شركة بوبيان للبتروكيماويات (ش.م.ك)

Boubyan Petrochemical Company (K.S.C)

Boubyan Petrochemical Company (K.S.C)

Annual Report 2006

Year ended 30 April 2007

In the name of God the most Gracious the most Merciful

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Prince Of The State Of Kuwait

H.H. Sheikh Nawwaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince Of The State Of Kuwait

H.H. Sheikh Nasser Al-Muhamed Al-Ahmad Al-Sabah
The Prime Minister Of The State Of Kuwait


B.P.C
Boubyan Petrochemical Company (K.S.C)


OPTIFIL PLUS

Board of Directors

Marzouq Ali Al-Ghanim
Chairman

Dabbous Mubarak Al-Dabbous
Deputy Chairman

Saoud Abdulaziz Al-Babtain
Board Member

Khalid Abdulaziz Al-Muraikhi
Board Member

Hilal Fajhan Al-Mutairi
Board Member

Message to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors and Company staff, it gives me great pleasure to welcome you to the 11th annual General Meeting of Boubyan Petrochemical Company (BPC), to review together the general performance of the Company for the financial year ended in 30/04/2007.

Historic performance have marked the financial year ended 30/04/2007, as net profits reached KD 40.6 million (equivalent to 97.07 fills per share) before reserves and dividends; an increase of 85% compared to the previous year where net profits were KD 22 million (52.56 fills per share). Shareholders equity soared by 24% compared to last year, reaching KD 237 million for the year ended 30/04/2007. As such, the Board recommended distributing dividends in the order of 50% in cash and 10% in bonus shares.

For the first time in the history of the Company total assets have exceeded KD 321 million (more than $ 1.1 Billion). The continued growth in Company performance and profitability is obviously due to years of proper planning and investing which resulted in the announced figures. In fact the management of the Company have been actively investing in a diversified portfolio of long, medium and short term opportunities, while keeping in mind the cost of funds, risk profile and type of investment (sector & other factors).

Dividends received from Equate Petrochemical Company (Equate) still represent the primary base and one of the most important revenue streams of your company; however revenues from other investments have at the same time grown in a big way, which has gradually reduced our dependence of Equate's distribution being the main revenue stream. Nevertheless our commitment to the key investment in Equate is re-confirmed through our re-investment in Kuwait Olefins Company (Equate II) at a similar shareholding stake (i.e. 9% of Equate II capital), where the latter is expected to begin its trial production towards end of 2008.

As a proof of the positive impact of diversifying our investments, the performance of MNMT in Oman, for example, have doubled within less than two years of our acquisition of the same, while we are currently pursuing doubling the production capacity of the Omani facility by end of year 2007. On the other hand, BPC acquired 60% of the equity of Olayan Arabian Packaging Company (OAPC), a Saudi company that is specialized in the production and marketing of plastic packaging products, which are considered complimentary to those of BPIC. This undoubtedly confirms the implementation of the company's strategy regarding organic growth in downstream petrochemical industries, especially in the GCC markets.

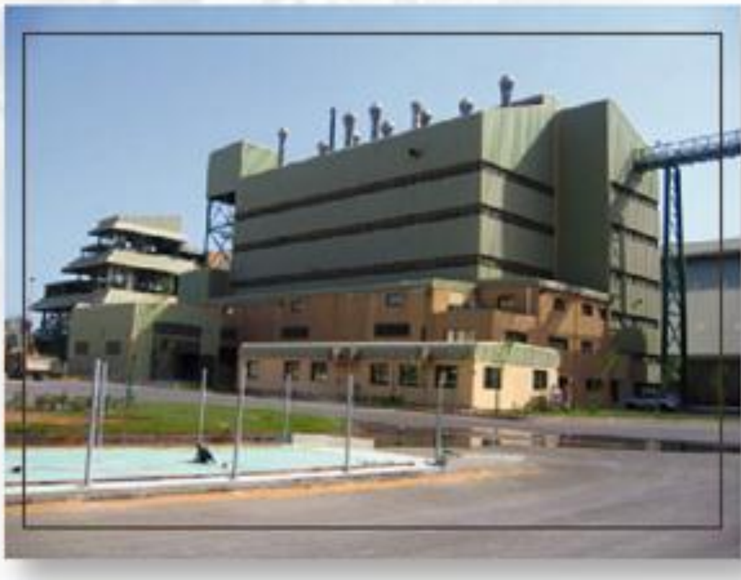
Furthermore, the company management is continuously and actively searching for suitable investment opportunities, especially long-term industrial ventures that fit the company strategic objectives by expanding through strategic alliances/partnerships in the region.

As usual, it gives us great pleasure to include at the end of this report a summary of the major direct investments of your Company.

Finally and on behalf of my fellow directors of the board, I would like to express our gratitude for the support and blessing that you have given to projects and long term plans of the Company, and for the trust that you have placed in us over the past many years, the benefits of which continue to surface through the great financial results, thank God.

May Gold bless you.

The Board of Directors

SUMMARY OF MAJOR DIRECT INVESTMENTS

- **Equate Petrochemicals Company (Equate) :**

Equate was established in 1995 as a joint venture between Petrochemical Industries Co (45% of equity) and Union Carbide (now Dow Chemicals) which also had a 45% equity stake. The balance (which is 10%) belongs to Boubyan Petrochemical Company (BPC). Equate is one 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.

The shareholding structure of Equate has changed since the beginning of 2005 through 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 became 42.5% each.

- **Kuwait Olefins Company (Equate II) :**

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 to 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.

It is expected that construction will be completed and hence trial operation with the new expanded capacity is expected towards end of 2008.

- **Boubyan Plastic Industries Company (BPIC) :**

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 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: 2000 certificate.

- **National Waste Management Company (NWMC):**

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 NWMC received a letter from Kuwait Municipality indicating that they declined our request for a tipping fee, a standard request worldwide for such projects. This will obviously lead to delays in project implementation since we must start a fresh the search for less advanced/costly technologies that will maintain feasibility of the project. On the other hand, BPC divested 50% of the equity of NWMC to a strategic investor, which is expected to enhance the chances of implementing the project in the most optimum way.

- **Boubyan International Industries Holding Company (BIIHC) :**

On 1/8/2004 BIIHC was incorporated with a KD 30 million paid up capital. BPC has a 20% equity stake in the newly established company (associate Co.). This makes us the largest single shareholder. The main distinguishing factor for this company is that its capital has been employed in operating investments and certain industrial equity holdings in the GCC and internationally, which resulted in distributing dividends for the second year in a row. Company management has successfully entered into strategic alliances to set up various projects in the infrastructure and real estate sectors throughout the GCC.

- **Kuwaiti Qatari International Real Estate Company KSC (KQIREC):**

BPC has participated in 50% of the capital of KQIREC about two years ago. Only half of KD 10 million capital of KQIREC was called and paid up to date. KQIREC is involved in the acquisition of land and its development within the Pearl project of United Development Company- Qatar.

- **The Edible Oil Company (EOCD),UAE :**

BPC have participated by 20% in the total capital of EOCD, a UAE based company that is formed in Jebal Ali Free Zone. Its activities are primarily crushing Soya and Sunflower seeds to extract crude edible oil and poultry meal. The company is in the process of commercial operation startup. Its products are expected to be marketed in the Middle East and the rest of the world.

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

At the end of 2005, BPC acquired 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 by its plant in Oman. BIIHC-an associate company of BPC- owns 20% of the equity of MNMT. Currently the company is undergoing an expansion project through setting up a new factory in Rysail Industrial Area in Muscat, which is expected to be operational before end of 2007.

- **Olayan Arabian Packaging Company (OAPC), Saudi Arabia:**

Last February 2007, BPC acquired 60% of the total equity of OAPC, 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 is complimenting 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 and exchange of technical and marketing expertise.


DNV
DET NORSKE VERITAS
MANAGEMENT SYSTEM CERTIFICATE
BOUBYAN PLASTIC INDUSTRIES
ISO 9001:2000
MANUFACTURING AND SUPPLYING HEAVY DUTY FFS BAGS, STRETCH HOOD, SHRINK FILM, GREENHOUSE FILMS AND GENERAL PACKAGING PRODUCTS.
BPI
Alina

BOUBYAN PETROCHEMICAL COMPANY
K.S.C. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

30 APRIL 2007

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AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Boubyan Petrochemical Company (the "Parent Company") and its Subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 30 April 2007, and the consolidated income statement, 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 notes.

Directors' Responsibility for the Financial Statements

The Directors of the Parent Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 2007, and its financial performance and its 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 articles of association have occurred during the year ended 30 April 2007 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

29 May 2007 Kuwait

CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2007

	Notes	2007 KD	2006 KD
Sales		11,067,680	9,713,983
Cost of sales		(8,761,326)	(8,167,086)
Gross profit		2,306,354	1,546,897
Interest income		205,542	132,017
Dividend income	3	16,922,742	15,458,206
Net investment income	4	30,476,711	8,346,942
Share of result of associates	12	437,006	(38,865)
Gain on partial disposal of investment in a subsidiary		-	981,634
Gain on sale of investment in an associate	12	-	36,260
Staff costs		(975,400)	(1,000,757)
Administrative expenses		(1,508,194)	(683,150)
Depreciation		(1,330,617)	(185,510)
Impairment of investment available for sale (others)	11	(488,688)	-
Finance cost		(4,537,662)	(1,826,886)
(Loss) gain on exchange		(46,576)	28,699
Miscellaneous income		125,625	30,125
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), DIRECTORS' FEES AND NATIONAL LABOUR SUPPORT TAX ("NLST")		41,586,843	22,825,612
Contribution to KFAS		(365,734)	(207,962)
Directors' fees		(75,000)	(50,000)
Contribution to NLST		(1,014,791)	(480,230)
PROFIT FOR THE YEAR		40,131,318	22,087,420
Attributable to :			
Equity holders of the Parent Company		40,632,639	22,001,276
Minority interests		(501,321)	86,144
PROFIT FOR THE YEAR		40,131,318	22,087,420
BASIC AND DILUTED EARNINGS PER SHARE	5	97.07 fils	52.56 fils

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

CONSOLIDATED BALANCE SHEET

At 30 April 2007

	Notes	2007 KD	2006 KD
ASSETS			
Cash and cash equivalents	6	3,386,741	2,831,359
Accounts receivable and prepayments	7	6,634,634	5,742,868
Inventories	8	1,987,084	2,083,650
Investments carried at fair value through income statement	9	43,229,106	41,175,805
Investment available for sale (Equate)	10	125,565,000	110,565,000
Investments available for sale (Others)	11	123,442,574	68,664,576
Investment in associates	12	9,892,992	10,037,994
Exchange of deposit	13	313,845	181,730
Property, plant and equipment	14	5,062,856	6,203,145
Goodwill		1,716,802	1,716,802
TOTAL ASSETS		321,231,634	249,202,929
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	15	6,564,071	3,750,097
Dividend payable		1,767,472	1,238,111
Term loans	16	75,593,336	52,284,857
Total liabilities		83,924,879	57,273,065
EQUITY			
Share capital	17	42,000,000	40,000,000
Share premium		2,400,000	2,400,000
Treasury shares	18	(457,100)	(457,100)
Statutory reserve	19	12,197,575	8,134,311
Voluntary reserve	19	12,197,575	8,134,311
Cumulative changes in fair value		125,756,033	102,521,966
Retained earnings		42,755,997	30,189,701
Equity attributable to Equity holders of the Parent Company		236,850,080	190,923,189
Minority interests		456,675	1,006,675
Total equity		237,306,755	191,929,864
TOTAL LIABILITIES AND EQUITY		321,231,634	249,202,929

Marzouq A. Alghanim
(Chairman)

Dabbous M. Al-Dabbous
(Deputy Chairman)

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

CONSOLIDATED CASH FLOWS STATEMENT

Year ended 30 April 2007

	Notes	2007 KD	2006 KD
OPERATING ACTIVITIES			
Profit for the year		40,131,318	22,087,420
Adjustments for:			
Finance cost		4,537,662	1,826,886
Depreciation	14	1,618,283	548,683
Employees' end of service benefits		24,542	29,807
Gain on sale of investment in an associate		-	36,260)
Gain on partial disposal of investment in a subsidiary		-	(981,634)
Gain on sale of investments available for sale (others)	4	(5,771,549)	(145,248)
Impairment of investment available for sale (others)		488,688	-
Share of result of associates	12	(437,006)	38,865
Minority interests		501,321	(86,144)
Realised gain from investments carried fair value through income statement		(17,605,645)	(973,838)
Unrealised gain from investments carried fair value through income statement		(6,763,968)	(6,569,994)
		16,723,646	15,738,543
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		(891,766)	(2,597,375)
Inventories		96,566	(564,207)
Accounts payable and accruals		1,737,605	(1,665,420)
Net cash from operating activities		17,666,051	10,911,541
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(477,994)	(311,463)
Acquisition of investments available for sale (others)		(65,327,728)	(30,309,379)
Proceeds from sale of investments available for sale (others)		25,538,451	597,602
Net movement in investments carried at fair value through income statement		22,311,400	(9,842,500)
Investment in associates	12	-	(2,500,000)
Finance cost		(4,537,662)	(1,826,886)
Payment in respect of long term deposit		-	(731,250)
Acquisition of a subsidiary		-	(2,526,039)
Proceeds from partial disposal of investment in a subsidiary		-	1,691,039
Proceeds from sale of investment in an associate	12	-	166,725
Dividend received from an associate	12	360,000	300,000
Net cash used in investing activities		(22,133,533)	(45,292,151)
FINANCING ACTIVITIES			
Dividend paid		(17,410,454)	(17,409,677)
Net movement on term loans		23,297,163	41,013,278
Exchange of deposits	13	(313,845)	549,520
Net movement in minority interests		(550,000)	86,144
Net cash from financing activities		5,022,864	24,239,265
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		555,382	(10,141,345)
Cash and cash equivalents at 1 May		2,831,359	12,972,704
CASH AND CASH EQUIVALENTS AT 30 APRIL	6	3,386,741	2,831,359

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30 April 2007

	Attributable to equity holders of the Parent Company								Minority interest	Total equity
	Share capital KD	Share Premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub Total KD	KD	KD
Balance at 1 May 2005	40,000,000	2,400,000	(457,100)	5,860,364	5,860,364	97,706,335	30,676,134	182,046,097	-	182,046,097
Unrealised gain on investments available for sale	-	-	-	-	-	4,570,631	-	4,570,631	-	4,570,631
Change in equity of associated company (Note 12)	-	-	-	-	-	245,000	-	245,000	-	245,000
Total income and expenses recognised directly in equity	-	-	-	-	-	4,815,631	-	4,815,631	-	4,815,631
Profit for the year	-	-	-	-	-	-	22,001,276	22,001,276	86,144	22,087,420
Total income and expenses for the year	-	-	-	-	-	4,815,631	22,001,276	26,816,907	86,144	26,903,051
Dividend paid (Note 20)	-	-	-	-	-	-	(17,939,815)	(17,939,815)	-	(17,939,815)
Transfer to reserves	-	-	-	2,273,947	2,273,947	-	(4,547,894)	-	-	-
Minority interest on partial disposal of a subsidiary	-	-	-	-	-	-	-	-	709,404	709,404
Minority interest on acquisition of a subsidiary	-	-	-	-	-	-	-	-	211,127	211,127
Balance at 30 April 2006	40,000,000	2,400,000	(457,100)	8,134,311	8,134,311	102,521,966	30,189,701	190,923,189	1,006,675	191,929,864
Unrealised gain on investments available for sale	-	-	-	-	-	23,121,158	-	23,121,158	-	23,121,158
Transfer to consolidated income statement on impairment of investments available for sale (others) (Note 11)	-	-	-	-	-	326,338	-	326,338	-	326,338
Change in equity of associated company (Note 12)	-	-	-	-	-	(213,429)	-	(213,429)	-	(213,429)
Total income and expenses recognised directly in equity	-	-	-	-	-	23,234,067	-	23,234,067	-	23,234,067
Profit for the year	-	-	-	-	-	-	40,632,639	40,632,639	(501,321)	40,131,318
Total income and expenses for the year	-	-	-	-	-	23,234,067	40,632,639	63,866,706	(501,321)	63,365,385
Issue of bonus shares (Note 20)	2,000,000	-	-	-	-	-	(2,000,000)	-	-	-
Dividend paid	-	-	-	-	-	-	(17,939,815)	(17,939,815)	-	(17,939,815)
Transfer to reserves	-	-	-	4,063,264	4,063,264	-	(8,126,528)	-	-	-
Net movement in minority interests	-	-	-	-	-	-	-	-	(48,679)	(48,679)
Balance at 30 April 2007	**42,000,000**	**2,400,000**	**(457,100)**	**12,197,575**	**12,197,575**	**125,756,033**	**42,755,997**	**236,850,080**	**456,675**	**237,306,755**

Note: Change in fair value of available for sale investments during the year consists of the following:

		2007 KD	2006 KD
a)	**Change in fair value of investments available for sale (Equate)**	15,000,000	-
b)	**Change in fair value of investments available for sale (Others)**	8,121,158	4,570,631
		23,121,158	4,570,631

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

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

1- ACTIVITIES

The consolidated financial statements of Boubyan Petrochemical Company K.S.C. (the "Parent Company") and Subsidiaries (the "Group") for the year ended 30 April 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 29 May 2007 and are issued subject to the approval of the Ordinary General Assembly of the shareholders of the Parent Company.

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 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"). Equate is a closed shareholding company incorporated in the State of Kuwait to build and operate a petrochemical plant in the Shuaiba Industrial Area of Kuwait.

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

	2007 and 2006
Petrochemical Industries Company K.S.C.	42.5%
Dow Chemical Company	42.5%
Boubyan Petrochemical Company K.S.C.	9%
Al-Qurain Petrochemical Company K.S.C.	6%

The Parent Company's registered office is at Al Khaleejia Building, 5th and 6th Floor, P.O. Box 2383, 13024 Safat, Kuwait.

2- SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the principal accounting policies adopted in the presentation of these consolidated financial statements:

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and applicable requirements of Ministerial Order No. 18 of 1990.

The consolidated financial statements have been presented in Kuwaiti Dinars.

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

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year.

New and amended IASB Standards issued but not adopted

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

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments

Amendments to IAS 1 Presentation of Financial Statements relating to capital disclosures were issued by the IASB in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the Group's objectives, policies and processes for managing capital.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended IASB Standards issued but not adopted (continued)

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

IFRS 8 Operating Segments was issued by the IASB in November 2006 and will be effective for annual periods beginning on or after 1 January 2009. Under the requirements of the standard, the Group would be required to disclose information used by management internally for the purpose of evaluating the performance of operating segments and allocating resources to those segments.

Basis of consolidation

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 equity interest on* 30 April 2007	30 April 2007
Boubyan Plastic Industries Company (Ayad Faisal Al Khatrash And Partner) W.L.L.	Manufacturing and trading of plastic bags	Kuwait	100%	100%
National Waste Management Company K.S.C. (Closed)	Manufacturing of fertilisers	Kuwait	50%	50%
Muna Noor Manufacturing and Trading Co. L.L.C	Manufacturing and trading of plastic pipes	Sultanate of Oman	80%	80%

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The Parent Company has 50% stake in the equity holding of National Waste Management Company K.S.C (Closed) (the subsidiary). Even though the Parent Company owns 50% equity of the subsidiary, the Parent Company is able to exercise control and govern the financial and operating policies of the subsidiary because all members on the board of the directors and the chairman of the subsidiary are reporting to the Parent Company. Therefore, the financial statements of the subsidiary have been consolidated in the financial statement of the Group.

Significant inter-company balances and transactions, including intercompany profits and unrealised profits and losses are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra--group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The subsidiaries have been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the parent.

The consolidated financial statements incorporate the financial statements of the Parent Company for the year ended 30 April 2007, Boubyan Plastic Industries Company W.L.L. for the year ended 31 December 2006, National Waste Management Company K.S.C. (Closed) for the year ended 31 December 2006 and Muna Noor Manufacturing and Trading Co L.L.C for the year ended 31 March 2007 using consistent accounting policies.

The financial statements used in consolidation are drawn up to different reporting dates. However, there have been no significant events or transactions between the reporting date of the subsidiaries and 30 April 2007, the reporting date of the Parent Company. The subsidiaries assets are 3.4% (2006: 4.5%) of consolidated total assets and results for the year represent 0.4% (2006: 0.4%) of consolidated results.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Interest income is recognised on a time proportion basis.

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.

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 cash and cash equivalents as defined above, net of outstanding bank overdraft.

Murabaha deals

Murabaha deals are stated at the balance sheet date at amounts due on maturity less that portion of the profit which is attributable to the period after the balance sheet date.

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.

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.

Investments

The Group classifies its investments as "investments carried at fair value through income statement" and "investments available for sale".

Investments are classified as investments carried at fair value through income statement when there are readily available reliable fair values and the management designates them as investments carried at fair value through income statement.

All other investments are classified as available for sale.

The Group recognises investments on the date it becomes a party to the contractual provisions of the instruments. All regular way purchases of financial assets are recognised using the trade date accounting.

Investments carried at fair value through income statement

After initial recognition, investments carried at fair value through income statement are remeasured at fair value with all changes in fair value recognised in the consolidated income statement. Transaction costs associated with the acquisition of investments carried at fair value through income statement are expensed when incurred.

Investments available for sale

After initial recognition investments available for sale are measured at fair value including directly attributable transaction costs, with gains and losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is included in the consolidated income statement. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Fair value

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or the director's valuation based on either the expected cash flows of the investment discounted to its net present value, or the capitalisation of future maintainable earnings of the investment or based on latest transaction value of an investment. For investments which cannot be remeasured to fair value and given high level of subjectivity involved in applying any other valuation method are carried at cost or previously revalued amount less provision for impairment.

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

Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

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 over the useful lives of assets as follows:

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

Depreciation for plant and equipment is calculated based on the sum-of-the-units method over their useful life of 10 years.

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 income statement as the expense is incurred.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of an acquisition over the Group's share of the acquiree's fair value of the net identifiable assets as at the date of the acquisition. Following initial recognition, goodwill is measured at cost less impairment losses. Any excess, at the date of acquisition, of the Group's share in the acquiree's fair value of the net identifiable assets over the cost of the acquisition is recognised as negative goodwill. Negative goodwill arising on an acquisition is recongnised directly in the consolidated statement of income.

Goodwill is allocated to each of the Group's cash-generating units or groups of cash generating units and is tested annually for impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit, to which goodwill relates. The recoverable value is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash--generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value; and
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For available for sale equity investments reversal of impairment losses are recognized in cumulative changes in fair values.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the shareholders' equity. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, ("treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares.

The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

Accounts payable and accruals

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

Exchange of deposits

The Parent Company enters into exchange of deposits agreements with financial institutions. These transactions are accounted as exchange of deposits and recorded in the balance sheet and income statement on a net basis. Share of profit or loss is imputed on these amounts

Hedging and hedge accounting

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

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 recognized immediately in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement.

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

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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 balance sheet date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

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 equity, foreign exchange differences are recognised directly in equity and for non-monetary assets and liabilities whose change in fair value are recognised in the consolidated income statement, foreign exchange differences are recognised in the consolidated income statement.

Assets including goodwill and liabilities, both monetary and non-monetary, of foreign entities are translated at the exchange rates prevailing at the balance sheet date. Operating results of such entities are translated at average rates of exchange for the entities period of operations. The resulting exchange differences are accumulated in a separate section of the shareholder's equity (foreign currency translation reserve) until the disposal of the respective entities. As of 30 April 2007 the foreign exchange difference arising due to translation of foreign entity's balance sheet and income statement is not material.

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 financial assets and liabilities

Management decides on acquisition of financial assets whether they should be classified as financial assets carried at fair value through income statement or available for sale.

The Group classifies financial assets as investments carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making.

Classification of investments carried at fair value through income statement depends on how management monitor the performance of these investments. When investments 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 as investment carried at fair value through income statement. All other investments 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.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

3- DIVIDEND INCOME

Dividend income for the year includes dividends received of KD 13,265,100 (2006: KD 13,923,630) from the Parent Company's investment in Equate Petrochemicals Company K.S.C. (Closed).

4- NET INVESTMENT INCOME

	2007 *KD*	*2006* *KD*
Realised gain from investments carried at fair value through income statement	**17,605,645**	973,838
Unrealised gain from investments carried at fair value through income statement	**6,763,968**	6,569,994
Realised gain on sale of investment available for sale (others)	**5,771,549**	145,248
Other investment related income	**335,549**	657,862
	30,476,711	8,346,942

5- BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share 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:

	2007 *KD*	*2006* *KD*
Earnings:		
Profit attributable to equity holders of the Parent Company	**40,632,639**	22,001,276
Shares outstanding:		
At the beginning of the year	**420,00000**	420,000,000
Weighted average number of treasury shares	**(1,404,308)**	(1,404,308)
Weighted average number of shares outstanding	**418,595,692**	418,595,692
Basic and diluted earnings per share	**97.07 fils**	52.56 fils

The basic and diluted earnings per share for the previous year have been restated for bonus shares issued on 27 June 2006 (note 20).

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

6- CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents include:

	2007 KD	2006 KD
Bank balances and cash	418,856	325,208
Murabaha deals and deposits	3,087,562	2,515,500
	3,506,418	2,840,708
Bank overdraft	(119,677)	(9,349)
	3,386,741	2,831,359

Bank overdraft and Murabaha deposits carry interest at commercial rates.

7- ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 KD	2006 KD
Trade receivables	3,416,646	2,741,234
Accrued income	978,227	997,212
Receivables in respect of sale of a subsidiary	-	1,691,039
Advance paid in respect of acquisition of a subsidiary	1,839,723	-
Other receivables	400,038	313,383
	6,634,634	5,742,868

8- INVENTORIES

	2007 KD	2006 KD
Goods in transit	306,384	69,373
Raw materials	1,062,241	1,256,250
Work in progress	37,791	19,575
Finished goods	167,614	367,766
Goods for resale	413,054	370,686
	1,987,084	2,083,650

9- INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2007 KD	2006 KD
Quoted investments	43,229,106	40,040,417
Unquoted investment	-	1,135,388
	43,229,106	41,175,805

The unquoted investment was admitted to a recognised stock exchange during the year and therefore this investment is included in quoted investments.

10- INVESTMENTS AVAILABLE FOR SALE (EQUATE)

The fair value of the 9% interest in the equity of Equate Petrochemicals Company K.S.C. (Closed) of KD 125,565,000 (2006: KD 110,565,000 – fair value was based on last transaction price) 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 Petrochemicals Company K.S.C. (Closed).

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

11- INVESTMENTS AVAILABLE FOR SALE (OTHERS)

	2007 *KD*	*2006* *KD*
Quoted investments	**40,031,625**	20,050,655
Unquoted investments	**83,410,949**	48,613,921
	123,442,574	68,664,576

At 30 April 2007, certain unquoted investments available for sale amounting to KD 22,767,451 (2006: KD 32,042,176) were carried at cost due to the non-availability of quoted market prices or other reliable measures of their fair values. Certain investments available for sale amounting to KD 490,250 (2006: KD 490,250) carry an option to convert into equity.

Certain investments available for sale denominated in Pounds Sterling, Euros and Japanese Yen with a carrying value of KD 28,794,975 (2006: KD 6,399,520) are designated as hedged items in fair value hedging relationships with amounts borrowed from banks under exchange of deposits arrangements (note 13). Fair value changes relating to foreign currency fluctuations in these investments amounting to KD Nil (2006: KD Nil) have been adjusted for in the consolidated income statement.

As a result of impairment of one of the unquoted investments, a total loss of KD 488,688 (KD: 2006 Nil) has been charged to consolidated income statement. As a result, KD 326,338 (2006: KD Nil) has been recycled from the cumulative changes in the fair value and taken to the consolidated income statement as this represents the unrealised loss in fair value of this investment in earlier periods. In addition, a further impairment of KD 162,350 (2006: KD Nil) on this investment has been charged to consolidated income statement as a result of impairment in the current period. The directors of the Parent Company believe that there has been a significant decline in the fair value below the carrying value and accordingly, the impairment loss has been taken to the consolidated income statement.

12- INVESTMENT IN ASSOCIATES

The Group has the following investments in associates:

		Ownership	
	Country of incorporation	*30 April 2007*	*30 April 2007*
Boubyan International Industries Holding Company K.S.C. ("BIIHC")	Kuwait	20%	20%
Edible Oil Company Dubai ("EOCD")	UAE	20%	20%
Kuwaiti Qatari International Real Estate Company K.S.C. ("KQIREC")	Kuwait	50%	50%

BIIHC is involved in various types of industrial investments. EOCD is in the last phase of constructing a facility for producing and marketing of extracted edible oils and meals. KQIREC is engaged in real estate business with 50% of capital called and paid up to date.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

12- INVESTMENT IN ASSOCIATES (continued)

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

	2007 *KD*	*2006* *KD*
At 1 May	**10,037,994**	8,936,511
Fair value of net tangible assets acquired	**-**	2,500,000
Share of results of associates	**437,006**	(38,865)
Foreign currency differences	**(8,579)**	-
Carrying value of associate partially sold and reclassified as investment available for sale (see note below)	**-**	(1,304,652)
Dividend received	**(360,000)**	(300,000)
Share of cumulative changes in fair value reserve	**(213,429)**	245,000
At 30 April	**9,892,992**	10,037,994

Reclassification of investment in an associate on partial sale		
Carrying value of investment in the associate	**-**	1,304,652
Less: Sale of 10% equity in the associate	**-**	(130,465)
Carrying value of investment in the associate transferred to available for sale investments (others)	**-**	1,174,187
Sale consideration for sale of 10% of investment in an associate	**-**	166,725
Cost of 10% investment in the associate	**-**	(130,465)
Gain on sale of an associate	**-**	36,260

There is no goodwill included in the carrying value of the investment in associates.

The carrying value of each individual associate is as follows:

	2007 *KD*	*2006* *KD*
Boubyan International Industries Holding Company K.S.C. (BIIHC)	**7,304,764**	6,660,502
Edible Oil Company Dubai (EOCD)	**-**	877,492
Kuwaiti Qatari International Real Estate Company K.S.C. (KQIREC)	**2,588,228**	2,500,000
	9,892,992	10,037,994

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

	2007 *KD*	*2006* *KD*
Share of the associates' assets and liabilities:		
Current assets	**8,103,212**	3,891,495
Non-current assets	**11,817,751**	13,149,892
Current liabilities	**(5,181,862)**	(2,088,058)
Non-current liabilities	**(4,846,109)**	(4,915,335)
Net assets	**9,892,992**	10,037,994
Share of the associates' results:		
Revenue	**768,801**	(194,325)
Profit (loss)	**437,006**	(38,865)

The Group has discontinued the recognition of its share of losses of one of its associates because the share of losses of this associate has exceeded the Group's interest in that associate. The unrecognised share of losses of this associate for the current year and cumulatively were immaterial to the Group.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

13- EXCHANGE OF DEPOSITS

During the year, the Parent Company entered into exchange of deposit agreement with a foreign bank whereby it has deposited US dollar equivalent to KD 22,591,920 and borrowed Pounds sterling, Euro and Japanese Yen equivalent to KD 22,010,080 with an agreement to reverse these amounts on 28 March 2012.

During the previous year, the Parent Company entered into exchange of deposit agreement with a local bank whereby it has deposited US dollar equivalent to KD 6,516,900 (2006 :KD 6,581,250), and borrowed Pounds sterling, Euro and Japanese Yen equivalent to KD 6,784,895 (2006: KD 6,399,520) with an agreement to reverse these amounts on 12 April 2011.

These transactions are presented as follows:	*2007* *KD*	*2006* *KD*
Deposits with banks	**29,108,820**	6,581,250
Due to banks	**(28,794,975)**	(6,399,520)
Shown on the balance sheet	**313,845**	181,730

The Pounds Sterling, 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 (note 11).

14- PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land *KD*	*Plant and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor Vehicles* *KD*	*Work in Progress* *KD*	*Total* *KD*
Balance at 1 May 2006, net of accumulated depreciation	2,271,929	3,424,260	130,926	26,983	349,047	6,203,145
Additions	23,720	411,116	408	33,153	9,597	477,994
Depreciation for the year	(161,167)	(1,390,131)	(42,780)	(24,205)	-	(1,618,283)
Balance at 30 April 2007	**2,134,482**	**2,445,245**	**88,554**	**35,931**	**358,644**	**5,062,856**
Property, plant and equipment						
At cost	3,152,743	5,518,134	361,663	178,224	358,644	9,569,408
Accumulated depreciation	(1,018,261)	(3,072,889)	(273,109)	(142,293)	-	(4,506,552)
Net carrying amount at 30 April 2007	**2,134,482**	**2,445,245**	**88,554**	**35,931**	**358,644**	**5,062,856**

Certain buildings on leasehold land are constructed on land leased from the Public Authority for Industry at a nominal rent.

Certain property, plant and equipment with net book value of KD 2,946,693 (2006: 2,799,691) have been mortgaged as security for a term loan (note 16).

Depreciation includes amount charged to cost of sales amounting to KD 285,328 (2006: KD 197,184) and inventories KD 2,337 (2006: KD 20,793).

The residual value and useful life of certain specialised plant and equipment have been reviewed by the directors at the year end and as a result, additional depreciation of KD 1,149,502 has been charged to the consolidated income statement. The impact of this change in estimate is not material for further periods.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2007

15- ACCOUNTS PAYABLE AND ACCRUALS

	2007 KD	2006 KD
Accounts payable	2,610,916	1,351,867
Accrued charges on credit facilities	742,218	521,551
Provision for Kuwait Foundation for the Advancement of Sciences	365,734	207,962
Directors' fees	75,000	50,000
Provision for National Labour Support tax	1,014,791	479,632
Other payables	1,755,412	1,139,085
	6,564,071	3,750,097

16- TERM LOANS

	2007 KD	2006 KD
The loan is secured against property plant and equipment, borrowed from a local financial institution to finance the construction of a factory for one of the subsidiaries. The loan is payable in nine semi annual instalments with effect from August 2002 and is secured on the assets of the subsidiary (note 14).	180,000	480,000
The loan is unsecured and repayable in 4 annual instalments with effect from 15 July 2005.	750,000	1,125,000
The loan is unsecured and denominated in US dollar repayable in 5 equal annual instalments with effect from 27 December 2006.	4,402,528	5,557,500
The loan is unsecured and denominated in Euro repayable in 5 equal annual instalments with effect from 27 December 2006.	1,581,860	1,848,450
The loan is unsecured and denominated in US dollar repayable in 7 semi annual instalments with effect from 18 January 2007.	1,861,971	2,193,750
The loan is unsecured and denominated in US dollar repayable in 5 equal annual instalments with effect from 10 November 2006.	1,978,929	2,498,087
The loan is unsecured and denominated in US dollar repayable in 7 equal annual instalments with effect from 5 July 2007.	1,737,840	-
The loan is unsecured and denominated in US dollar repayable in 5 equal annual instalments with effect from 27 December 2006.	3,475,680	-
The loan is unsecured and denominated in US dollar repayable in 6 equal semi annual instalments with effect from 15 February 2007.	7,241,000	-
The loan is unsecured and denominated in US dollar repayable in 10 semi annual instalments with effect from 21 March 2008.	14,482,000	-
The loan is unsecured and denominated in US dollar repayable in 5 annual instalments with effect from 26 March 2008.	8,689,200	-
Other revolving loans	29,212,328	38,582,070
	75,593,336	52,284,857

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

Loans denominated in foreign currencies are as follows:

	2007 KD	2006 KD
Euro	1,581,860	5,833,709
British pound	-	4,335,033
Omani riyal	1,373,976	2,258,843
US dollar	65,477,162	28,252,272
	68,432,998	40,679,857

All above mentioned term loans carry interest at commercial rates.

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At 30 April 2007

17- SHARE CAPITAL

	Authorised		*Issued and fully paid*	
	2007 KD	*2006 KD*	***2007 KD***	*2006 KD*
Shares of 100 fils each	**42,000,000**	40,000,000	**42,000,000**	40,000,000

Following the approval of the general assembly of the Parent Company's shareholders held on 27 June 2006, the Parent Company issued 20,000,000 bonus shares amounting to KD 2,000,000.

18- TREASURY SHARES

	2007 KD	*2006 KD*
Number of treasury shares	**1,404,308**	1,404,308
Percentage of issued shares	**0.33%**	0.33%
Market value	**1,207,705**	1,404,308

19- RESERVES

(a) Statutory reserve

In accordance with the Law of Commercial Companies, and the Parent Company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support tax and directors' fees has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of paid-up share capital. The statutory reserve is not available for distribution except in certain circumstances stipulated in law.

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, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support tax and directors' fees has been transferred to the voluntary reserve. There are no restrictions on the distribution of the voluntary reserve.

20- PROPOSED DIVIDEND

The Board of Directors has proposed a cash dividend of KD 0.050 (2006: KD 0.045) per share (excluding treasury shares) totaling to KD 20,929,785 (2006: KD 17,939,815) and an issue of bonus shares of 10% of paid up share capital which is subject to the approval of the shareholders at the Annual General Meeting. The proposed cash dividend and bonus shares were not recognised as a liability at 30 April 2007.

On 27 June 2006, the annual general assembly of the shareholders of the Parent Company approved the increase of authorized share capital from KD 40,000,000 to KD 42,000,000 by issuance of 20,000,000 bonus shares of 100 fils each. Also cash dividend of 45 fils per share amounting to KD 17,939,815 was approved by the annual general assembly. The cash dividend was not recognised as a liability at 30 April 2006.

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At 30 April 2007

21- SEGMENTAL INFORMATION

The Group's activities are in two primary areas, investments and manufacturing and trading. Manufacturing and trading activities represent the activities of the subsidiaries, Boubyan Plastic Industries Co. W.L.L., National Waste Management Co. K.S.C. (Closed) and Muna Noor Manufacturing and Trading Co L.L.C. whereas the investment activity represents the activities of the Parent Company.

	Investments		*Manufacturing and Trading*		*Total*	
	30 April 2007 KD	*30 April 2006 KD*	***30 April 2007 KD***	*30 April 2006 KD*	***30 April 2007 KD***	*30 April 2006 KD*
Segment revenue	**48,042,001**	24,916,193	**11,067,680**	9,713,983	**59,109,681**	34,630,176
Segment profit	**40,475,196**	21,909,880	**157,443**	91,396	**40,632,639**	22,001,276
Assets	**310,346,297**	237,975,086	**10,885,337**	11,227,843	**321,231,634**	249,202,929
Liabilities	**79,241,617**	52,535,760	**4,683,262**	4,737,305	**83,924,879**	57,273,065

Both segments' operations are in Kuwait and member countries of the Gulf Co-operation Council.

22- 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.

Sales made to a related party from one of the subsidiaries during the year amounted to KD 980,873 (2006; KD 1,229,253).

Other income from one of its associates during the year amounted to KD 30,000 (2006: KD 30,000).

Included in account receivables of one of its subsidiary is KD 178,550 (2006: KD 197,391) due from a related party. This balance is non interest bearing and receivable on demand.

Compensation of key management personnel

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

	2007 KD	*2006 KD*
Short-term benefits	**84,000**	84,000
Employees' end of service benefits	**4,038**	4,038
	88,038	88,038

23- RISK MANAGEMENT

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

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 obtain commercial rates for term loans.

Credit risk

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 subsidiary company sells its products mainly to Equate, a related party and its balances accounted for 39% of outstanding accounts receivable at 30 April 2007 (2006: 49%).

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At 30 April 2007

23- RISK MANAGEMENT (continued)

Liquidity risk

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.

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).

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.

24- CONTINGENCIES AND CAPITAL COMMITMENTS

	2007	*2006*
	KD	*KD*
Acquisition of investments	**3,950,000**	10,434,530
Property and equipment	**-**	195,998
	3,950,000	10,630,528

25- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, murabaha deals, deposits with bank receivables and investments. Financial liabilities consist of term loans, payables, exchange of deposits and accrued expenses.

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

26- 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. Investment in Equate of KD 125,565,000 (2006: KD 110,565,000 – fair value was based on last transaction price) 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 Petrochemicals Company K.S.C. (Closed). There are a number of other investments where fair values cannot be reliably determined, and as a result investments with a carrying amount of KD 22,767,451 (2006: KD 32,042,176) are carried at cost (Note 11).

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.

At the balance sheet date, gross trade accounts receivable were KD 3,540,219 (2006: KD 2,859,011), and the provision for doubtful debts was KD 123,573 (2006: KD 117,777). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

NOTES THE CONSOLIDSTED FINANCIAL STATEMENTS

At 30 April 2006

26- KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 balance sheet date, gross raw materials were KD 1,094,325 (2006: KD 1,256,250) and gross finished goods and goods for resale were KD 580,668 (2006: KD 769,938), with provisions for old and obsolete inventories of KD 32,084 (2006: KD 31,486) and KD Nil (2006: KD Nil) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

27- COMPARATIVE INFORMATION

During the previous year, the Parent Company had entered into an exchange of deposit agreement with a local bank. In order to avail this facility, an amount of KD 724,100 was deposited with the bank and was disclosed as long term deposit. Since there is a legal right of set off of long term deposit with the loan, long term deposit of KD 724,100 has been netted off against exchange of deposits. There was no impact of this reclassification on the consolidated income statement for the year ended 30 April 2006 or on retained earnings as at 1 May 2005.


B.P.C
شركة بوبيان للبتروكيماويات (ش.م.ك)
Boubyan Petrochemical Company (K.S.C)