Boubyan Petrochemical Company (K.S.C)

ANNUAL REPORT 11

for the year ended Vد APRIL

H.H. Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of The State of Kuwait

H.H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of The State of Kuwait

H.H. Sheikh
Nasser Al-Muhammad Al-Ahmad Al-Sabah
The Prime Minister of The State of Kuwait

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Marzouq Ali Al-Ghanim
Chairman

Dabbous Mubarak Al-Dabbous
Deputy Chairman

Saoud Abdulaziz Al-Babtain
Board Member

Khalid Abdulaziz Al-Muraikhi
Board Member

MESSAGE TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of my colleagues, Directors of the Board, and all employees of the Boubyan Petrochemical Group of Companies, it gives me great pleasure to welcome you to the 15th Annual General Meeting to review the Company's performance for the financial year ended April 30th, 2011.

Uncertainty and anxiety remain as the main criteria of the Global economic situation; however the economic outlook of the Arabian Gulf region is clearly better compared to the past couple of years. This is backed by the stability of the crude oil and petrochemical product prices near their record highs that were registered during the first half of 2008, which has encouraged the GCC governments to approve record budgets characterized by high spending measures particularly in infrastructure projects as the case has been in Saudi Arabia, Kuwait and Qatar. These spending packages should increase and promote economic activity in these countries, if implemented as planned.

The increased petrochemical product prices have positively impacted the performance of our most important investments, EQUATE Petrochemical Company (EQUATE I) and the Kuwait Olefins Company (EQUATE II), having distributed record combined dividends of KD 21.3 million (or 44 fils/share) which consequently contributed to the growth of BPC's performance during the past financial year. In addition, with the Grace of God, BPC has consistently posted profits in all of its interim quarterly results.

On the other hand, and in continuation of BPC's strategy, the Company is currently studying a number of investment opportunities in the Chemicals and Oil & Gas sectors with the intention to acquire strategic stakes similar to the acquisition done last year for 24% of Al-Kout Industrial Projects Company.

In light of the above, let us review BPC's financial performance for the year ended April 30th, 2011, in which the Company has posted a net profit of KD 22.8 million (equivalent to 47.2 fils/share) before reserves and dividends, while the Shareholders' Equity reached KD 258.5 million. Therefore return on Shareholders' Equity became 8.8% and on Total Assets 5.3%.

Given the above growth in performance and the availability of liquidity, the Board of Directors recommends distributing cash dividends of 35% (or 35 Fils per share) for the financial year ended April 30th, 2011.

The growth in the financial performance of the Company demonstrates the strength of BPC's assets and the continued positive performance of its subsidiaries, which is expected to improve further during the next financial year due to the current on-going expansion projects in the various facilities of Muna Noor in Oman and Olayan Arabian Packaging in Saudi Arabia. The Board of Directors and the Executive Management of the Company are therefore optimistic about the upward trend in BPC's performance during the coming years.

Finally, we extend our sincere thanks and appreciation to our shareholders for their continued trust and support over the past many years.

We attach for your review an update of the latest developments of our major direct investments.

The Board of Directors

EQUATE Petrochemicals Company (EQUATE) - KSCC:

EQUATE was established in 1995 as a joint venture between Petrochemical Industries Co (45% of equity) and Union Carbide (now Dow Chemical) which also had a 45% equity stake. The balance (which is 10%) belonged to Boubyan Petrochemical Company (BPC). EQUATE is one of the most efficiently operated and successfully managed olefins plants in the region. This is mainly due to the technology used, high caliber technical staff and efficient marketing and management team.

However, shareholding structure of EQUATE has changed since the beginning of 2005, following the introduction of a new shareholder, Al-Qurain Petrochemical Industries Company (Al-Qurain), with a 6% equity stake; and as such BPC's stake was reduced to 9% while PIC and DOW's became 42.5% each.

The Kuwait Olefins Company (TKOC – EQUATE II) - KSCC:

The Kuwait Olefins Company was established in 2005 by PIC (42.5%), Dow Chemical (42.5%), BPC (9%) and Al-Qurain (6%). The new company is simply an extension of EQUATE, whose existing facilities will be expanded to result in an increase in the production capacities of the current products. Therefore the optimum capacity will be attained with a minimal capital investment.

Full Commercial production of Ethylene and Ethylene Glycol has commenced during the year 2009. The year ended 31/12/2009 was the first fully operational year that led to writing off of pre-operational losses and resulted in dividend distribution. As to the financial year ended 31/12/2010, the sum of dividend distribution of BPC's share of both EQUATE I and TKOC amounted to an unprecedented record KD 21.3 million.

Boubyan Plastic Industries Company (BPIC) - KSCC:

BPIC is a wholly owned subsidiary of BPC. Its plant is located in Shuaiba Industrial Area, and produces heavy duty plastic bags. These bags are used for packing petrochemical materials. The plant also produces stretch film, shrink film as well as green house film for the agriculture industry, in addition to various packaging materials.

The company's plant proved to be competitive in terms of international quality standards at competitive rates, despite its relatively short operational age. The plant has managed to secure annual contracts from major clients and specialized petrochemical companies in the region, including our strategic partner, EQUATE. It is worth noting that BPIC has obtained the ISO 9001: 2008 certificate. Furthermore, production capacity of BPIC almost doubled since inception to reach 12,000 tpa.

During the past year, the legal status of BPIC was changed to a closed shareholding company. This came in parallel with the significant improvement in its financial performance which enabled BPIC's Board to recommend cash dividends distribution to the parent company for the second year in a row.

National Waste Management Company (NWMC) - LLC:

NWMC is a wholly owned subsidiary of BPC. Sufficient studies were carried out which indicated the feasibility of proceeding with rehabilitation and reconstruction of the company's plant at Amghara area, using an innovative technology that converts the solid household waste to high quality organic fertilizers. We must note that during the year 2007, NWMC received a letter from Kuwait Municipality declining the Company's request for a tipping fee, a standard setup for such projects worldwide. This has lead to delays in project implementation since we must start afresh the search for less advanced/costly technologies that will maintain feasibility of the project. On the other hand, four years ago BPC divested 50% of the equity of NWMC to a strategic investor, whose introduction is expected to enhance the chances of implementing the project in a feasible fashion.

Al-Kout Industrial Projects (Al-Kout) - KSC:

BPC acquired 24% of Al-Kout Industrial Projects Company in May 2010, through an auction on the Kuwait Stock Exchange. Al-Kout is the exclusive producer of Chlorine, Caustic Soda and Hydrochloric Acid in Kuwait. It sells the products in Kuwait to water desalination plants via ME & W, sea water cooling stations through the Public Authority of Industry as well as companies working in the Oil and Gas Industry. The company also sells its products in other regional countries. Al-Kout is listed on the Kuwait Stock Exchange and declared net profits amounting to KD 2.75 million (31.1 fils/share) for the year ended December 31st 2010 in comparison to KD 2.42 million for the previous year, a 14% growth. Al-Kout has declared and already distributed cash dividends amounting to 20 fils/share for 2010 results.

Boubyan International Industries Holding Company (BIIHC) - KSCC:

BIIHC was incorporated almost 7 years ago (1/8/2004) with a KD 30 million paid up capital. BPC has a 20% equity stake in BIIHC (associate Co.). This makes BPC its largest single shareholder. BIIHC's main activity has been investing in operating companies and in certain industrial equity holdings in the GCC and internationally. Company management has successfully entered into strategic alliances to set up various projects in the infrastructure and real estate sectors throughout the GCC. On the other hand, BIIHC was recently listed on the Kuwait Stock Exchange.

Olayan Arabian Packaging Company (OAPC) - Saudi Arabia:

BPC acquired 60% of the total equity of OAPC, which was originally a subsidiary of Olayan Finance Company. OAPC's main activity is the production and marketing of stretch/shrink wrap and cling film and plastic packaging material in general, which compliments the BPIC product range. The main market for its products is Saudi Arabia and the region at large. BPC's management is striving to enhance the position and market shares of BPIC and OAPC in the region through an exchange of technical and marketing expertise. In this regard, OAPC has signed a financing agreement with a Saudi bank to partially finance OAPC's expansion plan. The expansion is currently underway and is expected to be completed by the year-end 2011.

Muna Noor Manufacturing & Trading Company (MNMT) - Oman:

At the end of 2005, BPC acquired 80% of the equity of MNMT of Muscat, Oman, which in turn owns a PVC and PE pipes manufacturing facility. The pipes are multipurpose (i.e. electric conduits, sanitary and for irrigation use). MNMT also has a number of international trading agencies for products that compliment those being produced in its plant in Oman. During the year, BPC acquired the remaining 20% minority stake and as a result, MNMT is now a wholly owned subsidiary. During 2010, MNMT completed setting up and started commercial production in a new factory in Rusayl Industrial Area in Muscat, which lead to doubling the PE pipes production capacity. That also meant separating the production lines of PE and PVC to be in different locations. Furthermore, and in line with BPC's strategy to improve the performance of its subsidiaries, MNMT is currently undergoing another set of expansions in Sohar Industrial Area which is due to be completed by year-end 2011. BPC believes that this expansion will positively impact MNMT's performance next year.

Boubyan Petrochemical Company K.S.C.
and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
30th April 2011

INDEPENDENT AUDITORS' REPORT

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We have audited the accompanying consolidated financial statements of Boubyan Petrochemical Company K.S.C (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 30 April 2011 and the consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 April 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the Parent Company's articles of association have occurred during the year ended 30 April 2011 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
OF ERNST & YOUNG

Ali Khaled Al-Faraj
Licence No. 28 A
OF AL-FARAJ AUDITING OFFICE

Kuwait, 26 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April 2011

	Notes	2011 KD	2010 KD
Sales		**23,084,895**	23,078,561
Cost of sales		**(18,513,621)**	(16,453,823)
GROSS PROFIT		**4,571,274**	6,624,738
Dividend income	3	**29,400,742**	14,552,399
Investment income	4	**16,707,096**	30,702,008
Share of results of associates	12	**(768,672)**	229,678
Other income		**371,775**	1,491,383
General and administrative expenses	23	**(6,346,348)**	(1,293,959)
Finance cost		**(8,958,599)**	(7,816,949)
Foreign exchange gain		**348,349**	942,902
Profit before impairment of investments available for sale		**35,325,617**	45,432,200
Impairment of investments available for sale (others)	9,11	**(11,692,939)**	(21,965,281)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' FEES		**23,632,678**	23,466,919
Contribution to KFAS		**(204,118)**	(199,553)
Contribution to NLST		**(414,645)**	(562,760)
Zakat		**(159,885)**	(205,784)
Directors' fees		**(60,000)**	(75,000)
PROFIT FOR THE YEAR		**22,794,030**	22,423,822
Other comprehensive income:			
Realised loss (gain) on sale of investments available for sale (others)	4	**583,956**	(6,163,770)
Unrealised gain on investments available for sale (Equate)	10	**3,500,000**	10,692,461
Unrealised loss on investments available for sale (others)		**(11,534,317)**	(16,354,664)
Transfer to profit for the year on impairment of investments available for sale (others)	9,11	**11,692,939**	21,965,281
Share of other comprehensive income of associate	12	**(67,252)**	(1,310,130)
Revaluation of property, plant and equipment	14	**1,559,011**	4,277,653
Change in fair value of cash flow hedges	25	**989,467**	(989,467)
Others		**(436,411)**	(493,352)
OTHER COMPREHENSIVE INCOME		**6,287,393**	11,624,012
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,081,423**	34,047,834
Profit attributable to :			
Equity holders of the Parent Company		**22,836,309**	21,407,327
Non-controlling interests		**(42,279)**	1,016,495
		22,794,030	22,423,822
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**28,667,282**	33,031,339
Non-controlling interests		**414,141**	1,016,495
		29,081,423	34,047,834
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**47.24 fils**	44.17 fils

The attached notes 1 to 29 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 30 April 2011

	Notes	2011 KD	2010 KD
ASSETS			
Bank balances and short term deposits	6	**6,586,836**	10,005,688
Accounts receivable and prepayments	7	**8,752,321**	9,335,498
Inventories	8	**3,893,650**	3,774,625
Investments carried at fair value through income statement	9	**71,903,533**	56,712,030
Investments available for sale (Equate)	10	**134,000,000**	130,500,000
Investments available for sale (others)	11	**160,541,809**	182,762,160
Investment in associates	12	**20,195,411**	13,593,997
Exchange of deposits	13	**2,351,279**	6,629,577
Property, plant and equipment	14	**15,640,755**	14,778,488
Goodwill		**6,002,464**	6,002,464
TOTAL ASSETS		**429,868,058**	434,094,527
LIABILITIES AND EQUITY			
LIABILITIES			
Bank overdraft	6	**-**	267,586
Term loans	15	**94,584,318**	129,333,989
Islamic financing payables	16	**60,500,000**	45,000,000
Accounts payable and accruals	17	**12,230,616**	10,874,982
Dividend payable		**2,708,886**	2,662,651
Total liabilities		**170,023,820**	188,139,208
EQUITY			
Share capital	18	**48,510,000**	48,510,000
Share premium		**2,400,000**	2,400,000
Treasury shares	19	**(949,972)**	(461,841)
Treasury shares reserve		**993,574**	950,920
Statutory reserve	20	**24,255,000**	22,189,125
Voluntary reserve	20	**24,255,000**	22,189,125
Other reserves		**(181,744)**	-
Revaluation reserve		**5,813,363**	5,147,180
Cumulative changes in fair values		**103,800,535**	98,635,745
Retained earnings		**49,562,552**	45,366,701
Equity attributable to equity holders of the Parent Company		**258,458,308**	244,926,955
Non-controlling interests		**1,385,930**	1,028,364
Total equity		**259,844,238**	245,955,319
Total liabilities AND EQUITY		**429,868,058**	434,094,527

Marzouq A. Alghanim
Chairman

Dabbous M. Al-Dabbous
Deputy Chairman

The attached notes 1 to 29 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 April 2011

	Notes	2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and Directors' fees		**23,632,678**	23,466,919
Adjustments for:			
Finance cost		**8,958,599**	7,816,949
Depreciation	14	**1,095,449**	793,520
Employees' end of service benefits		**72,558**	96,702
Realised loss (gain) on sale of investments available for sale (others)	4	**583,956**	(6,163,770)
Impairment of investments available for sale (others)	9,11	**11,692,939**	21,965,281
Other income		**(371,775)**	(1,491,383)
Share of result of associates	12	**768,672**	(229,678)
Realised (gain) on investments carried at fair value through income statement	4	**(318)**	(6,640)
Foreign exchange gain		**(348,349)**	(942,902)
Unrealised gain on investments carried at fair value through income statement	4	**(15,851,006)**	(21,427,628)
		30,233,403	23,877,370
Operating assets and liabilities:			
Accounts receivable and prepayments		**583,177**	(514,472)
Inventories		**(119,025)**	(1,155,051)
Accounts payable and accruals		**1,605,520**	(147,679)
Investments carried at fair value through income statement		**525,967**	-
Net cash from operating activities		**32,829,042**	22,060,168
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	**(402,897)**	(1,266,269)
Proceeds from sale of property, plant and equipment		**4,192**	51,912
Additions to investments available for sale (others)		**(1,941,560)**	(31,743,433)
Dividend received from an associate	12	**740,880**	-
Acquisition of an associate	12	**(8,178,218)**	-
Proceeds from sale of investments available for sale (others)		**12,072,112**	22,805,530
Acquisition of additional interest in a subsidiary	24	**(238,774)**	(4,507,672)
Net cash from (used in) investing activities		**2,055,735**	(14,659,932)
FINANCING ACTIVITIES			
Dividends paid		**(14,462,473)**	(11,786,783)
Net movement in term loans		**(29,517,127)**	(2,056,061)
Net movement in islamic financing payables		**15,500,000**	17,000,000
Finance cost paid		**(9,054,391)**	(7,846,731)
Purchase of treasury shares		**(853,824)**	(2,631,184)
Proceed from sale of treasury shares		**408,347**	3,590,920
Acquisition of additional interest in subsidiary		**-**	(1,079,725)
Dividends paid to non controlling interests		**(56,575)**	(442,790)
Net cash used in financing activities		**(38,036,043)**	(5,252,354)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,151,266)**	2,147,882
Cash and cash equivalents at the beginning of the year		**9,738,102**	7,590,220
CASH AND CASH EQUIVALENTS AT 30 APRIL	6	**6,586,836**	9,738,102

The attached notes 1 to 29 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30 April 2011

Attributable to shareholders of the Parent Company

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Revaluation reserve	Cumulative changes in fair value	Retained earnings	Sub total	Non-Controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 May 2010	48,510,000	2,400,000	(461,841)	950,920	22,189,125	22,189,125	-	5,147,180	98,635,745	45,366,701	244,926,955	1,028,364	245,955,319
Profit for the year	-	-	-	-	-	-	-	-	-	22,836,309	22,836,309	(42,279)	22,794,030
Other comprehensive income	-	-	-	-	-	-	-	666,183	5,164,790	-	5,830,973	456,420	6,287,393
Total comprehensive income for the year	-	-	-	-	-	-	-	666,183	5,164,790	22,836,309	28,667,282	414,141	29,081,423
Purchase of treasury shares	-	-	(853,824)	-	-	-	-	-	-	-	(853,824)	-	(853,824)
Sale of treasury shares	-	-	365,693	42,654	-	-	-	-	-	-	408,347	-	408,347
Dividends (note 18)	-	-	-	-	-	-	-	-	-	(14,508,708)	(14,508,708)	-	(14,508,708)
Transfer to reserves	-	-	-	-	2,065,875	2,065,875	-	-	-	(4,131,750)	-	-	-
Acquisition of non-controlling Interests	-	-	-	-	-	-	(181,744)	-	-	-	(181,744)	-	(181,744)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(56,575)	(56,575)
Balance at 30 April 2011	**48,510,000**	**2,400,000**	**(949,972)**	**993,574**	**24,255,000**	**24,255,000**	**(181,744)**	**5,813,363**	**103,800,535**	**49,562,552**	**258,458,308**	**1,385,930**	**259,844,238**

The attached notes 1 to 29 form part of these consolidated financial statements.

Boubyan Petrochemical Company K.S.C. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30 April 2011

Attributable to shareholders of the Parent Company

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Revaluation reserve	Cumulative changes in fair value	Retained earnings	Sub total	Non-Controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 May 2009	48,510,000	2,400,000	(1,129,912)	659,255	19,944,083	19,944,083	-	1,362,879	90,796,034	40,556,392	223,042,814	1,534,384	224,577,198
Profit for the year	-	-	-	-	-	-	-	-	-	21,407,327	21,407,327	1,016,495	22,423,822
Other comprehensive income	-	-	-	-	-	-	-	3,784,301	7,839,711	-	11,624,012	-	11,624,012
Total comprehensive income for the year	-	-	-	-	-	-	-	3,784,301	7,839,711	21,407,327	33,031,339	1,016,495	34,047,834
Purchase of treasury shares	-	-	(2,631,184)	-	-	-	-	-	-	-	(2,631,184)	-	(2,631,184)
Sale of treasury shares	-	-	3,299,255	291,665	-	-	-	-	-	-	3,590,920	-	3,590,920
Dividends (note 18)	-	-	-	-	-	-	-	-	-	(12,106,934)	(12,106,934)	-	(12,106,934)
Transfer to reserves	-	-	-	-	2,245,042	2,245,042	-	-	-	(4,490,084)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,079,725)	(1,079,725)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(442,790)	(442,790)
Balance at 30 April 2010	48,510,000	2,400,000	(461,841)	950,920	22,189,125	22,189,125	-	5,147,180	98,635,745	45,366,701	244,926,955	1,028,364	245,955,319

Cumulative changes in fair value consists of the following:

	2011 KD	2010 KD
a) Unrealised gain relating to investments available for sale (Equate)	**108,098,338**	104,598,338
b) Unrealised loss relating to investments available for sale (others)	**(4,783,307)**	(5,525,882)
c) Share of cumulative changes in fair values in the equity of an associate	**485,504**	552,756
d) Change in fair value of cash flow hedges	**-**	(989,467)
	103,800,535	98,635,745

During the year, the unrealised loss on investments available for sale (others and Equate) includes an amount of KD 7,345,619 (2010: unrealised loss of KD 1,525,493) in respect of foreign currency movements.

The attached notes 1 to 29 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

The consolidated financial statements of Boubyan Petrochemical Company K.S.C. (the "Parent Company") and Subsidiaries (the "Group") for the year ended 30 April 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 26 June 2011 and are issued 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 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is listed on the Kuwait Stock Exchange. The Parent Company's registered office is at Al Khaleejia Building, 5th and 6th Floor, P.O. Box 2383, 13024 Safat, Kuwait.

The Parent Company's main activity since inception has been direct investment in industrial projects in general and in chemical and petrochemical projects in particular.

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 State of Kuwait.

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

	2011	2010
Petrochemical Industries Company K.S.C.	**42.5%**	42.5%
Dow Chemical Company	**42.5%**	42.5%
Boubyan Petrochemical Company K.S.C.	**9%**	9%
Qurain Petrochemical Company K.S.C.	**6%**	6%

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through consolidated statement of comprehensive income, derivative financial instruments and certain investments available for sale.

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

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

Changes in accounting policy 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 IASB Standards, International Financial Reporting Interpretations Committee ("IFRIC") Interpretations during the year:

- IFRS 2: Share-based payment: group cash-settlement share-based payment transactions (Amended) (effective 1 January 2010).
- IFRS 3R and IAS 27: Consolidated and separate financial statements (Amended) ("IAS 27 (Amended)") (effective 1 July 2009).
- IFRS 8: Operating segments (effective 1 January 2010).
- IAS 1: Presentation of financial statements (Amended) (effective 1 January 2010).
- IAS 7: Statement of cash flows (effective 1 January 2010).
- IAS 17: Leases (Amended) (effective 1 January 2010).
- IAS 32: Financial instruments: presentation – classification of rights issues (effective 1 February 2010).
- IAS 36: Impairment of assets (effective 1 January 2010).
- IAS 38: Intangible assets (effective 1 July 2009).
- IAS 39: Financial instruments: recognition and measurement - eligible hedged items (Amended)(effective 1 July 2009).
- IFRIC Interpretation 9: Reassessment of embedded derivatives (Amended) (effective 1 July 2009).
- IFRIC Interpretation 16: Hedges of a net investment in a foreign operation (Amended)(effective 1 October 2009).
- IFRIC Interpretation 17: Distributions of non-cash assets to owners (effective 1 July 2009).
- IFRIC Interpretation 18: Transfers of assets from customers (effective 1 July 2009).

The adoption of the following new and amended IASB Standards and IFRIC Interpretations resulted in changes to accounting policies, but did not have any material impact on the financial position or performance of the Group:

Boubyan Petrochemical Company K.S.C. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 30 April 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

IFRS 3R and IAS 27 (Amended)
IFRS 3R introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of non controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The change in accounting policy was applied prospectively affecting acquisitions or loss of control of subsidiaries and transactions with non controlling interest after 1 January 2010.

IFRS 8: Operating segments
The IASB issued an amendment to IFRS 8 that clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 22.

IAS 7: Statement of cash flows (Amended)
The amendment clarifies that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

IAS 32: Financial instruments: presentation – classification of rights issues (Amendment) (effective 1 February 2010)
The amendment has revised the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no impact on the Group after initial application.

IAS 36: Impairment of assets (Amended)
The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

IAS 39: Financial instruments, recognition and measurement – eligible hedged items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

IFRIC 17: Distribution of non-cash assets to owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Annual improvements to IFRSs
The IASB has issued in May 2010 "Improvements to IFRSs", an annual publication to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. Unless otherwise specified, the amendments are effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. Accordingly, the Group has early adopted IFRS 7: Financial Instruments – Disclosures. The amendments modify the required level of disclosures of credit risks and related collaterals. These have no significant effect on the consolidated financial statements disclosures.

Adoption of other new and amended IASB Standards and IFRIC Interpretations did not have a material effect on the financial position, performance or accounting policies of the Group.

Standards and Interpretations issued but not yet effective

The following new or amended IASB Standards and IFRIC Interpretations have been issued but not yet mandatory, and have not been adopted by the Group:

IFRS 9: Financial instruments, classification and measurement (effective 1 January 2013)
IFRS 9 as issued reflects the first phase of the IASB work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

Standards and Interpretations issued but not yet effective (continued)

IAS 24: Related party (Revised) (effective 1 January 2011)
The amended clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 10: Consolidated Financial Statements (effective 1 January 2013)
IFRS 10 introduces a new approach to determining which investees should be consolidated. It was issued by the IASB on 12 May 2011 as part of its new suite of consolidation and related standards. The Group will quantify the effect of this standard in conjunction with the other phases, when issued, to assess the impact on the Group. Early application is permitted.

IFRS 11: Joint Arrangements (effective 1 January 2013)
IFRS 11 overhauls the accounting for joint ventures (now called joint arrangements). The adoption of this IFRS will have an effect on the financial reporting by entities that have an interest in arrangements that are controlled jointly. The Group does not expect any impact on its financial position or performance.

IFRS 12: Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The adoption of this IFRS will require an entity to disclose the nature of, and risk associated with, its interests in the other entities and effect of those interests on its financial position, financial performance and cash flows. The Group does not expect any impact on its financial position or performance. Early application is permitted.

IFRIC Interpretation 14: Prepayments of a minimum funding requirement (Amendment) (effective 1 January 2011)
The amendment is effective with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC Interpretation 19: Extinguishing financial liabilities with equity instruments (effective 1 July 2010)
The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Additional disclosures will be made in the consolidated financial statements when the above-mentioned IASB Standards and IFRIC Interpretations become effective.

Basis of consolidation

Basis of consolidation from 1 May 2010
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 April. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power directly or indirectly to govern the financial and operating policies of entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not attributable directly, or indirectly, to the equity holders of the Parent Company. Equity, net profit and total comprehensive income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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 assets (including goodwill) and liabilities of the subsidiary

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Basis of consolidation from 1 May 2010 (continued)

• Derecognises the carrying amount of any non controlling interest.
• Derecognises the cumulative translation differences, recorded in equity.
• Recognises the fair value of the consideration received.
• Recognises the fair value of any investment retained.
• Recognises any surplus or deficit in consolidated statement of comprehensive income.
• Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of comprehensive income or retained earnings, as appropriate.

The results of the subsidiaries acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Basis of consolidation prior to 1 May 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

• Acquisitions of non controlling interests, prior to 1 May 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
• Losses incurred by the Group were attributed to the non controlling interests until the balance was reduced to nil. Any further excess losses were attributed to the shareholders of the Parent Company, unless the non controlling interests had a binding obligation to cover these. Losses prior to 1 May 2010 were not reallocated between non controlling interests and the Parent Company shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments at 1 May 2010 have not been restated.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (the "Group"). The consolidated financial statements include the following subsidiaries:

Name of company	Principal activity	Country of incorporation	Effective interest at 30 April	
			2011	2010
Boubyan Plastic Industries Company K.S.C. (Closed).	Manufacturing and trading of packaging material	Kuwait	**100%**	100%
National Waste Management Company K.S.C. (Closed)	Recycling of household waste	Kuwait	**50%**	50%
Muna Noor Manufacturing and Trading Co. L.L.C (MNMT)	Manufacturing and trading of plastic pipes	Sultanate of Oman	**100%**	99%
Olayan Arabian Packaging Company L.L.C	Manufacturing and trading of packaging material	Kingdom of Saudi Arabia	**60%**	60%
Muna Noor Plastic Industries L.L.C (MNPI)	Manufacturing and trading of plastic pipes	Sultanate of Oman	**100%**	-

During the year, the Parent Company subscribed for 100% equity interest in Muna Noor Plastic Industries L.L.C ("MNPI") for KD 252,364. The subsidiary is newly incorporated and has not yet started operations.

Business combinations and goodwill
Business combinations from 1 May 2010
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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 May 2010 (continued)

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 costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and 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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled 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 interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

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 forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 May 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Revenue recognition
Sales are 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 is recognised on a time proportion basis, using the benefit interest rate method.

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

Zakat
The Group calculates Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 May 2010 (continued)

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS of 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that 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 year. As per law, income from associates, subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as investments carried at fair value through income statement, investments available for sale, investments held to maturity, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is received from or delivered to the counterparty. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement or in consolidated statement of comprehensive income through cumulative changes in fair values in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Group's financial assets includes "bank balances and short term deposits", "accounts receivable", "investments carried at fair value through income statement", "investments available for sale" and "exchange of deposits"

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

Investments carried at fair value through income statement
Investments carried at fair value through income statement include investments held for trading and investments designated upon initial recognition as at fair value through income statement.

Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the consolidated statement of comprehensive income, financial assets may be designated at initial recognition as at fair value through income statement if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy. After initial recognition financial assets at fair value through income statement are remeasured at fair value and all changes in fair value are recognised in the profit for the year.

Investments available for sale
Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables".

After initial measurement, investments 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 profit for the year, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of comprehensive income statement. Investments available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

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.

Exchange of deposits
The Parent Company enters into exchange of deposits agreements with financial institutions. These transactions are accounted as exchange

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Exchange of deposits (continued)

of deposits and recorded in the consolidated statement of financial position and consolidated statement of comprehensive income on a net basis as a legal right to set off exists. Share of profit or loss is imputed on these amounts and amortised to the consolidated statement of comprehensive income on an effective yield basis.

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 borrowers or a group of borrowers 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investments available for sale
For investments 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 investments 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 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 comprehensive income - is removed from other comprehensive income and recognised in the profit for the year. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as investments carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit for the year.

Investments carried at amortised cost
For investments carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for investments that are individually significant, or collectively for investments that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of investments with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the investments original effective interest rate.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, 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 classifies its financial liabilities other than at fair value through profit or loss as term loans, trade payables, murabaha payables and tawarruq payables.

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'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Term loans (continued)
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.

Murabaha payables
Murabaha 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. Murabaha payables are classified as "financial liabilities."

Tawarruq payables
Tawarruq payable represent Islamic financing arrangements, whereby the company receives funds for the purpose of financing its investment activities and they are stated at amortised cost. Tawarruq payables are classified as "financial liabilities."

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

Fair values
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

The fair value of financial assets and financial liabilities traded in recognised financial markets is their quoted market price, based on the current bid price. For all other financial assets or financial liabilities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current fair value of another instrument that is substantially the same, recent arm's length market transactions or discounted cash flow analysis.

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

Cash and cash equivalents
Cash and cash equivalents consist of cash and bank balances, short term deposits with banks and murabaha deals 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 cash flow statement, cash and cash equivalent consist of bank balances and short term deposits as defined above, net of outstanding bank overdraft.

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.

Derecognition of financial assets and liabilities

Financial assets
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.
• 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Financial liabilities
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 profit for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging
The Group makes use of derivative instruments to manage exposures to interest rate risk.

Derivatives are recorded at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the profit for the year.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, 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%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit for the year.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Fair value hedges
The Parent Company utilises financial instruments to manage its fair value exposure to fluctuations in foreign exchange rates relating to investments available for sale.

In respect of fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in the profit for the year. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the other comprehensive income.

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

Cash flow hedges
For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the profit for the year.

When the hedged cash flow affects the profit for the year, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the profit for the year. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit for the year. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit for the year.

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of the hedging instrument are taken directly to the profit for the year.

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

Raw materials - purchase cost on a weighted average basis.
Work in progress and finished goods – cost of direct materials and labour 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 but not control over its operations, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The Group recognises in the consolidated statement of comprehensive income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's other comprehensive income that have not been recognised in the associate's consolidated income statement. The Group's share of those changes is recognised directly in the other comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. 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 comprehensive 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 profit or loss.

If an investor's share of losses of an associate equals or exceeds its "interest in the associate", the investor discontinues recognising its share of further losses. The "interest in an associate" is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. After the investor's interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the useful lives of assets as follows:

• Buildings	20 years
• Plant and equipment	10 - 20 years
• Furniture and office equipment	4 - 5 years
• Motor vehicles	5 years

Depreciation for plant and equipment is calculated on the units of production method based on expected output over the useful life of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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 comprehensive income as the expense is incurred.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to other 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 as other comprehensive 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. As the asset is used by the company, the realised revaluation surplus is credited to retained earnings.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares (continued)
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.

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 profit 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 profit for the year, foreign exchange differences are recognised in the profit for the year.

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 a separate section of the shareholder's equity (foreign currency translation reserve) until the disposal of the respective entities.

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.

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 income statement 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.

Provisions
General
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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of; the amount that would be recognised in accordance with the general guidance for provisions above in accordance with 'IAS 37: Provisions, Contingent Liabilities and Contingent Assets', or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition in accordance with 'IAS 18: Revenue'.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates
The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, 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. The Group has used judgment and estimates principally in, but not limited to, the determination of impairment provisions and valuation of unquoted investments.

Classification of investments
The Group decides on acquisition of investments whether they should be classified as investments carried at fair value through income statement, held to maturity investments or investments available for sale.

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

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 available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Impairment of accounts receivable
An estimate of the collectible amount of trade 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.

Valuation of unquoted equity investments

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

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

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

3. DIVIDEND INCOME

Dividend income for the year include dividends received from Equate Petrochemicals Company K.S.C. (Closed) and The Kuwait Olefins Company K.S.C (Closed) amounting to KD 14,026,412 (2010: KD 7,968,492) and KD 7,335,306 (2010: KD 3,114,720) respectively.

4. INVESTMENT INCOME

	2011 KD	2010 KD
Investments carried at fair value through income statement		
Investments held for trading		
Realised gain	318	6,640
Investments designated at fair value through income statement		
Unrealised gain	15,851,006	21,427,628
Others		
Realised (loss) gain on sale of investments available for sale (others)	(583,956)	6,163,770
Other investments related income	1,439,728	3,103,970
	855,772	9,267,740
	16,707,096	30,702,008

5. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share (EPS) is calculated by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year after adjusting for treasury shares as follows:

	2011 KD	2010 KD
Profit for the year attributable to equity holders of the Parent Company	22,836,309	21,407,327
Weighted average number of paid up shares outstanding	485,100,000	485,100,000
Weighted average number of treasury shares	(1,658,767)	(394,761)
Weighted average number of outstanding shares for basic and diluted EPS	483,441,233	484,705,239
Basic and diluted earnings per share	47.24 fils	44.17 fils

6. BANK BALANCES AND SHORT TERM DEPOSITS

	2011 KD	2010 KD
Cash at banks and on hand	4,938,636	4,494,138
Murabaha deals and deposits	1,648,200	5,511,550
Bank balances and short term deposits	6,586,836	10,005,688
Bank overdraft	-	(267,586)
Cash and cash equivalents	6,586,836	9,738,102

Murabaha deals and deposits carry interest at commercial rates.

Included in cash and cash equivalents are balances denominated in foreign currencies amounting to KD 6,399,837 (2010: KD 3,860,211) mainly in US Dollars.

Boubyan Petrochemical Company K.S.C. and Subsidiaries
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7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 KD	2010 KD
Trade receivables	6,606,518	7,020,962
Accrued income	266,374	1,884,168
Other receivables	1,879,429	430,368
	8,752,321	9,335,498

Trade receivables are non-interest bearing and are generally 0 to 60 days terms.

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

	Neither past due nor impaired	Past due but not impaired				Total
		< 30 days	30 to 60 days	60 to 90 days	> 90 days	
	KD	KD	KD	KD	KD	KD
2011	1,729,805	19,043	1,976,748	1,525,536	1,355,386	6,606,518
2010	4,630,152	987,572	601,711	401,753	399,774	7,020,962

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.

8. INVENTORIES

	2011 KD	2010 KD
Goods in transit	539,341	382,350
Raw materials	2,099,220	2,292,988
Work in progress	41,861	24,510
Finished goods	1,213,228	1,074,777
	3,893,650	3,774,625

9. INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2011 KD	2010 KD
Investments held for trading		
Quoted investments	691,241	698,595
Unquoted investments	1,549,247	2,350,390
	2,240,488	3,048,985
Investments carried at fair value through income statement-designated		
Unquoted investments	69,663,045	53,663,045
	71,903,533	56,712,030

Quoted investments
The fair value of the quoted equity investments is determined by reference to published price quotations in an active market.

Unquoted investments
Fair value of unquoted investments have been determined by the directors of the Parent Company using an appropriate valuation method based on the latest information available of the results and future projections. As a result of this exercise, unrealised gain of KD 16,000,000 (2010: KD 21,592,333) was recognised in the profit for the year.

9. INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT (continued)

Unquoted investments (continued)

The Group has recorded unrealised losses of KD Nil (2010: KD Nil) in respect of the reclassified investments in other comprehensive income. Had the Group not adopted the amendments to IAS 39, the unrealised loss would have been recorded in the profit for the year. The Group has recorded impairment loss of KD 1,444,621 (2010: KD 7,179,172) in the profit for the year in respect of these reclassified investments.

10. INVESTMENTS AVAILABLE FOR SALE (EQUATE)

The fair value of the 9% equity interest in Equate Petrochemicals Company K.S.C. (Closed) ("Equate") of KD 134,000,000 (2010: KD 130,500,000) has been determined by the directors of the Parent Company using an appropriate valuation method based on the latest information available of the results and future projections of Equate.

As a result of this exercise, unrealised gain of KD 3,500,000 (2010: unrealised gain of KD 10,692,461), after taking into account of the foreign currency fluctuations, was recognised in the other comprehensive income.

11. INVESTMENTS AVAILABLE FOR SALE (OTHERS)

	2011 KD	2010 KD
Quoted investments	56,687,964	61,684,076
Unquoted investments	103,853,845	121,078,084
	160,541,809	182,762,160

Quoted investments
The fair value of the quoted equity investments is determined by reference to published price quotations in an active market.

Unquoted investments
Management has performed a review of unquoted investments to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded impairment loss of KD 10,248,318 (2010: KD 14,786,109) in the profit for the year in respect of investments available for sale (others).

At 30 April 2011, certain unquoted investments available for sale amounting to KD 5,451,601 (2010: KD 13,109,228) are carried at cost due to the non availability of reliable measures of their fair values. The management is not aware of any circumstances that would indicate impairment in the value of these investments as at 30 April 2011.

Certain investments available for sale denominated in US Dollars, Pounds Sterling, Euros and Japanese Yen with a carrying value of KD 77,278,415 (2010: KD 94,931,551) are designated as hedged items in fair value hedging relationship with amounts borrowed from banks as term loans and under exchange of deposits arrangements (See note 13 and 15).

12. INVESTMENT IN ASSOCIATES

The Parent Company has the following investment in associates:

	Country of incorporation	Ownership	
		2011	2010
Boubyan International Industries Holding Company K.S.C. ("BIIHC")	Kuwait	20%	20%
Kuwaiti Qatari International Holding Company K.S.C. ("KQIHC")	Kuwait	50%	50%
Al-Kout Industrial Projects Company K.S.C (Closed) ("Al-Kout")	Kuwait	24%	-

BIIHC is involved in various types of industrial investments. KQIHC invests in stakes of different companies.

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

	2011 KD	2010 KD
At the beginning of the year	13,593,997	14,674,449
Additions (see below)	8,178,218	-
Share of results	(768,672)	229,678
Dividends received	(740,880)	-
Share of cumulative changes in fair value reserve	(67,252)	(1,310,130)
At 30 April	20,195,411	13,593,997

During the year, the Parent Company acquired 24% equity interest in Al-Kout (incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange) which is involved in the manufacturing and sale of salt and chlorine products for a cash consideration of KD 8,178,218.

The carrying value of each individual associate is as follows:

	2011 KD	2010 KD
Boubyan International Industries Holding Company K.S.C.	10,210,712	10,723,571
Kuwaiti Qatari International Holding Company K.S.C.	1,928,620	2,870,426
Al-Kout Industrial Projects Company K.S.C (Closed) ("Al-Kout")	8,056,079	-
	20,195,411	13,593,997

The management of the Parent Company has assessed the carrying value of the associates. As at 30 April 2011, there are no indications that the carrying value of these associates is impaired. Therefore, no impairment is required to be recognised in respect of these associates in the profit for the year.

The following table illustrates summarised financial information of the Parent Company's investment in associates:

	2011 KD	2010 KD
Share of the associates' assets and liabilities:		
Current assets	4,349,641	4,133,593
Non-current assets	20,528,770	14,190,128
Current liabilities	(1,691,479)	(340,497)
Non-current liabilities	(4,397,943)	(4,389,227)
Net assets	18,788,989	13,593,997
Goodwill	1,406,423	-
	20,195,412	13,593,997
Share of the associates' revenue and results:		
Revenue	1,546,780	3,806,370
Results	(768,672)	229,678

13. EXCHANGE OF DEPOSITS

As at 30 April 2011, the Parent Company had the following exchange of deposit agreements with a foreign bank:

- Deposits of US dollar equivalent to KD 21,426,600 (2010: KD 22,569,300) and borrowings of Pounds sterling, Euro and Japanese Yen equivalent to KD 21,949,446 (2010: KD 20,580,599) with an agreement to reverse these amounts on 28 March 2012.
- Deposits of US dollar equivalent to KD 15,108,500 (2010: KD 15,914,250) and borrowings of Pounds sterling, Euro and Japanese Yen equivalent to KD 12,344,499 (2010: KD 11,639,908) with an agreement to reverse these amounts on 9 January 2013.
- Deposits of UAE dirhams equivalent to KD 8,231,781 (2010: KD 8,671,007) and borrowed US dollar and Singapore dollar equivalent to KD 8,121,657 (2010: KD 8,304,473) with an agreement to reverse these amounts on 4 August 2011.

These transactions are presented as follows:

	2011 KD	2010 KD
Deposits with banks	44,766,881	47,154,557
Due to banks	(42,415,602)	(40,524,980)
Shown on the consolidated statement of financial position	2,351,279	6,629,577

The Pounds Sterling, US Dollar, Japanese Yen and Euro foreign currency borrowings have been designated as fair value hedging instruments to manage the exposure to fluctuations in foreign currency rates of certain investments available for sale (others) (See notes 11).

14. PROPERTY, PLANT AND EQUIPMENT

	Land KD	Buildings KD	Plant and equipment KD	Furniture and office equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance at 1 May 2010, net of accumulated depreciation	2,000,000	5,416,824	5,984,198	375,148	10,552	991,766	14,778,488
Transferred from capital work in progress	-	139,085	840,254	3,407	-	(982,746)	-
Revaluation surplus	600,000	(128,745)	934,331	87,650	74,618	(8,843)	1,559,011
Additions	-	1,050	22,879	97,919	54,718	226,331	402,897
Disposals	-	-	-	-	(4,192)	-	(4,192)
Depreciation	-	(216,266)	(775,618)	(61,702)	(41,863)	-	(1,095,449)
Balance at 30 April 2011	**2,600,000**	**5,211,948**	**7,006,044**	**502,422**	**93,833**	**226,508**	**15,640,755**
Property, plant and equipment at cost	2,000,000	7,266,100	10,320,182	892,224	242,111	1,218,096	21,938,713
Revaluation surplus	600,000	(128,745)	934,331	87,651	74,618	(8,844)	1,559,011
Disposals	-	-	-	-	(4,192)	-	(4,192)
Accumulated depreciation	-	(2,064,492)	(5,088,723)	(480,859)	(218,703)	-	(7,852,777)
Transferred from capital work in progress	-	139,085	840,254	3,407	-	(982,746)	-
Net carrying amount at 30 April 2011	**2,600,000**	**5,211,948**	**7,006,044**	**502,423**	**93,834**	**226,506**	**15,640,755**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land KD	Buildings KD	Plant and equipment KD	Furniture and office equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance at 1 May 2009, net of accumulated depreciation	**2,000,000**	**2,621,022**	**3,764,800**	**102,985**	**33,662**	**1,557,529**	**10,079,998**
Transferred from capital work in progress	-	662,853	883,925	10,751	-	(1,557,529)	-
Revaluation surplus	-	2,304,557	1,840,577	132,519	-	-	4,277,653
Additions	-	383	71,300	172,885	29,935	991,766	1,266,269
Disposals	-	-	(38,489)	(345)	(13,078)	-	(51,912)
Depreciation	-	(171,991)	(537,915)	(43,647)	(39,967)	-	(793,520)
Balance at 30 April 2010	**2,000,000**	**5,416,824**	**5,984,198**	**375,148**	**10,552**	**991,766**	**14,778,488**
Property, plant and equipment at cost	2,000,000	5,077,967	9,598,652	641,944	192,271	991,766	18,502,600
Revaluation surplus	-	2,304,557	1,840,577	132,519	-	-	4,277,653
Disposals	-	-	(38,489)	(345)	(13,078)	-	(51,912)
Accumulated depreciation	-	(1,965,700)	(5,416,542)	(398,970)	(168,641)	-	(7,949,853)
Net carrying amount at 30 April 2010	2,000,000	5,416,824	5,984,198	375,148	10,552	991,766	14,778,488

15. TERM LOANS

	2011 KD	2010 KD
The loan is unsecured and denominated in US dollar which is repayable in 5 equal annual instalments with effect from 27 December 2006. This loan was repaid during the year.	**-**	1,099,530
The loan is unsecured and denominated in US dollar which is repayable in 10 semi annual instalments with effect from 21 March 2008.	**1,716,875**	5,425,313
The loan is unsecured and denominated in US dollar which is repayable in 5 annual instalments with effect from 26 March 2008.	**1,648,200**	3,472,200
The loan is unsecured and denominated in US dollar which is repayable in 9 equal semi annual instalments with effect from 15 September 2008.	**2,289,167**	4,018,750
The loan is unsecured and denominated in US dollar which is repayable in 8 equal semi annual instalments with effect from 15 November 2008.	**6,867,500**	18,084,375
The loan is unsecured and denominated in US dollar which is repayable on 15 September 2011.	**4,120,500**	10,705,950
The loan is unsecured and denominated in US dollar which is repayable on 4 August 2011.	**19,229,000**	20,254,500

15. TERM LOANS (continued)

	2011 KD	2010 KD
The loan is unsecured and denominated in UAE Dirhams which is repayable on 4 August 2011.	**8,231,781**	8,671,007
The loan is unsecured and borrowed by one of the subsidiaries and is denominated in Omani riyals repayable in 10 semi annual instalments starting from April 2009.	**1,468,272**	2,426,195
The loan is unsecured and denominated in US dollar which is repayable on 15 November 2015.	**12,320,295**	10,127,250
The loan is unsecured and denominated in KD. This loan was repaid during the year.	**-**	10,000,000
The loan is unsecured and denominated in KD which is repayable with effect from 31 January 2010.	**3,000,000**	5,000,000
The loan is unsecured and denominated in US dollar which is repayable on 15 September 2011.	**21,976,000**	23,148,000
The loan is unsecured and denominated in US dollar which is repayable in 6 equal semi annual instalments with effect from 15 March 2011.	**6,867,500**	-
Other term loans	**-**	2,190,931
Other revolving loans	**4,849,228**	4,709,988
	94,584,318	129,333,989

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

Loans denominated in foreign currencies are as follows:

	2011 KD	2010 KD
Euro	**-**	382,630
Omani riyal	**2,925,928**	3,993,922
US dollar	**80,360,609**	100,839,633
UAE Dirhams	**8,231,781**	8,671,007
	91,518,318	113,887,192

All above mentioned term loans carry interest at commercial rates.

16. ISLAMIC FINANCING PAYABLES

	2011 KD	2010 KD
Murabaha payables	**38,000,000**	**17,000,000**
Tawarruq payables	**22,500,000**	**28,000,000**
	60,500,000	**45,000,000**

Murabaha payables and tawarruq payable represents amount payable to local banks. The average cost rate attributable to murabaha payables and tawarruq payables is at commercial rate.

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17. ACCOUNTS PAYABLE AND ACCRUALS

	2011 KD	2010 KD
Accounts payable	**3,835,487**	5,774,913
Accrued charges on credit facilities	**766,205**	861,395
Provision for KFAS	**204,118**	199,553
Provision for NLST	**414,645**	562,760
Zakat	**159,885**	205,784
Directors' fees	**60,000**	75,000
Other payables	**6,790,276**	3,195,577
	12,230,616	10,874,982

18. SHARE CAPITAL AND DIVIDENDS

Authorised, issued and paid-up capital consists of 485,100,000 shares (2010: 485,100,000 shares) of 100 fils per share (2010: 100 fils per share) which is fully paid in cash.

The Board of Directors of the Parent Company has proposed a cash dividend of 35 fils per share (excluding treasury shares) amounting to KD 16,912,806 which is subject to the approval of the shareholders at the Annual General Meeting.

On 29 July 2010, the shareholders at the annual general assembly of the Parent Company approved cash dividend of 30 fils per share amounting to KD 14,508,708 in respect of the year ended 30 April 2010.

19. TREASURY SHARES

	2011	2010
Number of treasury shares	**1,876,973**	931,973
Percentage of issued shares	**0.38%**	0.19%
Market value in KD	**1,088,644**	493,946
Cost in KD	**949,972**	461,841

20. RESERVES

(a) Statutory reserve
In accordance with the Law of Commercial Companies and the Parent Company's Articles of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly the transfer to statutory reserve, which is less than 10% of the profit for the year, is that amount required to raise the reserve to 50% of paid up share 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.

(b) Voluntary reserve
In accordance with the Parent Company's articles of association, the Company has resolved not to increase the voluntary reserve above the amount equal to 50% of its paid up share capital. Accordingly, the transfer to voluntary reserve is less than 10% of the profit for the year. There are no restrictions on the distribution of the voluntary reserve.

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 bank balances and short term deposits, exchange of deposits and term loans 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 2011 ASSETS	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Bank balances and short term deposits	1,646,709	4,940,127	-	-	6,586,836
Accounts receivable and prepayments	7,396,935	1,355,386	-	-	8,752,321
Inventories	1,297,883	2,595,767	-	-	3,893,650
Investments carried at fair value through income statement	-	71,903,533	-	-	71,903,533
Investments available for sale (Equate)	-	-	-	134,000,000	134,000,000
Investments available for sale (others)	1,640,208	14,257,806	144,643,795	-	160,541,809
Investment in associates	-	-	-	20,195,411	20,195,411
Exchange of deposits	-	-	2,351,279	-	2,351,279
Property, plant and equipment	-	-	-	15,640,755	15,640,755
Goodwill	-	-	-	6,002,464	6,002,464
TOTAL ASSETS	**11,981,735**	**95,052,619**	**146,995,074**	**175,838,630**	**429,868,058**

30 April 2011 LIABILITIES	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Term loans	-	71,899,980	22,684,338	-	94,584,318
Islamic financing payables	-	9,000,000	51,500,000	-	60,500,000
Accounts payable and accruals	3,329,870	8,019,123	881,623	-	12,230,616
Dividend payable	-	2,708,886	-	-	2,708,886
TOTAL LIABILITIES	**3,329,870**	**91,627,989**	**75,065961**	**-**	**170,023,820**

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21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 April 2010 ASSETS	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Bank balances and short term deposits	10,005,688	-	-	-	10,005,688
Accounts receivable and prepayments	6,621,188	2,714,310	-	-	9,335,498
Inventories	1,258,209	2,516,416	-	-	3,774,625
Investments carried at fair value through income statement	-	56,712,030	-	-	56,712,030
Investments available for sale (Equate)	-	-	-	130,500,000	130,500,000
Investments available for sale (others)	-	-	182,762,160	-	182,762,160
Investment in associates	-	-	-	13,593,997	13,593,997
Exchange of deposits	-	-	6,629,577	-	6,629,577
Property, plant and equipment	-	-	-	14,778,488	14,778,488
Goodwill	-	-	-	6,002,464	6,002,464
TOTAL ASSETS	**17,885,085**	**61,942,756**	**189,391,737**	**164,874,949**	**434,094,527**

30 April 2010 LIABILITIES	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Bank overdraft	267,586	-	-	-	267,586
Term loans	4,234,371	23,300,503	101,799,115	-	129,333,989
Islamic financing payables	-	-	45,000,000	-	45,000,000
Accounts payable and accruals	2,746,793	5,592,944	2,535,245	-	10,874,982
Dividend payable	-	2,662,651	-	-	2,662,651
TOTAL LIABILITIES	**7,248,750**	**31,556,098**	**149,334,360**	**-**	**188,139,208**

22. SEGMENTAL INFORMATION

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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:

Investments : Investing of Group funds in Petrochemical (Equate Petrochemical Co and The Kuwait Olefins Company), Industrial, Utilities, Services and other related sectors in addition to managing the group's liquidity requirements.

Manufacturing and trading : Manufacturing of goods and providing services.

Manufacturing and trading activities represent the activities of the subsidiaries, Boubyan Plastic Industries Company K.S.C. (Closed), National Waste Management Co. K.S.C. (Closed), Olayan Arabian Packaging Company L.L.C. and Muna Noor Manufacturing and Trading Co L.L.C.; whereas the investment activity represents the activities of the Parent Company.

22. SEGMENTAL INFORMATION (continued)

	Investments		Manufacturing and Trading		Total	
	2011 KD	2010 KD	2011 KD	2010 KD	2011 KD	2010 KD
Segment revenues	45,339,166	45,484,085	23,084,895	23,078,561	68,424,061	68,562,646
Segment profit	19,925,304	16,438,973	2,911,005	4,968,354	22,836,309	21,407,327
Assets	400,607,545	403,250,900	29,260,513	30,843,627	429,868,058	434,094,527
Liabilities	159,262,920	177,129,990	10,760,900	11,009,218	170,023,820	188,139,208
Other segmental information:						
Investment in associates	12,139,332	13,593,997	8,056,079	-	20,195,411	13,593,997
Capital expenditure	-	-	402,897	1,266,269	402,897	1,266,269
Depreciation	3,074	2,846	1,092,375	790,674	1,095,449	793,520

Geographic information

	2011			2010		
	Kuwait KD	GCC and the rest of the Middle East KD	Total KD	Kuwait KD	GCC and the rest of the Middle East KD	Total KD
Segment revenues	48,112,779	20,311,282	68,424,061	41,539,101	27,023,545	68,562,646
Non-current assets	6,543,085	15,100,134	21,643,219	4,907,296	15,873,656	20,780,952

Segment revenues comprise sales, dividend income, investment income and share of results of associates.

Non-current assets include goodwill and property, plant and equipment.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 KD	2010 KD
Staff cost	1,395,962	1,282,477
Fair value loss on interest rate swaps	1,209,752	912,670
Provision (reversal of provision) for guarantee	1,300,000	(1,600,000)
Depreciation	218,627	95,309
Employees bonus provision (reversal)	-	(1,529,803)
Other administrative expenses	2,222,007	2,133,306
	6,346,348	1,293,959

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24. 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 profit for the year are as follows:

	Major shareholders KD	Associates KD	Other related parties KD	2011 KD	2010 KD
Sales	-	-	955,687	955,687	1,500,443
Other income	-	30,000	-	30,000	30,000

During the year, the parent company acquired 1% equity interest in MNMT for a total consideration of KD 238,774 from Boubyan International Industries Holding Company (an associate of the Parent Company) based on a third party valuation.

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

	2011 KD	2010 KD
Short-term benefits	180,000	180,000
Employees' end of service benefits	12,693	12,693
	192,693	192,693

25. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments that derive their value with reference to the underlying interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives held as cash flow hedges
Derivatives used to hedge the change in cash flow of its financial assets and liabilities and which qualify as effective hedging instruments are classified as derivatives held as cash flow hedges.

Derivatives held for trading
Derivatives used for hedging purpose but which do not meet the qualifying criteria for hedge accounting are classified as 'Derivatives held for trading'. The Group deals in the following derivative instruments to manage the interest rate risk.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts analysed by the terms of maturity. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk:

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity	
				Within one year	1 - 5 years
2011	KD	KD	KD	KD	KD
Derivatives held for trading:					
Interest rate swaps	41,206	1,250,958	60,957,750	34,311,850	26,645,900

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity	
				Within one year	1 - 5 years
2011	KD	KD	KD	KD	KD
Derivatives held for trading:					
Interest rate swaps	-	-	-	-	-

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity	
				Within one year	1 - 5 years
2010	KD	KD	KD	KD	KD
Derivatives held for trading:					
Interest rate swaps	103,564	1,016,234	42,534,450	7,233,750	35,300,700

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity	
				Within one year	1 - 5 years
2010	KD	KD	KD	KD	KD
Derivatives held for trading:					
Interest rate swaps	-	989,467	30,821,350	1,913,150	28,908,200

26. RISK MANAGEMENT

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 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 investments available for sale and investments carried at fair value through income statement.

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.

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 and cash equivalents and term loans). The Group negotiates interest rates and obtains commercial rates for term loans.

The sensitivity of the profit for the year is the effect of the assumed changes in interest rates on the Group's profit before Zakat, KFAS, directors' fees and NLST based on floating rate financial assets and financial liabilities held at 30 April 2011 and 2010. There is no impact on equity.

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

	Increase in basis points	Effect on profit before directors' fees, Zakat, KFAS and NLST for the year KD
2011 - KD	**+25**	**387,711**
2010 - KD	+25	435,080

The decrease will have an opposite effect on profit for the year.

26. RISK MANAGEMENT (continued)

Credit risk
Credit risk is the risk that a counter party to a financial instrument will fail to discharge its obligation and cause the Group to incur a 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 50% of outstanding accounts receivable at 30 April 2011 (2010: 31%).

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:

	Kuwait	GCC and the rest of the Middle East	International	Total
	KD	KD	KD	KD
As at 30 April 2011				
Bank balances and short term deposits	**4,931,468**	**1,655,368**	**-**	**6,586,836**
Accounts receivable and prepayments	**884,044**	**7,868,277**	**-**	**8,752,321**
Exchange of deposits	**-**	**-**	**2,351,279**	**2,351,279**
Maximum exposure to credit risk assets	**5,815,512**	**9,523,645**	**2,351,279**	**17,690,436**

	Kuwait	GCC and the rest of the Middle East	International	Total
	KD	KD	KD	KD
As at 30 April 2010				
Bank balances and short term deposits	7,891,105	2,114,583	-	10,005,688
Accounts receivable and prepayments	2,926,738	6,408,760	-	9,335,498
Exchange of deposits	-	-	6,629,577	6,629,577
Maximum exposure to credit risk assets	10,817,843	8,523,343	6,629,577	25,970,763

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

	2011	2010
	KD	KD
Trading and manufacturing	**8,752,321**	9,335,498
Banks and financial institutions	**8,938,115**	16,635,265
	17,690,436	25,970,763

26. RISK MANAGEMENT (continued)

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 contractual undiscounted repayment obligations:

30 April 2011	**Within 3 months KD**	**3 to 12 months KD**	**1 to 5 years KD**	**Total KD**
Accounts payable and accruals	**2,563,665**	**8,019,124**	**881,623**	**11,464,412**
Dividend payable	**-**	**2,708,886**	**-**	**2,708,886**
Term loans	**797,903**	**48,980,876**	**50,086,742**	**99,865,521**
Islamic financing payable	**844,375**	**11,533,125**	**55,945,000**	**68,322,500**
Total liabilities	**4,205,943**	**71,242,011**	**106,913,365**	**182,361,319**

30 April 2010	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
Bank overdraft	267,586	-	-	267,586
Accounts payable and accruals	3,967,535	5,592,944	633,108	10,193,587
Dividend payable	-	2,662,651	-	2,662,651
Term loans	5,476,304	26,870,208	105,804,756	138,151,268
Islamic financing payable	652,500	1,957,500	47,910,000	50,520,000
Total liabilities	10,363,925	37,083,303	154,347,864	201,795,092

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, EURO, Japanese Yen 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 (Notes 11 and 13).

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

Change in currency rates by 5%

	Effect on other comprehensive income		**Effect on profit before KFAS, NLST, Zakat and directors' fees**	
	2011 KD	2010 KD	**2011 KD**	2010 KD
USD	**(126,664)**	5,030,625	**2,176,330**	4,292,171
Euro	**-**	-	**701,003**	727,100
GBP	**-**	-	**751,903**	824,260

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

26. RISK MANAGEMENT (continued)

Equity price risk (continued)

The effect on profit and other comprehensive income (as a result of a change in the fair value of investments carried at fair value through income statement and investments available for sale at 30 April 2011) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Change in equity price	Effect on profit for the year before KFAS, NLST, Zakat and directors' fees		Effect on other comprehensive income	
	%	**2011 KD**	2010 KD	**2011 KD**	2010 KD
Investments carried at fair value through statement of income	+20	**137,988**	609,797	**-**	-
Investments available for sale (others)	+20	**-**	-	**11,337,593**	12,336,816
Investments available for sale (others)	-20	**(1,484,962)**	(3,858,873)	**(9,852,631)**	(8,477,943)
Total		**(1,346,974)**	(3,249,076)	**1,484,962**	3,858,873

The decrease in equity price percentage will have the opposite effect on other comprehensive income and profit for the year. If there is subsequent decline in the fair value of the investments available for sale (others), the decline in fair value will be taken to the profit for the year.

Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

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 2011 and 30 April 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, term loans, dividend payables and account payable and accruals less cash and cash equivalents and exchange of deposits. Total capital represents equity attributable to the equity holders of the Parent Company.

	2011 KD	2010 KD
Term loans	**94,584,318**	129,333,989
Islamic financing payables	**60,500,000**	45,000,000
Dividend payable	**2,708,886**	2,662,651
Accounts payable and accruals	**12,230,616**	10,874,982
Less: exchange of deposits	**(2,351,279)**	(6,629,577)
Less: cash and cash equivalents	**(6,586,836)**	(9,738,102)
Net debt	**161,085,705**	171,503,943
Total capital	**258,458,308**	244,926,955
Gearing (debt to equity) ratio	**62%**	70%

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments, with the exception of certain investments 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:

	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
2011				
Financial assets				
Investments available for sale (others)				
Quoted investments	56,687,964	-	-	56,687,964
Unquoted investments	-	-	98,462,244	98,462,244
	56,687,964		98,462,244	155,150,208
Investments available for sale (Equate)				
Unquoted investments	-	-	134,000,000	134,000,000
Investments carried at fair value through income statement				
Quoted investments	691,241	-	-	691,241
Unquoted investments	-	-	71,212,292	71,212,292
Derivative financial instruments				
Interest rate swaps	-	41,206	-	41,206
	691,241	41,206	71,212,292	71,944,739
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	(1,250,958)	-	(1,250,958)

	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
2010				
Financial assets				
Investments available for sale (others)				
Quoted investments	61,684,076	-	-	61,684,076
Unquoted investments	-	-	107,968,856	107,968,856
	61,684,076	-	107,968,856	169,652,932
Investments available for sale (Equate)				
Unquoted investments	-	-	130,500,000	130,500,000

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Investments carried at fair value through income statement				
Quoted investments	698,595	-	-	698,595
Unquoted investments	-	-	56,013,435	56,013,435
Derivative financial instruments				
Interest rate swaps	-	103,564	-	103,564
	698,595	103,564	56,013,435	56,815,594
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	(2,005,701)	-	(2,005,701)

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, murabaha deals, deposits with banks, exchange of deposits, receivables and investments. Financial liabilities consist of term loans, payables and accrued expenses.

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

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

	At 1 May 2010 KD	(Loss) gain recorded in profit for the year	Gain recorded in other comprehensive income	Net purchases, sales and settlements	Impairment recorded during the year	At 30 April 2011
Unquoted investments available for sale	107,968,856	(492,071)	4,036,586	(2,802,809)	(10,288,318)	98,462,244
Unquoted investments carried at fair value through income statement	56,013,435	15,724,824	-	(525,967)	-	71,212,292

	At 1 May 2009 KD	Gain recorded in profit for the year	Loss recorded in other comprehensive income	Net purchases, sales and settlements	Impairment recorded during the year	At 30 April 2010
Unquoted investments available for sale	115,187,102	366,640	(3,680,576)	6,263,198	(10,167,508)	107,968,856
Unquoted investments carried at fair value through income statement	34,814,186	21,199,249	-	-	-	56,013,435

28. CONTINGENCIES AND CAPITAL COMMITMENTS

	2011 KD	2010 KD
Acquisition of investments	733,221	1,700,944

During the year the Parent Company has given corporate guarantees amounting to KD 22,060,775 to foreign Banks on behalf of its subsidiaries.

29. KEY SOURCES OF ESTIMATION UNCERTAINTY

Valuation of unquoted equity instruments

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation (Notes 9 and 10). There are a number of investments available for sale where fair values cannot be reliably determined, and as a result, investments with a carrying amount of KD 5,451,601 (2010: KD 13,109,228) are carried at cost (Note 11).

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross raw materials were KD 2,638,561 (2010: KD 2,676,338) and gross finished goods and goods for resale were KD 1,213,228 (2010: KD 1,074,778), with provisions for old and obsolete inventories of KD 24,811 (2010: KD 85,548). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the profit for the year.