25,467,750	50,516	5,106,784	1,844,425	128,599,745	71,424,023	306,153,037
Profit for the year	-	-	-	-	-	-	-	-	-	-	22,839,609	22,839,609
Other comprehensive loss	-	-	-	-	-	-	-	-	(88,390)	(5,551,804)	-	(5,640,194)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(88,391)	(5,551,803)	22,839,609	17,199,415
Transfer to reserves (note 19, 20)	-	-	-	-	1,273,388	-	-	-	-	-	(1,273,388)	-
Issue of bonus shares	2,546,775	-	-	-	-	-	-	-	-	-	(2,546,775)	-
Dividends (note 17)	-	-	-	-	-	-	-	-	-	-	(19,937,462)	(19,937,462)
Purchase of treasury shares (note 18)	-	-	(3,598,865)	-	-	-	-	-	-	-	-	(3,598,865)
Balance as at 30 April 2016	53,482,275	2,400,000	(9,741,292)	998,971	26,741,138	25,467,750	50,516	5,106,784	1,756,034	123,047,942	70,506,007	299,816,125

Cumulative changes in fair value consist of the following:

	2017 KD	2016 KD
a) Unrealised gain relating to financial assets available for sale	128,533,278	122,916,151
b) Share of cumulative changes in fair values in the equity of associates	227,466	131,790
	<u>128,760,744</u>	<u>123,047,941</u>

The attached notes 1 to 27 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 April 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the year before Taxation and Directors' fees		10,794,023	23,972,875
Adjustments for:			
Finance cost		3,005,694	2,475,611
Depreciation	13	1,421,640	1,281,736
Employees' end of service benefits		53,275	88,566
Loss from financial assets at fair value through profit or loss	10	339,632	120,000
Dividend income		(780,609)	(759,863)
Realised gain on sale of financial assets available for sale		(62,241)	(4,141,727)
Gain on sale on associate's assets	12	-	(685,637)
Gain on sale of property, plant and equipment		(2,295)	(81,545)
Impairment of financial assets available for sale	11	8,761,195	2,602,002
Gain on reclassification of financial assets available for sale to associate	12	(5,911,345)	-
Share of results from associates	12	(4,278,966)	(3,730,898)
Impairment of goodwill		857,715	-
Impairment of property, plant and equipment	13	2,726,306	-
Impairment of associates	12	1,398,675	918,108
Foreign exchange loss		207,143	78,703
		<u>18,529,842</u>	<u>22,137,931</u>
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		3,129,280	(3,329,690)
Inventories		(151,176)	(557,942)
Accounts payable and accruals		(3,228,021)	1,629,972
Tax paid		(174,597)	(1,256,221)
Net cash flows from operating activities		<u>18,105,328</u>	<u>18,624,050</u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment	13	(782,144)	(632,902)
Proceeds from sale of property, plant and equipment		2,295	81,545
Acquisition of additional stake in associate	12	(4,960,520)	-
Additions to financial assets available for sale		(3,488,540)	(9,289,205)
Dividends received from associates		1,657,205	1,799,524
Dividend income received from financial assets available for sale		780,609	759,863
Proceeds from disposal of associate's assets	13	-	2,617,095
Proceeds from disposal of financial assets available for sale		62,241	4,900,907
Net cash flows (used in) from investing activities		<u>(6,728,854)</u>	<u>236,827</u>
FINANCING ACTIVITIES			
Dividend paid		(20,594,057)	(19,761,581)
Net movement in term loans		11,231,391	(3,010,457)
Net movement in islamic financing payables		(2,212,554)	9,210,297
Finance cost paid		(3,005,694)	(2,540,056)
Purchase of treasury shares		(64,859)	(3,598,865)
Net cash flows used in financing activities		<u>(14,645,773)</u>	<u>(19,700,662)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,269,301)	(839,786)
Cash and cash equivalents as at 1 May		<u>19,893,819</u>	<u>20,733,605</u>
CASH AND CASH EQUIVALENTS AS AT 30 APRIL	4	<u>16,624,518</u>	<u>19,893,819</u>

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

1 CORPORATE INFORMATION

The consolidated financial statements of Boubyan Petrochemical Company K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 April 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 15 May 2017 and are subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend the consolidated financial statements after issuance.

The Parent Company is a Kuwaiti Public Shareholding Company incorporated in the State of Kuwait on 12 February 1995. The Parent Company is listed on the Kuwait Stock Exchange. The Parent Company's registered office is at KIPCO Tower Floor 35, Khalid bin Al Waleed St, P.O. Box 2383, 13024 Safat, Kuwait. The principal activities of the Group are explained in note 22.

The principal objectives of the Parent Company include the following:

- To manufacture all kinds of petrochemical material and their derivatives.
- To sell, purchase, supply, distribute, export and store such materials and to participate in related activities including establishing and leasing the required services inside or outside Kuwait either as a principal or as an agent.
- Acquiring and developing industrial projects, Industries estates, services and support industries. Provision of industries & financial support to projects under development.
- Participating in, acquiring or taking over companies of similar activities or those that would facilitate in achieving the Parent Company's objectives inside or outside Kuwait.
- Investing the surplus funds in investment portfolios.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

The Parent Company's primary investment to date is in Equate Petrochemical Company K.S.C. (Closed) ("Equate") and The Kuwait Olefins Company K.S.C. (Closed) ("TKOC"). Equate and TKOC are both closed shareholding companies incorporated in the State of Kuwait to build and operate petrochemical plants in the Shuaiba Industrial Area of the State of Kuwait.

The percentage ownership of Equate and TKOC's share capital as at 30 April is as follows:

	2017	2016
Petrochemical Industries Company K.S.C.	42.5%	42.5%
Dow Chemical Company	42.5%	42.5%
Boubyan Petrochemical Company K.S.C.P.	9%	9%
Qurain Petrochemical Company K.S.C.P.	6%	6%

2.1 BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention modified to include the measurement at fair value of land and buildings, financial assets at fair value through profit or loss and financial assets available for sale. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements have been presented in Kuwaiti Dinars which is also the Parent Company's functional currency.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended IFRS recently issued by the IASB effective for annual periods beginning on or after 1 January 2016:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the consolidated statements of income and comprehensive income and the consolidated statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to consolidated financial statements;
- That the share of other comprehensive income of associates accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to consolidated statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statements of income and comprehensive income. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

The following new and amended IASB Standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are discussed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 - Financial Instruments

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 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets.

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2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 9 - Financial Instruments (continued)

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Group does not anticipate early adoption of IFRS 16.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 16 Leases (continued)

Additional disclosures will be made in the consolidated financial statements when these standards become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively the "Group") as at 30 April 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group and in case of different reporting date of subsidiary, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

2.4 BASIS OF CONSOLIDATION (continued)

Details of the subsidiary companies included in the consolidated financial statements as at 30 April are set out below:

<i>Name of the subsidiaries</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Group's legal ownership at 30 April</i>	
			<i>2017</i>	<i>2016</i>
***Boubyan Plastic Industries Company K.S.C. (Closed) ["BPIC"]	Manufacturing and trading of packaging material	Kuwait	99%	99%
*Muna Noor Manufacturing and Trading Co. L.L.C. ("MNMT")	Manufacturing and trading of plastic pipes	Sultanate of Oman	100%	100%
**Jubail Integrated Packaging Co. L.L.C (JIPC)	Manufacturing and trading of packaging material	Kingdom of Saudi Arabia	100%	100%
*Muna Noor Plastic Industries L.L.C. ("MNPI")	Manufacturing and trading of plastic pipes	Sultanate of Oman	100%	100%
*Muna Noor L.L.C. (Salalah) ("MN- S")	Manufacturing and trading of plastic pipes	Sultanate of Oman	100%	100%

*20% is held through BPIC.

**40% is held through BPIC.

***1% held by Board of Directors Signatories.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised on a time proportion basis, using the benefit interest rate method.

Dividend income

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

Taxation

Zakat

Contribution to Zakat is calculated at 1% of the profit for the year attributable to the equity holders of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Directors' fees and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries and cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that future taxable profits will be available to utilise this.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Taxation on overseas subsidiaries (continued)

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets include cash and cash equivalents, accounts receivable, financial assets at fair value through profit or loss and financial assets available for sale.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets at fair value through profit or loss carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Group evaluates its investments held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate.

When in rare circumstances the Group is unable to trade these investments due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these investments. The reclassification to loans and receivables, financial assets available for sale or held to maturity depends on the nature of the asset.

This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets available for sale

Financial assets available for sale include equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any

The Group evaluates whether the ability and intention to sell its financial assets available for sale in the near term is still appropriate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale (continued)

When the Group is unable to trade these investments due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these investments in rare circumstances.

Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Accounts receivable

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits that are readily convertible to known amounts of cash with an original maturity of three months or less and which are subject to insignificant risks of changes in value.

For the purpose of consolidated statement of cash flows, cash and cash equivalent consist of cash and bank balances as defined above.

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;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity financial assets classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities comprise of term loans, Islamic financing payables, accounts payable and accruals and dividend payable.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Term loans

Term loans are carried at their principal amounts. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and accruals'.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset when the Group 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.

Islamic financing payables

Islamic financing payables are classified as Murabaha payables and Tawaruq payables. Murabaha payables and Tawaruq payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportioned basis taking account of the profit rate attributable and the balance outstanding.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Financial instruments and hedge accounting

Initial recognition and measurement

The Group uses financial instruments to hedge its exposure to fluctuations in foreign exchange rates relating to the fair values of certain available for sale investments.

For the purpose of hedge accounting, hedges of the Group are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter.

A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the consolidated statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials: purchase cost on a weighted average basis.

Work in progress and finished goods: cost of direct materials and labor plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Investment in associates

An associate is one over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies, generally accompanying directly or indirectly, a shareholding of between 20% and 50% of the equity share capital and are accounted for by the equity method.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of results of associates is shown on the face of the consolidated statement of income. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and minority interests in the subsidiaries of the associates.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

The financial statements of the associates are prepared for the same reporting period as the Group and in case of different reporting date of associate, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Property, plant and equipment

Property, plant and equipment is stated at cost (except for land, buildings and plant and equipment which are subsequently revalued to its market value using independent valuation) less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line over useful lives of assets as follows:

- | | |
|----------------------------------|------------------------------------|
| • Buildings | 20 years |
| • Plant and equipment | 10-20 years or units of production |
| • Furniture and office equipment | 4-5 years |
| • Motor vehicles | 5 years |

Depreciation for property, plant and equipment of certain of the Group's subsidiaries is calculated on the units of production method based on expected output over the useful life of the assets. Land is not depreciated.

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred into the relevant category of property, plant and equipment.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to consolidated statement of comprehensive income, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognised in the consolidated statement of income. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal the related revaluation surplus is credited directly to retained earnings.

Valuations are performed periodically to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

An annual transfer from the assets revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off.

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the shareholders' equity. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, ("treasury shares reserve"), which is not 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 to the voluntary reserve and statutory reserve. 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 paid 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.

Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

End of service benefits

The Company provides end of service benefits to its expatriate employees as per the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

End of service benefits for employees working in countries other than Kuwait are calculated based on the respective countries' labour laws.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income for the year.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income for the year.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the fair values were determined.

In case of non-monetary assets and liabilities whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets and liabilities whose change in fair value are recognised in the consolidated statement of income for the year, foreign exchange differences are recognised in the consolidated statement of income for the year.

Group companies

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign entities are translated at the exchange rates prevailing at the reporting date. Operating results of such entities are translated at average rates of exchange for the entities' period of operations. The resulting exchange differences are taken to other comprehensive income and are accumulated in the shareholder's equity within cumulative changes in fair value until the disposal of the respective entities.

Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.6 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Judgments

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

Classification of investments

The Group decides on acquisition of investments whether they should be classified as financial assets carried at fair value through profit or loss or financial assets available for sale.

The management classifies investments carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making and the fair value of those investments can be reliably determined.

Classification of investments carried at fair value through profit or loss depends on how management monitor the performance of these investments when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are classified at fair value through profit or loss.

The management classifies investments as held to maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the management has the positive intention and ability to hold to maturity. All other financial assets are classified as available for sale.

Impairment of investments

The Group treats financial assets available for sale 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 judgment.

Estimation and assumptions

The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year is discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

2.6 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions (continued)

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired.

If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Valuation of unquoted financial assets

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The determination of the cash flows and discount factors for unquoted equity financial assets requires significant estimation.

3 DIVIDEND INCOME

Dividend income for the year include dividends received from Equate and TKOC amounting to KD 11,324,281 (2016: KD 10,562,033) and KD 7,217,258 (2016: KD 8,820,057), respectively.

4 CASH AND CASH EQUIVALENTS

	2017 KD	2016 KD
Cash and bank balances	15,757,261	19,893,819
Short term deposits	867,257	-
Cash and cash equivalents	<u>16,624,518</u>	<u>19,893,819</u>

Short term deposits carry profits at commercial rates and mature within three months from the deposit date.

Included in cash and cash equivalents are balances denominated in foreign currencies amounting to KD 1,079,550 (2016: KD 2,368,791) mainly in US Dollars, Omani Riyals and Saudi Riyals.

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 KD	2016 KD
Staff costs	3,476,578	2,361,273
Depreciation (Note 13)	219,993	192,438
Other administrative expenses	1,977,803	2,054,812
	<u>5,674,374</u>	<u>4,608,523</u>

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017 KD	2016 KD
Trade receivables, gross	9,279,914	11,864,110
Less: allowance	(422,439)	(430,889)
Trade receivables, net	<u>8,857,475</u>	<u>11,433,221</u>
Accrued income	818,403	1,148,210
Other receivables	<u>1,404,953</u>	<u>1,628,680</u>
	<u><u>11,080,831</u></u>	<u><u>14,210,111</u></u>

Trade receivables are non-interest bearing and are generally 0 to 90 days terms.

As at 30 April, the aging of trade receivables that were not impaired is as follows:

	<i>Neither past due nor impaired</i> KD	<i>Past due but not impaired</i>				<i>> 90 days</i> KD	<i>Total</i> KD
		<i>< 30 days</i> KD	<i>30 to 60 days</i> KD	<i>60 to 90 days</i> KD			
2017	406,839	344,632	189,154	108,250	7,808,600	8,857,475	
2016	3,079,192	379,383	1,830,191	2,697,353	3,447,102	11,433,221	

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

7 TAXATION

	2017 KD	2016 KD
Contribution to NLST	216,480	613,862
Contribution to KFAS	90,957	200,311
Contribution to Zakat	-	43,903
Taxation arising from overseas subsidiary	9,771	200,190
	<u><u>317,208</u></u>	<u><u>1,058,266</u></u>

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year after adjusting for treasury shares as follows:

	2017 KD	2016 KD
Profit for the year	<u>10,401,815</u>	<u>22,839,609</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares outstanding	534,822,750	534,822,750
Weighted average number of treasury shares	(19,299,024)	(13,745,831)
Weighted average number of outstanding shares	<u>515,523,726</u>	<u>521,076,919</u>
Basic and diluted earnings per share	<u>20.18 fils</u>	<u>43.83 fils</u>

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 INVENTORIES

	2017 KD	2016 KD
Raw materials	4,939,327	5,336,865
Work in progress	44,284	111,029
Finished goods	2,139,413	1,614,636
Goods in transit	370,700	280,018
	<u>7,493,724</u>	<u>7,342,548</u>

At the reporting date, gross raw materials were KD 5,030,277 (2016: KD 5,488,775) and gross finished goods and gross work in progress were KD 2,183,697 (2016: KD 1,725,665), with provisions for old and obsolete inventories of KD 90,950 (2016: KD 151,910). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income for the year.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 KD	2016 KD
Financial assets designated at fair value through profit or loss		
Unquoted investments	124,825,001	125,164,633
	<u>124,825,001</u>	<u>125,164,633</u>

Unquoted investments

Fair value of the unquoted investment has been estimated using a weighted average of mainly two valuation models: dividend discount model and free cash flow model. The valuation requires management to make certain assumptions about the models inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. As a result of this exercise, an unrealised loss of KD 339,632 (2016: unrealised loss of KD 120,000) was recognised in the consolidated statement of income for the year.

11 FINANCIAL ASSETS AVAILABLE FOR SALE

A) EQUATE

The fair value of the 9% equity interest in Equate Petrochemicals Company K.S.C. (Closed) ("Equate") of KD 153,296,000 (2016: KD 148,258,892) has been estimated using a weighted average of mainly two valuation models: dividend discount model and free cash flow model. The valuation requires management to make certain assumptions about the models inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

As a result of this exercise, an unrealised gain of KD 4,832,046 (2016: unrealised loss of KD 5,500,000) was recognised in the other comprehensive income.

The cost portion of the investment in Equate is designated as a hedged item in fair value relationship with amounts borrowed from banks as term loans and Islamic financing (Note 14 and 15). As a result of the fair value hedge, Equate value has been increased by KD 205,062 (Note 25) which is recognized in consolidated statement of income and offset with similar increase on the designated term loans.

B) OTHERS

	2017 KD	2016 KD
Quoted equity investments	1,736,024	11,459,911
Unquoted equity investments	21,073,015	28,573,730
	<u>22,809,039</u>	<u>40,033,641</u>

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

B) OTHERS (continued)

Management has performed a review of investments to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded an impairment loss of KD 8,761,195 (2016: KD 2,602,002) in the consolidated statement of income for the year in respect of financial assets available for sale (Others). Based on the latest available financial information, management is of the view that no further impairment is required as at 30 April 2017, in respect of these investments.

At 30 April 2017, certain unquoted financial assets available for sale amounting to KD 16,394,985 (2016: KD 16,394,985) are carried at cost less impairment due to lack of reliable measures of their fair values.

Certain financial assets available for sale denominated in US Dollars with a carrying value of KD 3,151,349 (2016: KD 7,614,301) are designated as hedged items in fair value hedging relationships with amounts borrowed from banks as term loans and islamic financing (Note 14 and 15).

12 INVESTMENT IN ASSOCIATES

The Parent Company has the following investment in associates:

	<i>Country of incorporation</i>	<i>Ownership</i>		<i>Principal activity</i>
		<i>2017</i>	<i>2016</i>	
Al-Kout Industrial Projects Company K.S.C.P. ("Al-Kout")	Kuwait	24.76%	24.76%	Involved in manufacturing activities
Boubyan International Industries Holding Company K.S.C.P. ("BIIHC")	Kuwait	20%	20%	To undertake industrial investments
Arabian Waterproofing Industries Company ("Awazel")	Saudi Arabia	21%	21%	Engaged in manufacture of waterproofing products and heat insulation materials
Al Borg Medical Laboratories ("Al-Borg")*	Saudi Arabia	24%	20%	Engaged in Medical laboratories and environmental and scientific tests
Nafais Holding Company K.S.C.P. ("Nafais")**	Kuwait	21.12%	-	To invest in stakes mainly in educational and medical companies

*During the year, the Parent Company acquired an additional 4% interest in Al Borg Medical Laboratories Company Ltd. (limited liability Company) ("Al Borg") located in Kingdom of Saudi Arabia for a total cash consideration of KD 4,960,520, increasing the Group's ownership from 20% to 24%.

During the year, the Parent Company acquired an additional 3% interest in Nafais Holding Company K.S.C.P. ("Nafais"), increasing the Group's interest from 18.13% to 21.12% for a total cash consideration of KD 2,580,349. Accordingly, the Group has reclassified this investment with a total carrying value of KD 12,777,745 from a financial asset available for sale to an investment in associate. Such reclassification has resulted in a gain of KD 5,911,345.

The fair value of identifiable assets and liabilities assumed have been provisionally determined by the management of the Group. The management is in the process of determining the fair value of assets acquired and liabilities assumed.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 INVESTMENT IN ASSOCIATES (continued)

The movement in the carrying amount of investment in associates during the year is as follows:

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
As at 1 May	31,385,625	32,469,703
Additions	23,649,610	-
Share of results	4,278,966	3,730,898
Impairment loss	(1,398,675)	(918,108)
Disposal of associate's assets	-	(2,617,095)
Realised gain on sale of associate assets	-	685,637
Dividends received	(1,657,205)	(2,037,504)
Foreign currency translation	148,848	(73,035)
Share of other comprehensive income	95,675	145,129
As at 30 April	56,502,844	31,385,625

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 INVESTMENT IN ASSOCIATES (continued)

The following table summarises the financial information of the material investments in associates. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in material associates.

Year ended 30 April 2017	<i>Al-Kout Industrial Projects Company K.S.C.P. ("Al-Kout") KD</i>	<i>Arabian Waterproofing Industries Company ("Awazel") KD</i>	<i>Al Borg Medical Laboratories ("Al-Borg") KD</i>	<i>Nafais Holding Company K.S.C.P. ("Nafais") KD</i>	<i>Total 2017 KD</i>
	Assets	46,649,606	40,628,472	26,857,355	71,003,780
Liabilities	(5,705,417)	(4,938,756)	(6,573,442)	(7,276,626)	(24,494,241)
Net assets	40,944,189 24.76%	35,689,716 20.78%	20,283,913 24%	63,727,154 21.12%	160,644,972
Group's share of net assets	10,135,734	7,416,323	4,868,139	13,459,175	35,879,371
Goodwill	1,599,601	3,866,691	8,637,266	5,229,915	19,333,473
Fair value of the Group's quoted associates	11,735,335	11,283,014	13,505,405	18,689,090	55,212,844
	16,814,517	-	-	13,349,350	-
Revenue	17,131,383	27,710,106	29,664,425	12,973,208	87,479,122
Profit for the year	5,642,496	6,054,947	6,765,275	4,893,033	23,355,751
Group's share of profit	1,397,082	1,258,218	1,623,666	-	4,278,966

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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12 INVESTMENT IN ASSOCIATES (continued)

<i>Year ended 30 April 2016</i>	<i>Al-Kout Industrial Projects Company K.S.C.P. ("Al-Kout") KD</i>	<i>Arabian Waterproofing Industries Company ("Awazel") KD</i>	<i>Al Borg Medical Laboratories ("Al-Borg") KD</i>	<i>Total 2016 KD</i>
Assets	43,156,902	38,536,022	18,964,572	100,657,496
Liabilities	(4,369,785)	(5,645,347)	(6,033,717)	(16,048,849)
Net assets	38,787,117 24.76%	32,890,675 20.78%	12,930,855 20%	84,608,647
Group's share of net assets	9,603,690	6,834,682	2,586,171	19,024,543
Goodwill	1,599,601	3,866,691	4,262,691	9,728,983
	<u>11,203,291</u>	<u>10,701,373</u>	<u>6,848,862</u>	<u>28,753,526</u>
Fair value of the Group's quoted associates	<u>14,652,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue	<u>18,118,201</u>	<u>33,225,619</u>	<u>17,322,604</u>	<u>68,666,423</u>
Profit for the year	5,107,876	7,367,811	5,300,785	17,776,471
Group's share of profit	<u>1,264,710</u>	<u>1,531,031</u>	<u>1,060,157</u>	<u>3,855,898</u>

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land KD	Buildings KD	Plant And Equipment KD	Furniture and office equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
<i>Cost or valuation:</i>							
As at 1 May 2016	1,200,000	10,318,165	16,908,739	1,504,785	447,606	4,425,712	34,805,007
Additions	-	722,281	4,109,378	142,620	108,896	(4,301,031)	782,144
Disposals	-	-	-	-	(2,295)	-	(2,295)
Impairment	-	-	(2,726,306)	-	-	-	(2,726,306)
Foreign currency translation	-	54,145	87,567	5,006	2,144	40,077	188,939
As at 30 April 2017	1,200,000	11,094,591	18,379,378	1,652,411	556,351	164,758	33,047,489
<i>Accumulated depreciation:</i>							
As at 1 May 2016	-	3,184,922	9,002,956	706,408	295,459	13,668	13,203,413
Charge for the current year	-	266,617	976,320	120,668	58,035	-	1,421,640
Relating to disposals	-	-	-	-	(2,295)	-	(2,295)
Foreign currency translation	-	-	(3,423)	-	-	-	(3,423)
As at 30 April 2017	-	3,451,539	9,975,853	827,076	351,199	13,668	14,619,335
Net book value as at 30 April 2017	1,200,000	7,643,052	8,403,525	825,335	205,152	151,090	18,428,154

The capital work in progress relate to the costs incurred on the construction of new factory of a subsidiary, Muna Noor Plastic Industries L.L.C.

Management has performed a valuation of plant and equipment to assess whether impairment has occurred in the value of these assets. Based on the valuations performed, management has recorded an impairment loss of KD 2,726,306 (2016: KD Nil) in the consolidated statement of income for the year in respect of these assets.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land KD	Buildings KD	Plant And equipment KD	Furniture and office equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
<i>Cost or valuation:</i>							
As at 1 May 2015	1,200,000	9,554,808	15,450,853	1,483,586	437,893	6,018,193	34,145,333
Additions	-	729,160	1,393,399	29,532	73,318	(1,592,507)	632,902
Disposals	-	-	-	(15,342)	(66,203)	-	(81,545)
Foreign currency translation	-	34,197	64,487	7,009	2,598	26	108,317
As at 30 April 2016	1,200,000	10,318,165	16,908,739	1,504,785	447,606	4,425,712	34,805,007
<i>Accumulated depreciation:</i>							
As at 1 May 2015	-	2,924,630	8,111,984	634,756	318,022	13,668	12,003,060
Charge for the current year	-	260,259	890,861	86,983	43,633	-	1,281,736
Relating to disposals	-	-	-	(15,342)	(66,203)	-	(81,545)
Foreign currency translation	-	33	111	11	7	-	162
As at 30 April 2016	-	3,184,922	9,002,956	706,408	295,459	13,668	13,203,413
Net book value as at 30 April 2016	1,200,000	7,133,243	7,905,783	798,377	152,147	4,412,044	21,601,594

Depreciation has been allocated to the cost of sales and general and administrative expenses as follows:

	2017 KD	2016 KD
Cost of sales	1,201,647	1,089,298
General and administrative expenses (Note 5)	219,993	192,438
	<u>1,421,640</u>	<u>1,281,736</u>

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

14 TERM LOANS

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
The loan is unsecured and denominated in US Dollar which is repayable in 5 annual equal installments starting from 31 March 2013	-	5,139,939
The loan is unsecured and denominated in US Dollar which is repayable in May 2019	16,127,900	16,003,350
The loan is unsecured and denominated in KD which is repayable in May 2019.	10,000,000	10,000,000
The loan is unsecured and denominated in Pound Sterling which was settled during the year	-	2,360,651
The loan is unsecured and denominated in Omani Riyals which is repayable in December 2017	3,754,569	1,145,827
The loan is unsecured and denominated in KD which is repayable in 5 equal annual instalments starting from April 2016	6,000,000	8,000,000
The loan is unsecured and denominated in KD which is repayable in March 2019	13,000,000	11,000,000
The loan is unsecured and denominated in USD which was repayable in 5 yearly instalments starting from May 2017	3,347,300	-
Short term unsecured and denominated in KD, due within 1 year	8,500,000	-
Short term unsecured and denominated in US Dollar, due within 1 year	7,987,875	-
The loan is unsecured and denominated in US Dollar 60% repayable in 10 semi annual instalments starting from June 2015 and the balance on final maturity	7,238,194	10,698,293
	75,955,838	64,348,060

Other revolving loans are unsecured and are repayable within one year.

Loans denominated in foreign currencies are as follows:

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Pound Sterling	-	2,360,651
Omani Riyal	3,754,569	1,145,827
US Dollar	34,701,269	31,841,582
	38,455,838	35,348,060

15 ISLAMIC FINANCING PAYABLES

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Murabaha payables	5,173,100	3,000,000
Tawaruq payables	26,208,159	30,469,564
	31,381,259	33,469,564

Murabaha payables and Tawaruq payables represent amount payable to local banks. The average profit rate attributable to Murabaha payables and Tawaruq payables is at commercial rates.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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As at 30 April 2017

15 ISLAMIC FINANCING PAYABLES (continued)

Islamic financing payables denominated in foreign currencies are as follows:

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
US Dollar	<u>30,506,259</u>	<u>-</u>

The US Dollar foreign currency borrowing (Note 15 and 16) have been designated as fair value hedging instruments to manage the exposure to fluctuations in foreign currency rates of certain financial assets available for sale (Note 11).

16 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Accounts payable	4,578,179	6,636,311
Accrued charges on credit facilities	399,556	536,414
Provision for KFAS	90,932	200,287
Provision for NLST	288,016	627,077
Provision for Zakat	-	43,903
Directors' fees	75,000	75,000
Other payables	4,302,024	4,535,057
	<u>9,733,707</u>	<u>12,654,049</u>

17 SHARE CAPITAL AND DIVIDENDS

Share capital

Authorized, issued and paid-up capital consists of 534,822,750 shares (2016: 534,822,750 shares) of 100 fils per share (2016: 100 fils per share). This is comprised of 400,000,000 shares (2016: 400,000,000 shares) which are fully paid up in cash whereas 134,822,750 shares (2016: 134,822,750 shares) were issued as bonus shares.

Dividend

The Board of Directors of the Parent Company has proposed a cash dividend of 40 fils per share (2016: 40 fils per share) on outstanding shares (excluding treasury shares) amounting to KD 20,620,949 (2016: KD 20,620,949) in respect of the year ended 30 April 2017, subject to being approved by the shareholders' Annual General Assembly, the dividend shall be payable to the shareholders registered in the Parent Company's records as of the date of the shareholders' Annual General Assembly meeting.

On 14 June 2016, the shareholders at the Annual General Assembly of the Parent Company approved the consolidated financial statements for the year ended 30 April 2016 and approved a cash dividend of 40 fils per share (30 April 2015: 40 fils per share) on outstanding shares (excluding treasury shares) amounting to KD 20,620,949 in respect of the year ended 30 April 2016 (30 April 2015: KD 19,937,462).

18 TREASURY SHARES

	<i>2017</i>	<i>2016</i>
Number of treasury shares	<u>19,299,024</u>	<u>19,171,105</u>
Percentage of issued shares	<u>3.61%</u>	<u>3.58%</u>
Market value in KD	<u>11,000,444</u>	<u>9,968,975</u>

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries
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19 STATUTORY RESERVE

In accordance with the Parent Company's Articles of Association 10% of the profit for the year attributable to shareholders of the Parent Company (before contributions to KFAS and Zakat) is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. For the current year no such transfer has been made as the statutory reserve has reached 50% of the paid up capital.

Distribution of the reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

20 VOLUNTARY RESERVE

As required by the Parent Company's Articles of Association, an amount of the profit for the year (before contribution to KFAS, and Zakat) can be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders of the Parent Company in the annual general assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of the voluntary reserve. For the current year, no such transfer has been made upon the recommendation of the Board of Directors.

21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, term loans and islamic financing payables at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities is as follows:

30 April 2017	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Over five years KD</i>	<i>Total KD</i>
ASSETS					
Cash and cash equivalents	16,624,518	-	-	-	16,624,518
Accounts receivable and prepayments	3,272,232	7,808,599	-	-	11,080,831
Inventories	7,493,724	-	-	-	7,493,724
Financial assets at fair value through profit or loss (designated)	-	124,825,001	-	-	124,825,001
Financial assets available for sale	-	1,736,024	21,073,015	153,296,000	176,105,039
Investment in associates	-	-	-	56,502,844	56,502,844
Property, plant and equipment	-	-	-	18,428,154	18,428,154
Goodwill	-	-	-	5,144,748	5,144,748
TOTAL ASSETS	27,390,474	134,369,624	21,073,015	233,371,746	416,204,859
LIABILITIES					
Term loans	1,432,441	21,949,779	52,573,618	-	75,955,838
Islamic financing payables	771,638	11,811,537	18,798,084	-	31,381,259
Accounts payable and accruals	2,433,427	7,300,280	-	-	9,733,707
Dividend payable	-	3,632,421	-	-	3,632,421
TOTAL LIABILITIES	4,637,506	44,694,017	71,371,702	-	120,703,225

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 April 2016	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Over five years KD</i>	<i>Total KD</i>
ASSETS					
Cash and cash equivalents	19,893,819	-	-	-	19,893,819
Accounts receivable and prepayments	14,210,111	-	-	-	14,210,111
Inventories	7,342,548	-	-	-	7,342,548
Financial assets at fair value through profit or loss (designated)	-	125,164,633	-	-	125,164,633
Financial assets available for sale	-	-	40,033,641	148,258,892	188,292,533
Investment in associates	-	-	-	31,385,625	31,385,625
Property, plant and equipment	-	-	-	21,601,594	21,601,594
Goodwill	-	-	-	6,002,464	6,002,464
TOTAL ASSETS	41,446,478	125,164,633	40,033,641	207,248,575	413,893,327
LIABILITIES					
Term loans	2,821,652	12,279,963	49,246,445	-	64,348,060
Islamic financing payables	3,125,000	2,750,000	27,594,564	-	33,469,564
Accounts payable and accruals	5,341,581	6,072,647	1,239,821	-	12,654,049
Dividend payable	-	3,605,529	-	-	3,605,529
TOTAL LIABILITIES	11,288,233	24,708,139	78,080,830	-	114,077,202

22 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

For management purposes, the Group is organised into two major business segments. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Energy and Petrochemicals	:	Direct investment stakes in this sector comprising of basic materials (Equate, TKOC, Banagas and others), manufacturing activities of subsidiaries : Muna Noor Manufacturing & Trading Co .L.L.C., Oman, Muna Noor.L.L.C. (Salalah), Oman, Jubail Integrated Packaging Co. L.L.C, KSA, ("JPIC"), Muna Noor Plastic Industries L.L.C, Oman, Boubyan Plastics Industries Co. K.S.C. (Closed) and Energy (Power distribution and District cooling).
Others	:	Investing directly and through portfolios into shipping, services, funds etc.

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22 SEGMENTAL INFORMATION (continued)

Year ended 30 April 2017	<i>Energy and Petrochemical Sector</i>			<i>Total</i> <i>KD</i>
	<i>Basic materials</i> <i>KD</i>	<i>Manufacturing</i> <i>KD</i>	<i>Others</i> <i>KD</i>	
<i>Revenue</i>				
Dividend income	18,541,539	-	780,609	19,322,148
Investment (loss) income	(339,632)	-	5,973,586	5,633,954
Share of results of associates	1,397,081	1,258,219	1,623,666	4,278,966
Sales	-	25,795,507	-	25,795,507
Total revenue	19,598,988	27,053,726	8,377,861	55,030,575
Result				
Segment profit	19,598,988	5,232,147	8,377,861	33,208,996
Other income	-	216,129	-	216,129
General and administrative expenses	(1,656,815)	(4,017,559)	-	(5,674,374)
Finance costs	(2,659,647)	(346,047)	-	(3,005,694)
Impairment of goodwill	-	(857,715)	-	(857,715)
Impairment of property, plant and equipment	-	(2,726,306)	-	(2,726,306)
Impairment loss on associate	-	-	(1,398,675)	(1,398,675)
Impairment loss on financial assets available for sale	-	-	(8,761,195)	(8,761,195)
Foreign exchange (loss) gain	(209,941)	2,798	-	(207,143)
Profit (loss) before taxation and Directors' fee	15,072,585	(2,496,553)	(1,782,009)	10,794,023
Taxation	(307,437)	(9,771)	-	(317,208)
Directors' fee	(75,000)	-	-	(75,000)
Profit (loss) for the year	14,690,148	(2,506,325)	(1,782,009)	10,401,814
Total assets	314,539,482	59,427,505	42,237,872	416,204,859
Total liabilities	(88,554,051)	(16,730,956)	(15,418,218)	(120,703,225)

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2017

22 SEGMENTAL INFORMATION (continued)

Year ended 30 April 2016	<i>Energy and Petrochemical Sector</i>			<i>Total KD</i>
	<i>Basic materials KD</i>	<i>Manufacturing KD</i>	<i>Others KD</i>	
<i>Revenue</i>				
Dividend income	19,382,090	283,000	476,863	20,141,953
Investment (loss) income	(120,000)	-	4,141,727	4,021,727
Gain on sale of associate's assets	-	-	685,637	685,637
Share of results of associates	1,264,710	1,531,031	935,157	3,730,898
Sales	-	30,561,908	-	30,561,908
Total revenue	20,526,800	32,375,939	6,239,384	59,142,123
Result				
Segment profit	20,526,800	6,900,272	6,239,384	33,666,456
Other (loss) income	-	(55,717)	1,045,083	989,366
General and administrative expenses	(1,344,725)	(3,263,798)	-	(4,608,523)
Finance costs	(2,184,144)	(291,467)	-	(2,475,611)
Impairment loss on associate	-	-	(918,108)	(918,108)
Impairment loss on financial assets available for sale	-	-	(2,602,002)	(2,602,002)
Foreign exchange loss	(49,756)	(28,947)	-	(78,703)
Profit before taxation and Directors' fee	16,948,175	3,260,343	3,764,357	23,972,875
Taxation	(858,076)	(200,190)	-	(1,058,266)
Directors' fee	(75,000)	-	-	(75,000)
Profit for the year	16,015,099	3,060,153	3,764,357	22,839,609
Total assets	310,598,490	67,803,683	35,491,154	413,893,327
Total liabilities	(77,355,239)	(16,915,448)	(19,806,515)	(114,077,202)

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries
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23 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	<i>Entities under common control KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Sales	859,940	859,940	1,217,252
Purchases	681,041	681,041	839,025
Other income	216,129	216,129	989,366

Compensation of key management personnel

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

	<i>2017 KD</i>	<i>2016 KD</i>
Short-term benefits	394,116	372,254
Employees' end of service benefits	16,460	16,594
	410,576	388,848

Directors' fees of KD 75,000 for the year ended 30 April 2017 is subject to approval by the Annual General Meeting of the shareholders of the Parent Company. The Directors' fees of KD 75,000 for the year ended 30 April 2016 was approved by the Annual General Meeting of the shareholders held on 14 June 2016.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise term loans, Islamic financing payables and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group also holds financial assets available for sale and financial assets at fair value through profit or loss.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

The Board of Directors of the Group are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk mitigation

As part of its overall risk management, the Group uses or may choose to use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, liquidity risks and equity risks.

The main risks to which the Group's assets and liabilities are exposed and the principal methods of risk management are as follows:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (mainly cash equivalents, term loans and Islamic financing payables). The Group negotiates interest rates and obtains commercial rates for term loans.

The sensitivity of the Group's consolidated statement of income for the year is the effect of the assumed changes in interest rates on the Group's profit before taxation and directors' fees based on floating rate financial assets and financial liabilities held at 30 April 2017 and 2016. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income for the year to reasonably possible changes in interest rates, with all other variables held constant:

	<i>Increase in basis points</i>	<i>Effect on results for the year KD</i>
2017		
KD	25	(268,343)
2016		
KD	25	(244,544)

The decrease will have an opposite effect on consolidated statement of income for the year.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

One of the subsidiaries of the Parent Company sells its products mainly to Equate, a related party and its balances accounted for 6% of outstanding accounts receivable at 30 April 2017 (2016: 39%).

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions as follows:

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24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Risk concentration of maximum exposure to credit risk (continued)

	<i>Kuwait KD</i>	<i>GCC and the rest of the Middle East KD</i>	<i>Total KD</i>
As at 30 April 2017			
Cash and cash equivalents	15,553,779	1,070,739	16,624,518
Accounts receivable	2,013,893	9,066,938	11,080,831
Maximum exposure to credit risk assets	<u>17,567,672</u>	<u>10,137,677</u>	<u>27,705,349</u>

	<i>Kuwait KD</i>	<i>GCC and the rest of the Middle East KD</i>	<i>Total KD</i>
As at 30 April 2016			
Cash and cash equivalents	17,989,041	1,904,778	19,893,819
Accounts receivable and prepayments	2,213,834	11,996,277	14,210,111
Maximum exposure to credit risk assets	<u>20,202,875</u>	<u>13,901,055</u>	<u>34,103,930</u>

The Group's gross maximum exposure to credit risk can be analysed by the following industry sectors as:

	<i>2017 KD</i>	<i>2016 KD</i>
Manufacturing	11,080,831	14,210,111
Banks	16,624,518	19,893,819
	<u>27,705,349</u>	<u>34,103,930</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group limits its liquidity risks by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturity profile of the Group's liabilities based on undiscounted contractual repayment obligations.

30 April 2017	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Accounts payable and accruals	2,433,427	7,300,280	-	9,733,707
Dividend payable	-	3,632,421	-	3,632,421
Term loans	2,215,895	24,300,142	55,437,769	81,953,806
Islamic financing payables	858,128	12,052,380	19,247,371	32,157,879
Total liabilities	<u>5,507,450</u>	<u>47,285,223</u>	<u>74,685,140</u>	<u>127,477,813</u>

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24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

30 April 2016	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Accounts payable and accruals	5,341,581	6,072,647	1,239,821	12,654,049
Dividend payable	-	3,605,529	-	3,605,529
Term loans	3,392,142	12,595,609	51,953,122	67,940,873
Islamic financing payables	3,156,193	3,093,579	28,207,858	34,457,630
Total liabilities	11,889,916	25,367,364	81,400,801	118,658,081

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's investments are mainly denominated in US Dollars and Pound Sterling. These investments are financed by borrowings in foreign currencies; consequently management believes that there is no significant risk due to fluctuations in currency rates. The management also manages these rates by entering into hedging transactions.

The effect on results before taxation and directors' fees (due to change in the fair value of monetary assets and liabilities), as a result of change in currency rate, with all other variables held constant is shown below:

	Change in currency rates by 5%			
	<i>Effect on consolidated statement of income before taxation and directors' fees</i>		<i>Effect on other comprehensive income</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
USD	(1,401,642)	-	-	584,462
GBP	-	(61,031)	51,099	-

Equity price risk

Equity price risk arises from the change in fair values of quoted equity investments. The Group manages this risk through diversification of investments in various industrial sectors.

The effect on consolidated statement of comprehensive income (as a result of a change in the fair value of financial assets available for sale at 30 April due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	<i>Change in equity price %</i>	<i>Effect on consolidated statement of comprehensive income</i>	
		<i>2017 KD</i>	<i>2016 KD</i>
Financial assets available for sale	+20	347,205	2,291,982

The decrease in equity price percentage will have the opposite effect on other comprehensive income and consolidated statement of income for the year.

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25 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (see note 11) are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level: 1</i> KD	<i>Level: 3</i> KD	<i>Total fair value</i> KD
2017			
Financial assets			
<i>Financial assets available for sale</i>			
Quoted investments	1,736,024	-	1,736,024
Unquoted investments	-	157,974,030	157,974,030
	<u>1,736,024</u>	<u>157,974,030</u>	<u>159,710,054</u>
<i>Financial assets at fair value through profit or loss</i>			
Unquoted investments	-	124,825,001	124,825,001
	<u>-</u>	<u>124,825,001</u>	<u>124,825,001</u>
2016			
Financial assets			
<i>Financial assets available for sale</i>			
Quoted investments	11,459,911	-	11,459,911
Unquoted investments	-	160,437,637	160,437,637
	<u>11,459,911</u>	<u>160,437,637</u>	<u>171,897,548</u>
<i>Financial assets at fair value through profit or loss</i>			
Unquoted investments	-	125,164,633	125,164,633
	<u>-</u>	<u>125,164,633</u>	<u>125,164,633</u>

During the year, there have been no transfers between the hierarchies.

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, deposits with banks, receivables and investments. Financial liabilities consist of term loans, islamic financing payables, accounts payables and accruals.

The fair values of financial instruments, with the exception of certain financial assets available for sale (Others) carried at cost (Note 11), are not materially different from their carrying values.

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries

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25 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and financial liabilities which are recorded at fair value.

<i>Year ended 30 April 2017</i>	<i>At 1 May 2016</i>	<i>Gain (loss) recorded in consolidated statement of income for the year</i>	<i>Gain recorded in other comprehensive income</i>	<i>Net purchases, sales and settlements</i>	<i>Impairment recorded during the year</i>	<i>At 30 April 2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KQ</i>	<i>KD</i>
Unquoted financial assets available for sale	160,437,637	205,062	6,093,984	(6,665)	(8,755,988)	157,974,030
Unquoted financial assets at fair value through profit or loss (designated)	125,164,633	(339,632)	-	-	-	124,825,001
<i>Year ended 30 April 2016</i>	<i>At 1 May 2015</i>	<i>Loss recorded in consolidated statement of income for the year</i>	<i>Loss recorded in other comprehensive income</i>	<i>Net purchases, sales and settlements</i>	<i>Impairment recorded during the year</i>	<i>At 30 April 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Unquoted financial assets available for sale	169,545,092	(214,341)	(6,665,574)	(3,431)	(2,224,109)	160,437,637
Unquoted financial assets at fair value through profit or loss (designated)	125,284,633	(120,000)	-	-	-	125,164,633

Valuation of unquoted equity instruments

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation (Note 10 and 11). There are certain financial assets available for sale where fair values cannot be reliably determined, and as a result, investments with a carrying amount of KD 16,394,985 (2016: KD 16,394,985) are carried at cost (Note 11).

The table below illustrates the effect on statement of income and other comprehensive income due to a reasonable change of each significant input, separately, with all other variables held constant.

	<i>Increase of 50 basis points</i>		<i>Increase of 50 basis points</i>	
	<i>Effect on statement of income</i>		<i>Effect on other comprehensive income</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Weighted average cost of capital	(3,296,248)	(1,867,633)	(4,751,153)	(6,071,892)
Cost of equity	(1,264,101)	(1,103,633)	(171,304)	(200,892)
Terminal growth rate	4,946,276	3,343,367	6,635,119	7,222,108

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26 CONTINGENCIES AND CAPITAL COMMITMENTS

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Acquisition of investments	<u>793,736</u>	<u>787,606</u>

During the year, the Parent Company has given corporate guarantees amounting to KD 37,254,036 (2016: KD 17,850,160) to Banks on behalf of its subsidiaries.

27 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 30 April 2017 and 30 April 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, term loans and islamic finance payables less cash and cash equivalents. Total capital represents total equity as presented in the consolidated statement of financial position.

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Term loans	75,955,838	64,348,060
Islamic financing payables	31,381,259	33,469,564
Less: cash and cash equivalents	(16,624,518)	(19,893,819)
Net debt	<u>90,712,579</u>	<u>77,923,805</u>
Total capital	<u>295,501,634</u>	<u>299,816,125</u>
Gearing (debt to equity) ratio	<u>31%</u>	<u>26%</u>