



BOUBYAN PETROCHEMICAL Co. (K.S.C.P)



**ANNUAL REPORT**  
FOR THE YEAR ENDED 30TH APRIL

**2015**





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



**H.H. / Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah**  
The Prime Minister of The State of Kuwait



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



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Boubyan Petrochemical Company K.S.C.P. and Subsidiaries  
**BOARD OF DIRECTORS**



**Dabbous Mubarak AL-Dabbous**  
Chairman



**Khalid Ali AL-Gahanim**  
Deputy Chairman



**Saoud Abdulaziz AL-Babtain**  
Board Member



**Khalid Abdullaziz AL-Muraikhi**  
Board Member



**Khalid Mohamed AL-Ameer**  
Board Member

## MESSAGE TO THE SHAREHOLDERS

On behalf of my colleagues, Directors of the Board, and staff members of Boubyan Petrochemical group of companies, it gives me great pleasure to welcome you to the 19<sup>th</sup> annual general meeting to review the company's performance and results for the financial year ended 30/4/2015, where the company has managed, yet again, to maintain growth, though slight.

Tremendous turbulence and variation marked the energy markets in general and the oil markets in particular during the period June 2014 until today; the result of such turbulence was a significant decline in oil prices, but eventually settling at a decline of around 50% in comparison to where it was in June 2014. The Petrochemical prices on the other hand resisted and therefore didn't decline at the same rate or percentage. In parallel to the decline in petrochemical prices, EQUATE began a scheduled major turnaround (maintenance) activity, resulting in shutting down its facilities for a whole month. Hence the negative impact on EQUATE's performance was primarily limited to the 4<sup>th</sup> Quarter of 2014. Despite all the negative factors, the overall performance of our main investments: EQUATE Petrochemical Company (EQUATE I) and The Kuwait Olefins Company (EQUATE II) was relatively good, where Boubyan's share of cash dividends from EQUATE Group totaled KD 28.13 million for the financial year ended 31/12/2014 compared to a total of KD 30.65 million cash dividends from previous year.

Looking at our most important subsidiaries (i.e. The Muna Noor Group of Companies in Oman), partial commercial production started since April 2014 in the Sohar factory which belongs to Muna Noor Plastic Industries Co (MNPI), while it is expected that full commercial operation of the same factory will be during June 2015, by the will of God. On the other hand, the construction of a new production facility in Salalah, through a newly established company, Muna Noor - Limited, was completed. In fact the facility started commercial production in Jan 2015 where single-wall PVC and PE pipes are being manufactured to serve the South of Oman as well as the African markets. It is further expected that this plant will be profitable from first year of operation. In addition to the above, we have implemented a management restructuring plan where highly qualified management team was instated.

On the other hand, and in line with our general strategy, the company continues to seek to acquire significant stakes in operating companies as well as strategic alliances. The company would even consider establishing new JV's in the various sectors. The executive management is continuously seeking to enhance the overall performance through improving returns of our subsidiaries via expansions and capacity increases.

On the financial front, we are happy to share with you the company's financial results for the year ended 30/4/2015. The company managed to achieve Net Profit of KD 27.54 million, equivalent to 55.06 Fils per share before reserves and dividends, compared to Net Profit of KD 27.32 million (54.43 Fils per share) in the previous year, equivalent to a 0.8% growth in Net Profit. Total Shareholder's Equity reached KD 306.2 million compared to KD 286.9 million in the previous year, yielding a return on equity of 9.0% and return on assets of 6.7%.

Given the continued stable performance and the comfortable liquidity, the Board recommends distributing 40% cash dividends and 5% stock dividends (5 shares for every 100 shares) for the fiscal year ended 30/4/2015. If the proposed distributions are approved, then total accumulated cash dividends since Boubyan inception would reach 508 Fils along with 30% accumulated stock dividends.

On another note and regarding corporate governance, the Board has approved a number of mandates aiming at the implementation of the corporate governance in accordance with the regulatory authorities. It is worth noting that following the company EGM that was held in June 2014, the articles of the company were amended to comply with the new companies Law no 25/2010. It is expected that the company will complete the implementation of the required corporate governance elements during the year ending 30/4/2016, by the will of God.

Finally, we would like to thank our stakeholders for their valuable trust and continued support for the company over the past years.

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

Warm regards,

**Dabbous Mubarak Al-Dabbous**  
Chairman



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

### **SUMMARY OF MAJOR DIRECT INVESTMENTS**

#### **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 Chemicals) which also had 45% equity stake. The balance (which is 10%) belongs 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.

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.

#### **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 essentially an extension to EQUATE, whose existing facilities were expanded resulting in an increase in the production capacities of the current line of products. Therefore, allowing for optimization of capacity with minimal capital investment.

Full commercial production of Ethylene and Ethylene Glycol commenced during the year 2009. The year ending in 31/12/2009 witnessed the first year of full operations. During that year, the company managed to cover pre-operating losses and distribute dividends to shareholders. As to the financial year ended in 31/12/2014, the combined dividend distribution of BPC's share in EQUATE I and TKOC - EQUATE II amounted to KD 28.05 million, compared to KD 30.65 million received in 2013, despite the steep decline in global crude prices.

#### **Muna Noor Manufacturing & Trading Company (MNMT), Oman – L.L.C.**

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, sewage, and for irrigation use). MNMT also has a number of international trading agencies for products that complement those being produced by its plants in Oman.

During the year 2010, BPC acquired the remaining 20% minority stake and as a result, MNMT became a wholly owned subsidiary. In 2010, MNMT completed setting up and started commercial production in a new factory in Rusayl Industrial Area in Muscat, which led to doubling the PE pipes production capacity as well as separating the production lines of PE and PVC to two different locations.

#### **Muna Noor Plastic Industries Company (MNPI), Oman – L.L.C.**

BPC, in association with MNMT, have established a new company, Muna Noor Plastic Industries (MNPI), through which a new factory was setup to produce PE pipes and roto products & PolyPropylene (PP) double wall corrugated (DWC) pipes and other products such as manhole chambers in Sohar Industrial Area for a total capital investment of around KD 5.2 million with a rated capacity of 12,000 tpa. MNPI announced the official opening of the new factory in December 2012. Following that a new line for multi-layer PE/PP pipes was commissioned; it is considered one of a kind in the Middle East. In total, MNPI has a production capacity of 30,000 tpa. Trial production started last year where all relevant certificates were attained. Partial Commercial operation commenced in April 2014, while full commercial production is expected in June 2015.

#### **Muna Noor LLC, Salalah, Oman**

Muna Noor Salalah is the newest addition to the pioneering plastic pipe group of Muna Noor. With a total capacity of 10,000 tpa split between PE and PVC, Muna Noor - Salalah was commissioned in late 2014. Muna Noor Salalah's strategic location in the port city allows the company to better serve the expanding infrastructure needs of the Sultanate as well as allows better access to the African markets.

#### **Al-Kout Industrial Projects Company (Al Kout) – K.S.C.P.**

Boubyan Petrochemical Company acquired a 24% equity stake in Al-Kout Industrial Projects Company in May of 2010, through an auction on the Kuwait Stock Exchange; such a stake has increased to 24.75% since the initial purchase of the stake. Al-Kout is the exclusive producer of chlorine, caustic soda, and hydrochloric acid in Kuwait. It sells its products to the Kuwait Ministry of Electricity & Water for utilization in water desalination plants, to the Public Authority of Industry in Kuwait for sea water cooling stations, in addition to companies working within the Oil and Gas sector in Kuwait. The company also sells its products in other regional countries.

Al-Kout is listed on Kuwait Stock Exchange and declared net profits amounting to KD 4.95 million (i.e. 56.08 fils/share) for the year ended in December 31<sup>st</sup> 2014 in comparison to KD 5.27 million (59.73 fils/share) for the previous year. Al-Kout declared a cash dividend of 40 fils/share (similar cash dividend to that of the previous year) and a stock dividend of 10 shares for every 100 shares for the period ended December 31<sup>st</sup> 2014.

#### **Bahrain National Gas Company (BANAGAS) B.S.C.**

Boubyan Petrochemical Company acquired 12.5% equity stake in BANAGAS for \$30 million (approx. KD 8.3 million) during November of 2011, through a bidding process. The Government of Bahrain is the largest single shareholder with a 75% stake, while Chevron-Bahrain owns the balance 12.5% stake. BPC is represented on the Board of BANAGAS.

BANAGAS operates liquefied petroleum gas plant facilities to recover propane, butane, and naphtha from associated gas recovered from oil wells and refinery gas. BANAGAS produces approximately 3000 bbls of propane per day, 3200 bbls of butane per day, and 4500 bbls of naphtha per day. In 2013 another compressor station was commissioned alongside a central control room in the central gas plant. At present BANAGAS employs over 500 people, of which 92% are Bahrainis.

#### **Boubyan Plastic Industries Company (BPIC) – K.S.C.C.**

BPIC is a wholly owned subsidiary of BPC. Its plant is located in Shuaiba Industrial Area, and produces heavy duty plastic bags that are used for packing petrochemical materials. The plant also produces stretch film, and green house film for the agriculture industry, in addition to various packaging materials. The plant has managed to secure annual contracts from major clients and specialized petrochemical companies in the region, including our strategic partner, EQUATE. Furthermore, production capacity of BPIC is almost 12,000 tpa.

#### **Jubail Integrated Packaging Company (JIPC) LLC, Saudi Arabia**

In 2014, The group acquired the remaining 40% stake of Olayan Arabian Packaging Company LLC (OPAC), set up in 1994 and located in Jubail Industrial City, from Olayan Financing Company. Subsequently, the Company was renamed Jubail Integrated Packaging Co. (JIPC). JIPC manufactures and markets various types of stretch, shrink-wrap and cling-films and has an installed capacity to produce 19,200 tons per year. JIPC caters primarily to the Saudi Market with periodic exports to Europe. The products of JIPC complement the products of Boubyan Plastic Industries Co., Kuwait (BPIC), which is a wholly owned subsidiary and together they meet the significant demand from the MENA region.

#### **Boubyan International Industries Holding Company (BIIHC) – K.S.C.P.**

BIIHC was incorporated more than 10 years ago (1/8/2004) with a KD 30 million paid up capital. BPC has 20% equity stake in BIIHC (Associate Co.). This makes BPC its largest single shareholder. BIIHC main activity has been investing in operating companies and in certain industrial equity holdings in the GCC and internationally. Company management has entered into strategic alliance to set up various projects in the infrastructure and real estate sectors throughout the GCC. BIIHC has been listed on the Kuwait Stock Exchange since December of 2010.

#### **Arabian Waterproofing Industries Company Ltd. (Awazel), Saudi Arabia**

In October of 2012, BPC acquired a further 10% equity stake in Awazel, bringing its total equity ownership to around 20.78%. Awazel was established in 1981 in Saudi Arabia through an oxidation plant and a membrane production line that has since grown to become one of the largest and most comprehensive manufacturer of bitumen (asphalt) based waterproofing material in the Middle East. It is worth noting that Awazel started diversifying its risk through acquisition of stakes in companies that have products that complement its own.

#### **Al Borg Medical Laboratories Company Ltd. (Al Borg Labs), Saudi Arabia**

In December 2012, BPC acquired 20% equity stake in Al Borg Medical Laboratories Company for approximately KD 5.7 million. Al Borg Medical Labs is a Saudi-based company that specializes in managing and operating medical laboratories that provide a wide range of clinical diagnostic tests through a large number of branches across in the GCC region. Al Borg Labs was established in 2002 as a Limited Liability Company with its headquarters in Jeddah, Saudi Arabia. The management of the company has been continuously seeking to expand both on the local and regional level as well as through strategic acquisitions of shares in companies with similar activities.



B MAR APR M  
AUG GAS SEP

248,00 € 558,00  
955,00 € 348,00 € 170,00  
116,00 € 415,00 € 930,00  
22,00 € 146,00 € 107,00  
250,00 € 890,00  
27,00 € 579,00  
622,00 € 670,00 € 935,00  
557,00 € 70,00  
50,00  
812,00 €

35 JAN € 798,00  
222 FEB € 891,00  
269 MAR € 748,00  
437 APR € 589,00  
367 MAY € 949,00  
339 JUN € 843,00  
601 JUL € 836,00  
107 AUG € 349,00  
107 SEP € 221,00  
107 OCT € 886,00

**Boubyan Petrochemical Company K.S.C.P. and Subsidiaries**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**30 April 2015**



## Boubyan Petrochemical Company K.S.C.P. and Subsidiaries Independent Auditor's Report To The Shareholders

**Ernst & Young**  
**Al Aiban, Al Osaimi & partners**  
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### **Al-Faraj Auditing Office** **Ali K. Al-Faraj**

Chartered Accountant Cause List Expert  
Tel.: 22408568/22408569 - Fax: 22408571  
P.O.Box 20870 Safat 13069 Kuwait

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Boubyan Petrochemical Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 30 April 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information .

#### **Management's Responsibility for the Consolidated Financial Statements**

Management of the Parent Company 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 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' judgment, 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 auditors consider 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 in 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 at 30 April 2015, 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 Companies Law No . 25 of 2012, as amended and its executive regulation , and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended and its executive regulation, or of the Parent Company 's Memorandum of Incorporation and Articles of Association have occurred during the year ended 30 April 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

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**Waleed A. Al-Osaimi**  
Licence No. 68 A Ey  
AL AIBAN, AL OSAIMI & PARTNERS

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

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

**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 30 April 2015

	Notes	2015 KD	2014 KD
Sales		26,840,770	30,669,422
Cost of sales		(23,419,410)	(26,356,095)
<b>GROSS PROFIT</b>		<b>3,421,360</b>	<b>4,313,327</b>
Dividend income	3	28,199,990	32,249,928
Gain on investment at fair value through income statement	14	24,286,604	-
Net gain on investments available for sale (others)		324,865	2,495,392
Share of results of associates	4	2,669,303	1,435,537
Impairment of associate	4	(2,384,298)	-
Other income		208,425	1,201,190
General and administrative expenses	5	(3,724,688)	(3,482,411)
Finance costs		(2,490,176)	(3,959,033)
Foreign exchange (loss) gain		(223,737)	48,167
<b>Profit before impairment of investments available for sale</b>		<b>50,287,648</b>	<b>34,302,097</b>
Impairment of investments available for sale (others)	6	(21,669,621)	(6,845,840)
<b>PROFIT BEFORE TAX AND DIRECTORS' FEE FROM CONTINUING OPERATIONS</b>		<b>28,618,027</b>	<b>27,456,257</b>
Taxation	7	(956,600)	(1,127,308)
Directors' fees		(75,000)	(75,000)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>27,586,427</b>	<b>26,253,949</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations	8	-	1,247,740
<b>PROFIT FOR THE YEAR</b>		<b>27,586,427</b>	<b>27,501,689</b>
<b>Profit attributable to:</b>			
Equity holders of the Parent Company		27,537,843	27,323,065
Non-controlling interests		48,584	178,624
<b>PROFIT FOR THE YEAR</b>		<b>27,586,427</b>	<b>27,501,689</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	9	<b>55.06 fils</b>	<b>54.43 fils</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY FROM CONTINUING OPERATIONS</b>	9	<b>55.06 fils</b>	<b>51.76 fils</b>

The attached notes 1 to 30 form part these consolidated financial statements



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

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 April 2015

	Notes	2015 KD	2014 KD
<b>PROFIT FOR THE YEAR</b>		<b>27,586,427</b>	27,501,689
<b>Other comprehensive income</b>			
<i>Other comprehensive income not to be reclassified/ transferred to consolidated statement of income in subsequent periods:</i>			
Realised gain on sale of investments available for sale (others)		<b>(324,865)</b>	(2,495,392)
Revaluation of property, plant and equipment		-	(700,000)
Transfer to consolidated statement of income for the year on impairment of investments available for sale (others)	6	<b>21,669,621</b>	6,845,840
<b>Net other comprehensive income not to be reclassified/ transferred to consolidated statement of income in subsequent periods</b>		<b>21,344,756</b>	3,650,448
<i>Other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods:</i>			
Unrealised loss on investments available for sale (others)		<b>(20,344,962)</b>	(5,741,996)
Unrealised gain on investments available for sale (Equate)	10	<b>10,535,255</b>	5,306,000
Share of other comprehensive income of associates	4	<b>608,122</b>	310,960
Others		-	(15,761)
Exchange differences on translation of foreign operations		<b>2,268,462</b>	(529,303)
<b>Net other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods</b>		<b>(6,933,123)</b>	(670,100)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>14,411,633</b>	2,980,348
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>41,998,060</b>	30,482,037
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company		<b>41,949,476</b>	30,514,493
Non-controlling interests		<b>48,584</b>	(32,456)
		<b>41,998,060</b>	30,482,037

The attached notes 1 to 30 form part these consolidated financial statements

Boubyan Petrochemical Company K.S.C.P. and Subsidiaries  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 April 2015

	Notes	2015 KD	2014 KD
<b>ASSETS</b>			
Cash and cash equivalents	11	20,733,605	21,075,374
Accounts receivable and prepayments	12	10,880,421	9,960,772
Inventories	13	6,784,606	5,640,731
Investments carried at fair value through income statement	14	125,284,633	100,998,029
Investments available for sale (Equate)	10	153,763,255	141,456,608
Investments available for sale (others)	6	34,476,331	56,277,533
Investment in associates	4	32,469,703	33,407,365
Property, plant and equipment	15	22,142,273	19,632,337
Goodwill		6,002,464	6,002,464
<b>TOTAL ASSETS</b>		<b>412,537,291</b>	<b>394,451,213</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Term loans	16	68,506,447	53,862,628
Islamic financing payables	17	23,261,267	37,237,530
Accounts payable and accruals	18	11,186,892	11,853,635
Dividend payable		3,429,648	3,161,614
<b>Total liabilities</b>		<b>106,384,254</b>	<b>106,115,407</b>
<b>EQUITY</b>			
Share capital	19	50,935,500	48,510,000
Share premium		2,400,000	2,400,000
Treasury shares	20	(6,142,427)	(4,676,586)
Treasury shares reserve		998,971	998,971
Statutory reserve	21	25,467,750	24,255,000
Voluntary reserve	21	25,467,750	24,255,000
Other reserves		50,516	(181,744)
Revaluation reserve		5,106,784	5,106,784
Cumulative changes in fair value		130,444,170	116,032,537
Retained earnings		71,424,023	70,203,584
Equity attributable to equity holders of the Parent Company		306,153,037	286,903,546
Non-controlling interests		-	1,432,260
<b>Total equity</b>		<b>306,153,037</b>	<b>288,335,806</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>412,537,291</b>	<b>394,451,213</b>

**Dabbous M. Al-Dabbous**  
(Chairman)

**Khaled A. Al-Ghanim**  
(Deputy Chairman)



Boubyan Petrochemical Company K.S.C.P. and Subsidiaries  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 For the year ended 30 April 2015

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserves KD	Revaluation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub total KD	Non-T controlling interests KD	Total equity KD
Balance as at 1 May 2014	48,510,000	2,400,000	(4,676,586)	998,971	24,255,000	24,255,000	(181,744)	5,106,784	116,032,537	70,203,584	286,903,546	1,432,260	288,335,806
Profit for the year	-	-	-	-	-	-	-	-	-	27,537,843	27,537,843	48,584	27,586,427
Other comprehensive income	-	-	-	-	-	-	-	-	14,411,633	-	14,411,633	-	14,411,633
Total comprehensive income for the year	-	-	-	-	-	-	-	-	14,411,633	27,537,843	41,949,476	48,584	41,998,060
Transfer to reserves (note 21)	-	-	-	-	1,212,750	1,212,750	-	-	-	(2,425,500)	-	-	-
Issue of bonus shares (note 19)	2,425,500	-	-	-	-	-	-	-	-	(2,425,500)	-	-	-
Dividends (note 19)	-	-	-	-	-	-	-	-	-	(21,466,404)	(21,466,404)	-	(21,466,404)
Purchase of treasury shares (note 20)	-	-	(1,465,841)	-	-	-	-	-	-	-	(1,465,841)	-	(1,465,841)
Acquisition of non-controlling interest (note 22)	-	-	-	-	-	-	232,260	-	-	-	232,260	(1,480,844)	(1,248,584)
<b>Balance as at 30 April 2015</b>	<b>50,935,500</b>	<b>2,400,000</b>	<b>(6,142,427)</b>	<b>998,971</b>	<b>25,467,750</b>	<b>25,467,750</b>	<b>50,516</b>	<b>5,106,784</b>	<b>130,444,170</b>	<b>71,424,023</b>	<b>306,153,037</b>	<b>-</b>	<b>306,153,037</b>

The attached notes 1 to 30 form part these consolidated financial statements

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

For the year ended 30 April 2015

**Attributable to shareholders of the Parent Company**

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserves KD	Revaluation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total equity KD
Balance as at 1 May 2013	48,510,000	2,400,000	(3,858,340)	998,971	24,255,000	24,255,000	(181,744)	5,806,784	112,141,109	64,391,721	278,718,501	1,464,716	280,183,217
Profit for the year	-	-	-	-	-	-	-	-	-	27,323,065	27,323,065	178,624	27,501,689
Discontinued operations (note 8)	-	-	-	-	-	-	(700,000)	(700,000)	-	-	(700,000)	700,000	-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	3,891,428	-	3,891,428	(911,080)	2,980,348
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(700,000)	(700,000)	3,891,428	27,323,065	30,514,493	(32,456)	30,482,037
Purchase of treasury shares (note 20)	-	-	(818,246)	-	-	-	-	-	-	-	(818,246)	-	(818,246)
Dividends (note 19)	-	-	-	-	-	-	-	-	-	(21,511,202)	(21,511,202)	-	(21,511,202)
Balance as at 30 April 2014	48,510,000	2,400,000	(4,676,586)	998,971	24,255,000	24,255,000	(181,744)	5,106,784	116,032,537	70,203,584	286,903,546	1,432,260	288,335,806

**Cumulative changes in fair value consist of the following:**

	2015 KD	2014 KD
a) Unrealised gain relating to investments available for sale (Equate)	127,400,361	116,865,106
b) Unrealised gain relating to investments available for sale (others)	1,212,725	212,931
c) Foreign currency translation reserve	1,844,422	(424,040)
d) Share of cumulative changes in fair values in the equity of associates	(13,338)	(621,460)
	<b>130,444,170</b>	<b>116,032,537</b>

- a) Unrealised gain relating to investments available for sale (Equate)  
b) Unrealised gain relating to investments available for sale (others)  
c) Foreign currency translation reserve  
d) Share of cumulative changes in fair values in the equity of associates

During the year, the unrealised gain on investments available for sale (others and Equate) includes an amount of KD 2,311,535 (2014: KD 681,914) in respect of foreign currency movements.



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

**CONSOLIDATED STATEMENT OF CASHFLOWS**

For the year ended 30 April 2015

	Notes	2015 KD	2014 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year before tax and Directors' fees from continuing operations		28,618,027	27,456,257
Loss for the year from discontinued operations	8	-	(182,467)
Profit for the year		28,618,027	27,273,790
Adjustments for:			
Finance cost		2,490,176	3,959,032
Depreciation	15	1,069,956	871,490
Employees' end of service benefits		43,404	34,129
Gain from investment carried at fair value through income statement	14	(24,286,604)	-
Realised gain on sale of investments available for sale (others)		(324,865)	(2,495,392)
Impairment of investments available for sale (others)	6	21,669,621	6,845,840
Share of results of associates	4	(2,669,303)	(1,435,537)
Impairment on associates	4	2,384,298	-
		28,994,710	35,053,352
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		(541,305)	1,228,777
Inventories		(1,143,875)	(227,060)
Accounts payable and accruals		(409,545)	(2,772,006)
Tax paid		(257,198)	(268,048)
Net cash flows from operating activities		26,642,787	33,015,015
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	15	(2,544,605)	(2,311,718)
Proceeds from sale of property, plant and equipment	15	19,892	16,923
Additions to investments available for sale (others)		(275,740)	(110,803)
Sale of subsidiary, net of cash disposal	8	-	1,476,774
Dividend received from associates	4	2,192,364	2,083,249
Additions to investment in associates	4	-	(668,661)
Proceeds from disposal of investments available for sale (others)		1,549,750	10,466,828
Acquisition of non-controlling interest		(1,200,000)	-
Net cash flows (used in) from investing activities		(258,339)	10,952,592
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(21,198,370)	(21,462,987)
Net movement in term loans		12,666,251	2,968,921
Net movement in islamic financing payables		(14,398,641)	(25,327,764)
Movement in exchange of deposits		-	4,773,188
Finance cost paid		(2,553,353)	(4,029,524)
Purchase of treasury shares		(1,465,841)	(818,246)
Net cash flows used in financing activities		(26,949,954)	(43,896,412)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as at 1 May		21,075,374	21,052,346
Foreign exchange loss (gain)		223,737	(48,167)
<b>CASH AND CASH EQUIVALENTS AS AT 30 APRIL</b>	11	<b>20,733,605</b>	<b>21,075,374</b>

The attached notes 1 to 30 form part these consolidated financial statements

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 1 CORPORATE INFORMATION

The consolidated financial statements of Boubyan Petrochemical Company K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 30 April 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 11 May 2015 and are subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend the consolidated financial statements after issuance.

The Parent Company is a Kuwaiti Public Shareholding Company incorporated in the State of Kuwait on 12 February 1995. The Parent Company is listed on the Kuwait Stock Exchange. The Parent Company’s registered office is at KIPCO Tower Floor 35, Khalid bin Al Waleed St, P.O. Box 2383, 13024 Safat, Kuwait. The principal activities of the Group are explained in note 24.

The principal objectives of the Parent Company include the following:

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

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

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

	2015	2014
Petrochemical Industries Company K.S.C.	42.5%	42.5%
Dow Chemical Company	42.5%	42.5%
Boubyan Petrochemical Company K.S.C.P.	9%	9%
Qurain Petrochemical Company K.S.C.P.	6%	6%

### 2 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 land and buildings, investments at fair value through income statement and investments available for sale (AFS) financial assets. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

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



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Statement of compliance

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

#### Changes in accounting policies

##### New and amended standards and interpretations

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amended IASB Standards:

##### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments did not have a material impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

##### *Offsetting Financial Assets and Financial Liabilities -Amendments to IAS 32*

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments did not have a material impact on the Group, since the Group does not have any offsetting arrangements.

##### *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

##### *Annual Improvements 2010-2012 Cycle*

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

##### *Annual Improvements 2011-2013 Cycle*

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

#### Standards issued but not yet effective

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Standards issued but not yet effective (continued)

#### **IFRS 9 – Financial Instruments: Classification and Measurement**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

#### **IFRS 15 – Revenue from Contracts with customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and does not expect any significant impact on adoption of this standard.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

#### **Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

#### **Annual improvements 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

##### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

##### *IFRS 8– Operating Segments*

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Standards issued but not yet effective (continued)

#### Annual improvements 2010-2012 Cycle (continued)

##### **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

##### **IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

##### **IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

##### **IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

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

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively the "Group") as at 30 April 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basis of consolidation (continued)**

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

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

**The consolidated financial statements include the following subsidiaries:**

Name of the subsidiaries	Principal activity	Country of incorporation	Group's legal ownership at 30 April	
			2015	2014
Boubyan Plastic Industries Company K.S.C. (Closed) ["BPIC"]	Manufacturing and trading of packaging material	Kuwait	99%	99%
*Muna Noor Manufacturing and Trading Co. L.L.C. "MNMT")	Manufacturing and trading of plastic pipes	Sultanate of Oman	100%	100%
**Jubail Integrated Packaging Co. L.L.C (JIPC)	Manufacturing and trading of packaging material	Kingdom of Saudi Arabia	100%	60%
*Muna Noor Plastic Industries L.L.C. ("MNPI")	Manufacturing and trading of plastic pipes	Sultanate of Oman	100%	100%
*Muna Noor L.L.C. (Salalah) ("MN- S")	Manufacturing and trading of plastic pipes	Sultanate of Oman	100%	100%

\*20% is held through BPIC.

\*\*40% is held through BPIC.

Muna Noor LLC (Salalah) commenced operations in current year, consequently it's results are included in consolidated financial statements.

**Summary of significant accounting policies and disclosures**

**Business combinations and goodwill**

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

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



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

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

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

#### **Revenue recognition**

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

#### **Sale of goods**

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

#### **Interest income**

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

#### **Dividend income**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

#### Taxation

##### Zakat

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

##### Kuwait Foundation for the Advancement of Sciences (KFAS)

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

##### National Labour Support Tax (NLST)

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

##### Taxation on overseas subsidiaries

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

#### Financial assets

##### Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as investments at fair value through income statement, investments available for sale, 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 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 statement of income or in consolidated statement of comprehensive income through cumulative changes in fair value 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 "cash and cash equivalents", "accounts receivable", "investments carried at fair value through income statement", and "investments available for sale".

##### Subsequent measurement

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

##### Investments carried at fair value through income statement

Investments at fair value through income statement includes investments carried at fair value through income statement are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Summary of significant accounting policies (continued)

##### Financial assets (continued)

##### Subsequent measurement (continued)

Investments designated upon initial recognition at fair value through income statement are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Group evaluates its investments held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these investments due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these investments. The reclassification to loans and receivables, investments available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any investments designated at fair value through income statement using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

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

##### Investments available for sale

Investments available for sale include equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through income statement.

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 consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Investments available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding investments available for sale is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its investments available for sale in the near term is still appropriate. When the Group is unable to trade these investments due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these investments in rare circumstances. Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

##### Accounts receivable

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

##### Derecognition of 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; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Summary of significant accounting policies (continued)

#### Financial assets (continued)

##### Derecognition of financial assets (continued)

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

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

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### 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 consolidated statement of income for the year.

Impairment losses on equity investments are not reversed through the consolidated statement of income; 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 consolidated statement of income 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 financial assets that are individually significant, or collectively for financial assets 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 financial assets 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Summary of significant accounting policies (continued)

##### Financial assets (continued)

##### Impairment of financial assets (continued)

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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income in consolidated statement of income.

##### 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.

##### Subsequent measurement

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

##### Term loans

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### Islamic financing payables

Islamic financing payables are classified as Murabaha payables and tawarruq payables. Murabaha payables and tawarruq 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."

##### Accounts payable and accruals

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

##### Derecognition of 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 consolidated statement of income.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

#### Fair value

The Group measures financial instruments, such as, financial assets available for sale, at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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

#### Cash and cash equivalents

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

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



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

#### Financial instruments and hedge accounting

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

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

#### *Fair value hedges*

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

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

#### **Inventories**

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

Raw materials: purchase cost on a weighted average basis.

Work in progress and finished goods: cost of direct materials and 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies, generally accompanying directly or indirectly, a shareholding of between 20% and 50% of the equity share capital and are accounted for by the equity method.

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

The Group recognises in the consolidated statement of income its share of the total recognised results 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 statement of income. The Group's share of those changes is recognised directly in the consolidated statement of comprehensive income.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

#### Investment in associates (continued)

The financial statements of the associate are prepared not more than three months gap from the reporting period of 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 income.

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

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

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

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

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

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to consolidated statement of 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.

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

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



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

#### Property, plant and equipment (continued)

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

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

#### Treasury shares

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

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

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

#### End of service indemnity

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

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

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

#### Foreign currencies

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

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the fair values were determined. In case of non-monetary assets and liabilities whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets and liabilities whose change in fair value are recognised in the consolidated statement of income for the year, foreign exchange differences are recognised in the consolidated statement of income for the year.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Summary of significant accounting policies (continued)

#### Impairment of non-financial assets

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

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

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

#### 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 statement of income 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'.

#### Other reserve

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

#### Segment information

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

#### Dividends on ordinary shares

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

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

#### 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Significant judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to, the determination of impairment provisions and valuation of unquoted investments.

#### Judgments

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

##### *Classification of investments*

The Group decides on acquisition of investments whether they should be classified as investments carried at fair value through income statement 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 statement of income in the management accounts, they are classified at fair value through statement of income.

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

#### Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### *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.

##### *Useful lives of property, plant and equipment*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued) Significant judgments, estimates and assumptions (continued)

#### Estimation uncertainty and assumptions (continued)

##### Impairment of investment in associates

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

##### Valuation of unquoted financial assets

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of the cash flows and discount factors for unquoted equity financial assets requires significant estimation.

### 3 DIVIDEND INCOME

Dividend income for the year include dividends received from Equate and TKOC amounting to KD 15,329,864 (2014: KD 19,510,487) and KD 12,796,235 (2014: KD 11,134,836) respectively.

### 4 INVESTMENT IN ASSOCIATES

The Parent Company has the following investment in associates:

	Country of incorporation	Ownership		Principal activity
		2015	2014	
Kuwaiti Qatari International Holding Company K.S.C. ("KQIHC")	Kuwait	50%	50%	To invest in stakes of different companies
Al-Kout Industrial Projects Company K.S.C P. ("Al-Kout")	Kuwait	24.76%	24.76%	Involved in manufacturing activities
Boubyan International Industries Holding Company K.S.C.P. ("BIIHC")	Kuwait	20%	20%	To undertake industrial Investments
Arabian Waterproofing Industries Company ("Awazel")	Saudi Arabia	21%	21%	Engaged in manufacture of waterproofing products and heat insulation materials
Al Borg Medical Laboratories ("Al-Borg")	Saudi Arabia	20%	20%	Engaged in medical laboratories and environmental and scientific tests

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



Boubyan Petrochemical Company K.S.C.P. and Subsidiaries  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 As at 30 April 2015

**4 INVESTMENT IN ASSOCIATES (continued)**

As at 1 May  
 Additions  
   Share of results  
 Impairment  
 Dividends received  
 Foreign currency translation  
 Share of other comprehensive income

As at 30 April

The carrying value of each individual associate is as follows:

KQIHC  
 Al-Kout  
 BIIHC  
 Awazel  
 Al-Borg

	2015 KD	2014 KD
As at 1 May	33,407,365	33,250,428
Additions	-	668,661
Share of results	2,669,303	1,435,537
Impairment	(2,384,298)	-
Dividends received	(3,000,115)	(2,083,249)
Foreign currency translation	1,169,326	(174,972)
Share of other comprehensive income	608,122	310,960
As at 30 April	<u>32,469,703</u>	<u>33,407,365</u>

	2015 KD	2014 KD
KQIHC	1,931,224	1,914,127
Al-Kout	9,793,447	10,230,802
BIIHC	3,675,212	5,744,412
Awazel	10,460,786	9,570,857
Al-Borg	6,609,034	5,947,167
	<u>32,469,703</u>	<u>33,407,365</u>

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

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4 INVESTMENT IN ASSOCIATES (continued)

As at the reporting date, the management of the Parent Company has assessed the carrying value of the associates. Based on their assessment, the management believes that there is no objective evidence or circumstances that indicate any impairment in the value of the investments in associates except as disclosed below.

Summarised financial information of associates of the Group is as follows:

	Al-Kout Industrial Projects Company K.S.C.P. ("Al-Kout") KD	Boubyan International Industries Holding Company K.S.C.P. ("BIIHC") KD	Arabian Waterproofing Industries Company ("Awazel") KD	Al Borg Medical Laboratories ("Al-Borg") KD	Kuwaiti Qatari International Holding Company K.S.C.P. ("KQI-HC") KD	Total 2015 KD
<b>Year ended 30 April 2015</b>						
<b>Associates' statement of financial position:</b>						
Assets	29,533,821	33,162,509	36,993,478	18,319,165	5,840,462	123,849,435
Goodwill	1,599,601	-	3,866,691	4,262,686	-	9,728,978
Impairment by Parent Company	-	(2,384,298)	-	-	-	(2,384,298)
Liabilities	(4,234,524)	(2,864,959)	(5,291,099)	(6,587,418)	(1,978,014)	(20,956,014)
Equity	26,898,898	27,913,252	35,569,070	15,994,433	3,862,448	110,238,101
<b>Associates' revenue and profit:</b>						
Revenue	18,693,483	70,637	31,927,076	21,642,539	-	72,333,735
Profit (loss)	5,291,345	(3,849,413)	3,035,159	5,024,577	34,194	9,535,862
<b>Year ended 30 April 2014</b>						
<b>Associates' statement of financial position:</b>						
Assets	27,972,716	25,504,907	6,875,643	2,935,410	5,885,920	69,174,596
Goodwill	1,599,601	-	3,866,691	4,262,686	-	9,728,978
Liabilities	(4,427,862)	(2,148,520)	(76,304)	(704,520)	(961)	(7,358,167)
Equity	25,144,455	23,356,387	10,666,030	6,493,576	5,884,959	71,545,407
<b>Associates' revenue and profit:</b>						
Revenue	15,997,916	207,687	28,060,127	16,884,382	-	61,150,112
Profit (loss)	5,252,525	(6,640,000)	3,898,352	3,292,578	(11,672)	5,791,783



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**5 GENERAL AND ADMINISTRATIVE EXPENSES**

Staff cost  
 Depreciation (note 15)  
 Other administrative expenses

2015 KD	2014 KD
1,959,421	1,834,129
104,653	87,606
1,660,614	1,560,676
<b>3,724,688</b>	<b>3,482,411</b>

**6 INVESTMENTS AVAILABLE FOR SALE (OTHERS)**

Quoted equity investments  
 Unquoted equity investments

2015 KD	2014 KD
1,351,857	1,812,715
33,124,474	54,464,818
<b>34,476,331</b>	<b>56,277,533</b>

Management has performed a review of investments to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded an impairment loss of KD 21,669,621 (2014: KD 6,845,840) in the consolidated statement of income for the year in respect of investments available for sale (others). Based on the latest available financial information, management is of the view that no further impairment is required as at 30 April 2015, in respect of these investments.

At 30 April 2015, certain unquoted investments available for sale amounting to KD 17,342,636 (2014: KD 26,676,629) are carried at cost due to no availability of reliable measures of their fair values.

Certain investments available for sale denominated in US Dollars and Pounds Sterling with a carrying value of KD 8,675,566 (2014: KD 20,941,391) are designated as hedged items in fair value hedging relationships with amounts borrowed from banks as term loans (note 16 and 17).

**7 TAXATION**

Contribution to NLST  
 Contribution to KFAS  
 Taxation arising from overseas subsidiary

2015 KD	2014 KD
680,951	688,492
248,692	275,853
26,957	162,963
<b>956,600</b>	<b>1,127,308</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**8 DISCONTINUED OPERATIONS**

During the prior year, the Group sold its entire investment (50%) in its subsidiary, National Waste Management Company (NWMC), for a cash consideration of KD 1,500,000.

In accordance with IFRS 5, the disposal of NWMC was classified as a discontinued operation. The results of NWMC as of the date of disposal were as follows:

	2014 KD
Sales	85,884
Cost of sales	(9,402)
Gross profit	76,482
Other income	24,068
Unrealized gain on financial assets carried at fair value through statement of income	285
Operating income	100,835
General and administrative expenses	(173,882)
Depreciation and impairment	(109,420)
<b>Loss for the year from a discontinued operation</b>	<b>(182,467)</b>

	2014 KD
Proceeds from disposal	1,500,000
Carrying value of investment in the books	(69,793)
Gain arising on disposal	1,430,207
Loss for the year	(182,467)
Total gain arising on disposal	1,247,740

As NWMC was sold prior to 30 April 2014, related assets and liabilities were not included in the consolidated statement of financial position as at 30 April 2014.



**Boubyan Petrochemical Company K.S.C.P. and Subsidiaries**  
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**9 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:

	2015 KD	2014 KD
Profit from continuing operations	27,537,843	25,984,092
Profit from a discontinued operation	-	1,338,973
Profit for the year attributable to equity holders of the Parent Company	<u>27,537,843</u>	<u>27,323,065</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares outstanding	509,355,000	509,355,000
Weighted average number of treasury shares	(9,172,104)	(7,410,395)
Weighted average number of outstanding shares	<u>500,182,896</u>	<u>501,944,605</u>
Basic and diluted earnings per share attributable to equity holders of the Parent Company	<u>55.06 fils</u>	<u>54.43 fils</u>
Basic and diluted earnings per share from continuing operations attributable to equity holders of the Parent Company	<u>55.06 fils</u>	<u>51.76 fils</u>

In accordance with International Accounting Standard 33 "Earnings per share", number of shares for the year ended 30 April 2014 has been restated for the issue of bonus shares (Note 19).

**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 153,763,255 (2014: KD 141,456,608) has been estimated using a weighted average of mainly two valuation models: dividend discount model and free cash flow model. The valuation requires management to make certain assumptions about the models inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

As a result of this exercise, an unrealised gain of KD 10,535,255 (2014: KD 5,306,000) was recognised in the other comprehensive income.

The cost portion of the investment in Equate is designated as a hedged item in fair value relationship with amounts borrowed from banks as term loans (Note 16). As a result of the fair value hedge Equate value has been increased by KD 1,771,392 (Note 27) which is recognized in income statement and offset with similar decrease on the designated term loans.

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

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**11 CASH AND CASH EQUIVALENTS**

	2015 KD	2014 KD
Cash and bank balances	2,357,761	3,875,374
Deposits	18,482,600	17,200,000
Bank overdraft	(106,756)	-
Cash and cash equivalents	<u>20,733,605</u>	<u>21,075,374</u>

Deposits carry profits at commercial rates and will mature within three months from the deposit date.

Included in cash and cash equivalents are balances denominated in foreign currencies amounting to KD 1,267,490 (2014: KD 1,043,178) mainly in US Dollars, Omani Riyals and Saudi Riyals.

**12 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	2015 KD	2014 KD
Trade receivables, gross	8,921,211	8,824,110
Less: provision	(341,293)	(355,906)
Accrued income	8,579,918	8,468,204
Other receivables	580,245	180,202
	1,720,258	1,312,366
	<u>10,880,421</u>	<u>9,960,772</u>

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

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

	Neither past due nor impaired KD	Past due but not impaired				Total KD
		< 30 days KD	30 to 60 days KD	60 to 90 days KD	> 90 days KD	
2015	2,626,769	376,289	1,465,572	2,741,477	1,369,811	8,579,918
2014	1,747,216	37,838	3,032,553	2,042,626	1,607,971	8,468,204

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.



Boubyan Petrochemical Company K.S.C.P. and Subsidiaries  
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**13 INVENTORIES**

Raw materials  
Work in progress  
Finished goods  
Goods in transit

2015 KD	2014 KD
5,042,922	4,066,106
50,793	165,354
1,427,729	1,131,613
263,162	277,658
<u>6,784,606</u>	<u>5,640,731</u>

**14 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT**

**Investments designated at fair value through income statement**  
Unquoted investments (TKOC)

2015 KD	2014 KD
<u>125,284,633</u>	<u>100,998,029</u>

**Unquoted investments**

Fair value of the unquoted investment has been estimated using a weighted average of mainly two valuation models: dividend discount model and free cash flow model. The valuation requires management to make certain assumptions about the models inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. As a result of this exercise, an unrealised gain of KD 24,286,604 (2014: KD Nil) was recognised in the consolidated statement of income for the year.

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

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15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land KD	Buildings KD	Plant and equipment KD	Furniture and office equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost or valuation:							
As at 1 May 2014	1,200,000	7,887,765	13,560,806	1,053,205	363,939	6,481,714	30,547,429
Foreign currency translation	-	206,702	417,852	32,841	11,682	404,114	1,073,191
Additions	-	1,460,341	1,472,195	397,540	82,164	(867,635)	2,544,605
Disposals	-	-	-	-	(19,892)	-	(19,892)
<b>As at 30 April 2015</b>	<b>1,200,000</b>	<b>9,554,808</b>	<b>15,450,853</b>	<b>1,483,586</b>	<b>437,893</b>	<b>6,018,193</b>	<b>34,145,333</b>
Accumulated depreciation:							
As at 1 May 2014	-	2,682,373	7,338,330	585,520	295,201	13,668	10,915,092
Charge for the current year	-	234,348	746,661	47,629	41,318	-	1,069,956
Foreign currency translation	-	7,909	26,993	1,607	1,395	-	37,904
Relating to disposals	-	-	-	-	(19,892)	-	(19,892)
<b>As at 30 April 2015</b>	<b>-</b>	<b>2,924,630</b>	<b>8,111,984</b>	<b>634,756</b>	<b>318,022</b>	<b>13,668</b>	<b>12,003,060</b>
<b>Net book value as at 30 April 2015</b>	<b>1,200,000</b>	<b>6,630,178</b>	<b>7,338,869</b>	<b>848,830</b>	<b>119,871</b>	<b>6,004,525</b>	<b>22,142,273</b>

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



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 30 April 2015

**15) PROPERTY, PLANT AND EQUIPMENT (continued)**

	Leasehold land KD	Buildings KD	Plant and equipment KD	Furniture and office equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
:Cost or valuation							
As at 1 May 2013	2,600,000	8,016,415	13,721,222	1,049,733	362,566	4,852,593	30,602,529
Foreign currency translation	-	(14,983)	(99,362)	(804)	(2,537)	(53,514)	(171,200)
Additions	-	59,850	548,207	4,276	16,750	1,682,635	2,311,718
Disposals	(1,400,000)	(173,517)	(609,261)	-	(12,840)	-	(2,195,618)
As at 30 April 2014	1,200,000	7,887,765	13,560,806	1,053,205	363,939	6,481,714	30,547,429
:Accumulated depreciation							
As at 1 May 2013	-	2,540,621	6,645,731	580,411	298,567	3,187	10,068,517
Charge for the current year	-	143,064	705,692	5,156	6,999	10,578	871,489
Foreign currency translation	-	(1,312)	(6,472)	(47)	(64)	(97)	(7,992)
Relating to disposals	-	-	(6,621)	-	(10,301)	-	(16,922)
As at 30 April 2014	-	2,682,373	7,338,330	585,520	295,201	13,668	10,915,092
Net book value as at 30 April 2014	1,200,000	5,205,392	6,222,476	467,685	68,738	6,468,046	19,632,337

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

	2015 KD	2014 KD
Costs of sales	965,303	783,884
General and administrative expenses	104,653	87,606
	<u>1,069,956</u>	<u>871,490</u>

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

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16 TERM LOANS

The loan is unsecured and denominated in US Dollar which is repayable in 5 annual equal installments starting from 31 March 2013

The loan is unsecured and denominated in US Dollar which is repayable in November 2016

The loan is unsecured and denominated in KD which is repayable in November 2016

The loan is unsecured and denominated in Pound Sterling which is repayable in April 2017

The loan is unsecured and denominated in Omani Riyals which is repayable within one year

The loan is unsecured and denominated in KD which is repayable in 5 equal installments starting from April 2016

-The loan is unsecured and denominated in KD which is repayable in 8 equal semi annual installments starting from April 2015

The loan is unsecured and denominated in Saudi Riyals which is repayable fully in quarterly installments by December 2015

The loan is unsecured and denominated in US Dollar 60% repayable in 10 semi-annual installments starting from June 2015 and the balance on final maturity

Other revolving loans

2015 KD	2014 KD
10,281,581	14,385,701
16,006,000	14,930,100
10,000,000	10,000,000
2,502,527	6,102,890
100,320	-
10,000,000	-
1,032,500	-
401,325	748,650
10,682,194	7,695,287
7,500,000	-
<b>68,506,447</b>	<b>53,862,628</b>

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

Loans denominated in foreign currencies are as follows:

Pound Sterling  
Saudi Riyal  
Omani Riyal  
US Dollar

2015 KD	2014 KD
2,502,527	6,102,890
401,326	748,650
100,319	7,695,287
40,996,441	35,203,331
<b>44,000,613</b>	<b>49,750,158</b>

All above mentioned term loans carry interest at commercial rates.



Boubyan Petrochemical Company K.S.C.P. and Subsidiaries  
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**17 ISLAMIC FINANCING PAYABLES**

Murabaha payables  
 Tawarruq payables

2015 KD	2014 KD
4,026,667	23,237,530
19,234,600	14,000,000
<u>23,261,267</u>	<u>37,237,530</u>

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

Islamic financing payables denominated in foreign currencies are as follows:

US Dollar

2015 KD	2014 KD
<u>4,026,667</u>	<u>5,887,530</u>

The Pound Sterling and US Dollar foreign currency borrowings (note 16 and 17) had been designated as fair value hedging instruments to manage the exposure to fluctuations in foreign currency rates of certain investments available for sale (note 6 and 10).

**18 ACCOUNTS PAYABLE AND ACCRUALS**

Accounts payable  
 Accrued charges on credit facilities  
 Provision for KFAS  
 Provision for NLST  
 Directors' fees  
 Other payables

2015 KD	2014 KD
5,361,397	6,411,679
869,790	347,928
248,688	275,849
703,848	676,222
75,000	75,000
3,928,169	4,066,957
<u>11,186,892</u>	<u>11,853,635</u>

**19 SHARE CAPITAL AND DIVIDENDS**

**Share capital**

Authorised, issued and paid-up capital consists of 509,355,000 shares (2014: 485,100,000 shares) of 100 fils per share (2014: 100 fils per share). This is comprised of 400,000,000 shares (2014: 400,000,000 shares) which are fully paid up in cash whereas 109,355,000 shares (2014: 85,100,000) were issued as bonus shares.

**Dividend**

The Board of Directors of the Parent Company has proposed a cash dividend of 40 fils per share (2014: 45 fils per share) on outstanding shares (excluding treasury shares) amounting to KD 19,940,121 (2014: KD 21,466,404) and bonus shares at 5% (2014: 5%) of paid up share capital in respect of the year ended 30 April 2015, subject to being approved by the shareholders' Annual General Assembly, the dividend shall be payable to the shareholders registered in the Parent Company's records as of the date of the shareholders' Annual General Assembly meeting.

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

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**20 TREASURY SHARES**

Number of treasury shares

Percentage of issued shares

Market value in KD

	2015	2014
Number of treasury shares	10,851,987	8,068,783
Percentage of issued shares	2.13%	1.66%
Market value in KD	6,511,192	5,970,900

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

**21 RESERVES**

**(a) Statutory reserve**

In accordance with the Companies Law No. 25 of 2012, as amended, and the Parent Company's Articles of Association 10% of the profit for the year attributable to shareholders of the Parent Company (before contributions to KFAS and Zakat) is transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. During the year, the Parent Company transferred less than 10% of profit to reach 50% of the 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**

As required by the Parent Company's Articles of Association, 10% of the profit for the year (before contribution to KFAS, and Zakat) is transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders of the Parent Company in the annual general assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of the voluntary reserve. During the year, the Parent Company has transferred the same amount as that transferred in statutory reserves.

**22 ACQUISITION OF NON-CONTROLLING INTERESTS**

On 23 July 2014, the Group acquired an additional 40% interest in Jubail Integrated Packaging Co. L.L.C ("JIPC") [formerly known as Olayan Arabian Packaging Company L.L.C ("Olayan")] for the consideration paid of SAR 16,000,000 (KD 1,200,000), increasing its ownership interest to 100%.

**23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

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



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**23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

The maturity profile of assets and liabilities is as follows:

30 April 2015	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
<b>ASSETS</b>					
Cash and cash equivalents	20,733,605	-	-	-	<b>20,733,605</b>
Accounts receivable and prepayments	10,880,421	-	-	-	<b>10,880,421</b>
Inventories	6,784,606	-	-	-	<b>6,784,606</b>
Investments carried at fair value through income statement (designated)	-	125,284,633	-	-	<b>125,284,633</b>
Investments available for sale (Equate)	-	-	-	153,763,255	<b>153,763,255</b>
Investments available for sale (others)	-	1,351,857	33,124,474	-	<b>34,476,331</b>
Investment in associates	-	-	-	32,469,703	<b>32,469,703</b>
Property, plant and equipment	-	-	-	22,142,273	<b>22,142,273</b>
Goodwill	-	-	-	6,002,464	<b>6,002,464</b>
<b>TOTAL ASSETS</b>	<b>38,398,632</b>	<b>126,636,490</b>	<b>33,124,474</b>	<b>214,377,695</b>	<b>412,537,291</b>
<b>LIABILITIES</b>					
Term loans	3,802,436	14,832,125	49,871,886	-	<b>68,506,447</b>
Islamic financing payables	6,998,600	5,776,667	10,486,000	-	<b>23,261,267</b>
Accounts payable and accruals	4,303,125	4,125,722	2,758,045	-	<b>11,186,892</b>
Dividend payable	-	3,429,648	-	-	<b>3,429,648</b>
<b>TOTAL LIABILITIES</b>	<b>15,104,161</b>	<b>28,164,162</b>	<b>63,115,931</b>	<b>-</b>	<b>106,384,254</b>

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**23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

30 April 2014	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
<b>ASSETS</b>					
Cash and cash equivalents	21,075,374	-	-	-	21,075,374
Accounts receivable and prepayments	8,352,801	1,607,971	-	-	9,960,772
Inventories	5,640,731	-	-	-	5,640,731
Investments carried at fair value through income statement (designated)	-	100,998,029	-	-	100,998,029
Investments available for sale (Equate)	-	-	-	141,456,608	141,456,608
Investments available for sale (others)	-	1,812,715	54,464,818	-	56,277,533
Investment in associates	-	-	-	33,407,365	33,407,365
Property, plant and equipment	-	-	-	19,632,337	19,632,337
Goodwill	-	-	-	6,002,464	6,002,464
<b>TOTAL ASSETS</b>	<b>35,068,906</b>	<b>104,418,715</b>	<b>54,464,818</b>	<b>200,498,774</b>	<b>394,451,213</b>
<b>LIABILITIES</b>					
Term loans	2,806,942	27,521,541	23,534,145	-	53,862,628
Islamic financing payables	427,500	5,025,280	31,784,750	-	37,237,530
Accounts payable and accruals	10,726,327	1,127,308	-	-	11,853,635
Dividend payable	-	3,161,614	-	-	3,161,614
<b>TOTAL LIABILITIES</b>	<b>13,960,769</b>	<b>36,835,743</b>	<b>55,318,895</b>	<b>-</b>	<b>106,115,407</b>

**24 SEGMENTAL INFORMATION**

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

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

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



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

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 April 2015

### 24 SEGMENTAL INFORMATION (continued)

Year ended 30 April 2015	Energy and Petrochemical Sector			Others KD	Total KD
	Basic materials KD	Manufacturing KD	Energy KD		
<i>Revenue</i>					
Dividend income	28,126,099	-	-	73,891	<b>28,199,990</b>
Investment income	24,286,604	-	-	324,865	<b>24,611,469</b>
Share of results of associates	1,309,608	630,705	-	728,990	<b>2,669,303</b>
Sales	-	26,840,770	-	-	<b>26,840,770</b>
<b>Total revenue</b>	<b>53,722,311</b>	<b>27,471,475</b>	<b>-</b>	<b>1,127,746</b>	<b>82,321,532</b>
<b>Result</b>					
Segment profit	53,722,311	4,052,065	-	1,127,746	<b>58,902,122</b>
Other income	-	125,554	-	82,871	<b>208,425</b>
General and administrative expenses	(1,277,458)	(2,447,230)	-	-	<b>(3,724,688)</b>
Finance costs	(2,319,257)	(170,919)	-	-	<b>(2,490,176)</b>
Impairment loss on associate	-	-	-	(2,384,298)	<b>(2,384,298)</b>
Impairment loss on investments available for sale (others)	(7,688,163)	-	(7,466,204)	(6,515,254)	<b>(21,669,621)</b>
Foreign exchange (loss) gain	(238,918)	15,181	-	-	<b>(223,737)</b>
Profit (loss) before KFAS, zakat & NLST	42,198,515	1,574,651	(7,466,204)	(7,688,935)	<b>28,618,027</b>
Taxation	(929,643)	(26,957)	-	-	<b>(956,600)</b>
Directors' fee	(75,000)	-	-	-	<b>(75,000)</b>
<b>Profit (loss) for the year</b>	<b>41,193,872</b>	<b>1,547,694</b>	<b>(7,466,204)</b>	<b>(7,688,935)</b>	<b>27,586,427</b>
<b>Total assets</b>	<b>316,439,875</b>	<b>64,223,760</b>	<b>-</b>	<b>31,873,656</b>	<b>412,537,291</b>
<b>Total assets - sector wise</b>	<b>76.7%</b>	<b>15.6%</b>	<b>0%</b>	<b>7.7%</b>	<b>100%</b>
<b>Total liabilities</b>	<b>(75,615,294)</b>	<b>(15,350,742)</b>	<b>-</b>	<b>(15,418,218)</b>	<b>(106,384,254)</b>
<b>Total liabilities - sector wise</b>	<b>71.1%</b>	<b>14.4%</b>	<b>0%</b>	<b>14.5%</b>	<b>100%</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

24 SEGMENTAL INFORMATION (continued)

Year ended 30 April 2014	Energy and Petrochemical Sector			Others KD	Total KD
	Basic materials KD	Manufacturing KD	Energy KD		
<i>Revenue</i>					
Dividend income	32,100,751	149,177	-	-	32,249,928
Investment income	-	-	-	2,495,392	2,495,392
Share of results of associates	1,300,000	810,857	-	(675,320)	1,435,537
Sales	-	30,669,422	-	-	30,669,422
<b>Total revenue</b>	<b>33,400,751</b>	<b>31,629,456</b>	<b>-</b>	<b>1,820,072</b>	<b>66,850,279</b>
<i>Result</i>					
Segment profit	33,400,751	5,273,361	-	1,820,072	40,494,184
Other income	-	300,490	-	900,700	1,201,190
Profit from a discontinued operation	-	-	-	1,247,740	1,247,740
General and administrative expenses	(1,132,794)	(2,349,617)	-	-	(3,482,411)
Finance costs	(3,882,382)	(76,651)	-	-	(3,959,033)
Impairment loss on investments available for sale (others)	-	(696,345)	(2,010,720)	(4,138,775)	(6,845,840)
Foreign exchange (loss) gain	-	(490)	-	48,657	48,167
<b>Profit (loss) before KFAS, zakat &amp; NLST</b>	<b>28,385,575</b>	<b>2,450,748</b>	<b>(2,010,720)</b>	<b>(121,606)</b>	<b>28,703,997</b>
Taxation	(964,345)	(162,963)	-	-	(1,127,308)
Directors' fee	(75,000)	-	-	-	(75,000)
<b>Profit (loss) for the year</b>	<b>27,346,230</b>	<b>2,287,785</b>	<b>(2,010,720)</b>	<b>(121,606)</b>	<b>27,501,689</b>
<b>Total assets</b>	<b>279,531,233</b>	<b>67,831,918</b>	<b>7,593,497</b>	<b>39,494,565</b>	<b>394,451,213</b>
Total assets - sector wise	71%	17%	2%	10%	100%
<b>Total liabilities</b>	<b>(70,029,686)</b>	<b>(16,993,622)</b>	<b>(1,902,364)</b>	<b>(17,189,735)</b>	<b>(106,115,407)</b>
Total liabilities - sector wise	66.0 %	16%	1.8%	16.2%	100%



**Boubyan Petrochemical Company K.S.C.P. and Subsidiaries**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**25 RELATED PARTY TRANSACTIONS**

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

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

	Other related parties KD	2015 KD	2014 KD
Sales	1,190,644	<b>1,190,644</b>	1,064,289
Purchases	627,908	<b>627,908</b>	621,321
Other income	208,425	<b>208,425</b>	55,594
Acquisition of an associate (note 4)	-	-	668,661

**Compensation of key management personnel**

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

	2015 KD	2014 KD
Short-term benefits	<b>371,400</b>	335,600
Employees' end of service benefits	<b>12,462</b>	11,654
	<b>383,862</b>	347,254

Directors' fees of KD 75,000 for the year ended 30 April 2015 is subject to approval by the Annual General Meeting of the shareholders of the Parent Company. The Directors' fees of KD 75,000 for the year ended 30 April 2014 was approved by the Annual General Meeting of the shareholders held on 25 June 2014.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

**26 RISK MANAGEMENT (continued)**

**Risk mitigation**

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

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

**Interest rate risk**

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

The sensitivity of the consolidated statement of income for the year is the effect of the assumed changes in interest rates on the Group's profit before taxation and directors' fees based on floating rate financial assets and financial liabilities held at 30 April 2015 and 2014. There is no impact on equity.

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

	Increase in basis points	Effect on results for the year KD
<b>2015</b>		
<b>KD</b>	<b>25</b>	<b>(229,419)</b>
2014		
KD	25	(227,750)

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

**Credit risk**

Credit risk is the risk that a counter party 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 36% of outstanding accounts receivable at 30 April 2015 (2014: 29%).

**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 KD	GCC and the rest of the Middle East KD	Total KD
<b>As at 30 April 2015</b>			
Cash equivalents	19,680,658	1,046,959	<b>20,727,617</b>
Accounts receivable	1,556,055	9,120,854	<b>10,676,909</b>
Maximum exposure to credit risk assets	<b>21,236,713</b>	<b>10,167,813</b>	<b>31,404,526</b>



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

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 April 2015

### 26 RISK MANAGEMENT (continued)

#### Credit risk (continued)

#### Risk concentration of maximum exposure to credit risk (continued)

	Kuwait KD	GCC and the rest of the Middle East KD	Total KD
As at 30 April 2014			
Cash equivalents	18,595,000	2,480,374	21,075,374
Accounts receivable	843,617	9,117,155	9,960,772
Maximum exposure to credit risk assets	<u>19,438,617</u>	<u>11,597,529</u>	<u>31,036,146</u>

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

	2015 KD	2014 KD
Manufacturing	10,880,421	9,960,772
Banks	20,733,605	21,075,374
	<u>31,614,026</u>	<u>31,036,146</u>

#### Liquidity risk

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

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

	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
<b>30 April 2015</b>				
Accounts payable and accruals	4,303,125	4,125,722	2,758,045	11,186,892
Dividend payable	-	3,429,648	-	3,429,648
Term loans	4,220,795	16,087,200	51,760,027	72,068,022
Islamic financing payables	7,163,275	6,270,690	11,276,267	24,710,232
<b>Total liabilities</b>	<u>15,687,195</u>	<u>29,913,260</u>	<u>65,794,339</u>	<u>111,394,794</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**26 RISK MANAGEMENT (continued)**  
Liquidity risk (continued)

	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
<b>30 April 2014</b>				
Accounts payable and accruals	10,726,327	1,127,308	-	11,853,635
Dividend payable	-	3,161,614	-	3,161,614
Term loans	3,190,279	28,671,551	24,702,713	56,564,543
Islamic financing payables	680,141	5,783,201	33,396,762	39,860,104
	<u>14,596,747</u>	<u>38,743,674</u>	<u>58,099,475</u>	<u>111,439,896</u>

**Foreign currency risk**

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

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

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

	Change in currency rates by 5%			
	Effect on consolidated statement of income before taxation and directors' fees		Effect on other comprehensive income	
	2015 KD	2014 KD	2015 KD	2014 KD
USD	-	(1,278,435)	110,891	-
GBP	(303)	-	-	260,194

**Equity price risk**

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

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

	Change in equity price %	Effect on other comprehensive income	
		2015 KD	2014 KD
Investments available for sale (others)	+20	264,861	362,210

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



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 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 6) 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: 3 KD	Total fair value KD
<b>2015</b>			
<b>Financial assets</b>			
<i>Investments available for sale (others)</i>			
Quoted investments	1,351,858	-	<b>1,351,858</b>
Unquoted investments	-	15,781,837	<b>15,781,837</b>
	<u>1,351,858</u>	<u>15,781,837</u>	<u><b>17,133,695</b></u>
<i>Investments available for sale (Equate)</i>			
Unquoted investments	-	153,763,255	<b>153,763,255</b>
	<u>-</u>	<u>153,763,255</u>	<u><b>153,763,255</b></u>
<i>Investments carried at fair value through income statement</i>			
Unquoted investments	-	125,284,633	<b>125,284,633</b>
	<u>-</u>	<u>125,284,633</u>	<u><b>125,284,633</b></u>
<b>2014</b>			
<b>Financial assets</b>			
<i>Investments available for sale (others)</i>			
Quoted investments	1,812,715	-	1,812,715
Unquoted investments	-	27,788,189	27,788,189
	<u>1,812,715</u>	<u>27,788,189</u>	<u>29,600,904</u>
<i>Investments available for sale (Equate)</i>			
Unquoted investments	-	141,456,608	141,456,608
	<u>-</u>	<u>141,456,608</u>	<u>141,456,608</u>
<i>Investments carried at fair value through income statement</i>			
Unquoted investments	-	100,998,029	100,998,029
	<u>-</u>	<u>100,998,029</u>	<u>100,998,029</u>

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

Financial instruments consist of financial assets and financial liabilities.

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

The fair values of financial instruments, with the exception of certain investments available for sale (others) carried at cost (note 6), are not materially different from their carrying values.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Year ended 30 April 2015	At 1 May 2014 KD	Gain recorded in consolidated statement of income for the year KD	Gain recorded in other comprehensive income KD	Net purchases, sales and settlements KD	Impairment recorded during the year KD	At 30 April 2015 KD
Unquoted investments available for sale (others)	27,788,189	120,996	1,159,474	(1,177,274)	(12,109,548)	15,781,837
Unquoted investments available for sale (Equate)	141,456,608	1,771,392	10,535,255	-	-	153,763,255
Unquoted investments carried at fair value through income statement (designated)	100,998,029	24,286,604	-	-	-	125,284,633

  

Year ended 30 April 2014	At 1 May 2013 KD	Gain recorded in consolidated statement of income for the year KD	(Loss) gain recorded in other comprehensive income KD	Net purchases, sales and settlements KD	Impairment recorded during the year KD	At 30 April 2014 KD
Unquoted investments available for sale (others)	41,035,296	1,633,023	(437,986)	(8,144,880)	(6,297,264)	27,788,189
Unquoted investments available for sale (Equate)	136,150,608	-	5,306,000	-	-	141,456,608
Unquoted investments carried at fair value through income statement (designated)	100,998,029	-	-	-	-	100,998,029

Valuation of unquoted equity instruments

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation (notes 10 and 14). There are certain investments available for sale where fair values cannot be reliably determined, and as a result, investments with a carrying amount of KD 17,342,636 (2014: KD 26,676,631) are carried at cost (note 6).

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

	2015 KD	2014 KD	Increase of 50 basis points Effect on statement of income 2015 KD	Increase of 50 basis points Effect on other comprehensive income 2014 KD
Weighted average cost of capital	(2,329,833)	(1,896,434)	(4,171,140)	(2,518,016)
Cost of equity	(4,270,476)	(2,449,920)	(4,804,922)	(3,098,742)
Terminal growth rate	2,699,966	2,343,686	5,578,869	3,110,080



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 April 2015

### 28 CONTINGENCIES AND CAPITAL COMMITMENTS

Acquisition of investments

2015 KD	2014 KD
<b>787,737</b>	734,786

During the year the Parent Company has given corporate guarantees amounting to KD 12,713,326 (2014: KD 14,457,597) to local and foreign Banks on behalf of its subsidiaries.

### 29 KEY SOURCES OF ESTIMATION UNCERTAINTY

#### 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 5,306,084 (2014: KD 4,343,764) and gross finished goods and goods for resale were KD 1,478,522 (2014: KD 1,477,361), with provisions for old and obsolete inventories of KD 125,230 (2014: KD 180,394). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income for the year.

### 30 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 2015 and 30 April 2014.

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

Term loans  
Islamic financing payables  
Accounts payable and accruals  
Dividend payable  
Less: cash and cash equivalents

Net debt

Equity attributable to equity holders of the Parent Company

Gearing (debt to equity) ratio

2015 KD	2014 KD
<b>68,506,447</b>	53,862,628
<b>23,261,267</b>	37,237,530
<b>11,186,891</b>	11,853,635
<b>3,429,648</b>	3,161,614
<b>(20,733,605)</b>	(21,075,374)
<b>85,650,648</b>	85,040,033
<b>306,153,037</b>	286,903,546
<b>28%</b>	30%