Annual Review **2014**

الشركة المتحدة للمشروعات النفطية
United Oil Projects K.S.C

Dar Al-Athar Al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The Al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different key ivory artifact from The Al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item pictured here (LNS 5 I) is a box made of elephant ivory plaques, painted and gilded with animal scenes. It is lined with Spanish figural silk made in Sicily during the 6-7th century AH /12-13th century CE. The image is reproduced with the kind permission of The Al-Sabah Collection, Dar Al-Athar Al-Islamiyyah.

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

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

United Oil Projects Company (UOP)

United Oil Projects Company (UOP) is a member of KIPCO Group through its association with Qurain Petrochemical Industries Company (QPIC). UOP is one of the group's industrial investment arms in the Oil, Energy & Petrochemical Sector.

Qurain Petrochemical Industries Company (QPIC) was established in 2004 with a paid-up capital of KD110 million. QPIC is one of the largest private investors within the petrochemical and industrial sectors in Kuwait. QPIC's investments portfolio in addition to United Oil Projects (UOP) includes; Equate Petrochemicals (Equate), The Kuwait Olefins Company (TKOC), Kuwait Aromatics (KARO), and National Petroleum Services Company (NAPESCO) and Saudia Dairy & Foodstuff Company (SADAFCO) in food industries. QPIC is listed on Kuwait Stock Exchange since 2007.

The KIPCO Group is one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of US$ 32 billion as at 31 December 2014. The Group has significant ownership interests in over 60 companies operating across 24 countries. The group's main business sectors are financial services, media, real estate and manufacturing. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors.

Executive Summary for 2014:

Financial Summary:

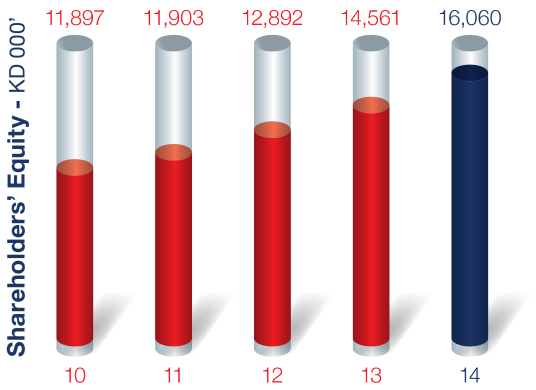
	2014	2013	2012	2011	2010
Income Statement Highlights (KD ‘000)					
Gross Profit	**325**	317	229	165	219
Other Income	**1,389**	1,304	984	88	635
Operating Expenses	**(531)**	(503)	(432)	(598)	(519)
Net Profit for the year	**1,152**	1,092	762	(349)	328
Dividend	**5%**	0	0	0	0
Financial Statement Highlights (KD ‘000)					
Total Assets	**16,708**	15,349	13,342	12,488	12366
Investments	**11,219**	10,432	9674	9033	9842
Term Loans	**0**	0	0	0	0
Equity	**16,060**	14,561	12,892	11,903	11897
Profitability					
Earnings per Share (fils)	**11.52**	10.92	7.6	(3.5)	3.28
Return on Average Assets	**7%**	7%	6%	(3)	3%
Return on Average Equity	**7%**	7%	6%	(3)	3%
Profit per Employee (KD 000’)	**23.04**	24.27	16.93	(7.43)	6.98
Capital					
Equity / Total Assets	**96%**	95%	97%	95%	96%
Debt / Equity	**4%**	5%	3%	5%	4%
Liquidity & Business Indicators					
Investments / Total Assets	**67%**	68%	73%	72%	80%
Liquid Assets / Total Assets	**20%**	18%	15%	14%	12%
Number of Employees	**50**	45	45	47	47

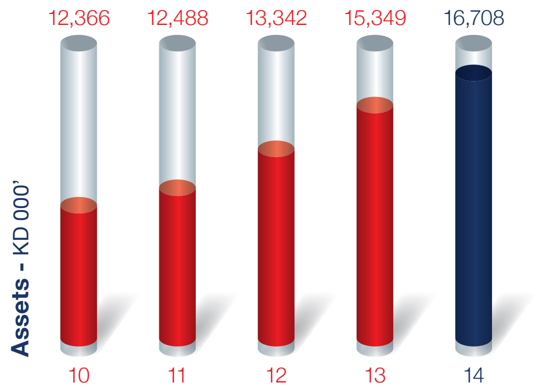
Business Highlights 2014:

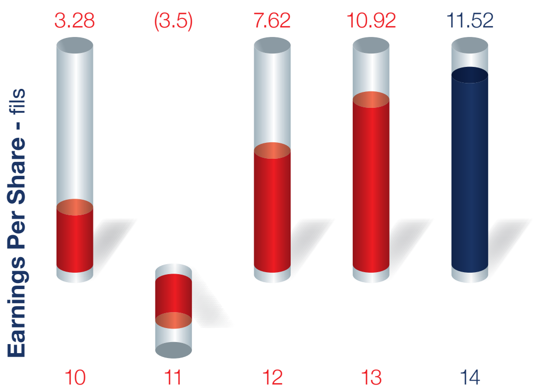
- Al Khorayef completed the Construction Phase for the GC-16, and has successfully started off the Commissioning Phase. Due to their outstanding & timely performance, Al Khorayef was awarded multiple pilot projects namely "Large Scale Thermal Pilot project" and "Jurassic Seawater Flood Pilot Plant". These achievements have given Al Khorayef a strong foothold in Kuwait Oil Company.
- The Projects Division expanded its operations both in the upstream and downstream sectors through its Investment and Representative companies.
- The Chemicals Division expanded sale of specialty products into new markets through technological prowess and superior customer service.

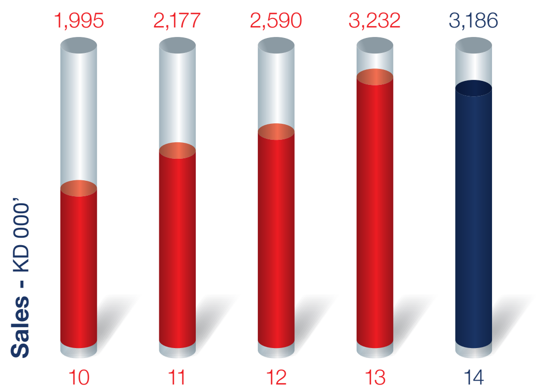
Financial Highlights 2014:

- UOP reported a net profit of KD 1.15 Million compared to KD 1.09 Million in 2013. The net comprehensive income for the year is KD 1.5 Million.
- The net shareholders' equity has been continuously growing from 2009 onwards. In 2014 total equity increased by 10.3% and the assets by 8.9%.









Company Overview

Interpreting the pioneer vision of its founders, United Oil Projects Company (UOP) was incorporated in the early eighties under the name of Kuwait Chemical Manufacturing Company (KCMC), to meet both local and international market requirements for specialized chemicals.

In 2005, the company's management adopted a reformed strategy for the development of its activities to adroitly meet and accommodate the frequent economic transformations and developments, as well as to foster its returns through seizing available investment opportunities in the energy sector. As a result, the Company was subsequently re-named as United Oil Projects and the authorized and paid up capital was increased to 10 Million Kuwaiti Dinars approximately USD 35.6 million.

UOP focuses on specialized projects in the Energy, Oil & Gas and Petrochemical sectors through direct investment, alliances and joint ventures with the international market majors of these sectors.

The Company's Chemical Division is a key producer of polymers, which are used in the manufacture of coatings and glass reinforced products, establishing a local and international presence under the brand name KCMC and becoming the largest resins supplier in Kuwait. UOP is certified to ISO 9001:2008 (Quality Management System) and ISO 14001:2004 (Environmental Management System) Standards.

Key Investments

United Precision Drilling Company (UPDC) continues to be one of United Oil Projects Company's (UOP) significant investments, with a ownership share of 47.5%. A Joint Venture in partnership with Weatherford International Company, the United Precision Drilling Company (UPDC) currently manages a number of rigs in the State of Kuwait and the neutral zone.

Further, through Al-Khorayef United Holding Company (AKUH), United Oil Projects Company's (UOP) also owns 25% share in Al-Khorayef Company for sale maintenance & repair of oil production equipment L.L.C (AKC), a subsidiary of Saudi based Al-Khorayef Group, operating equipment supply contracts and oil-related facilities.

Company’s Mission

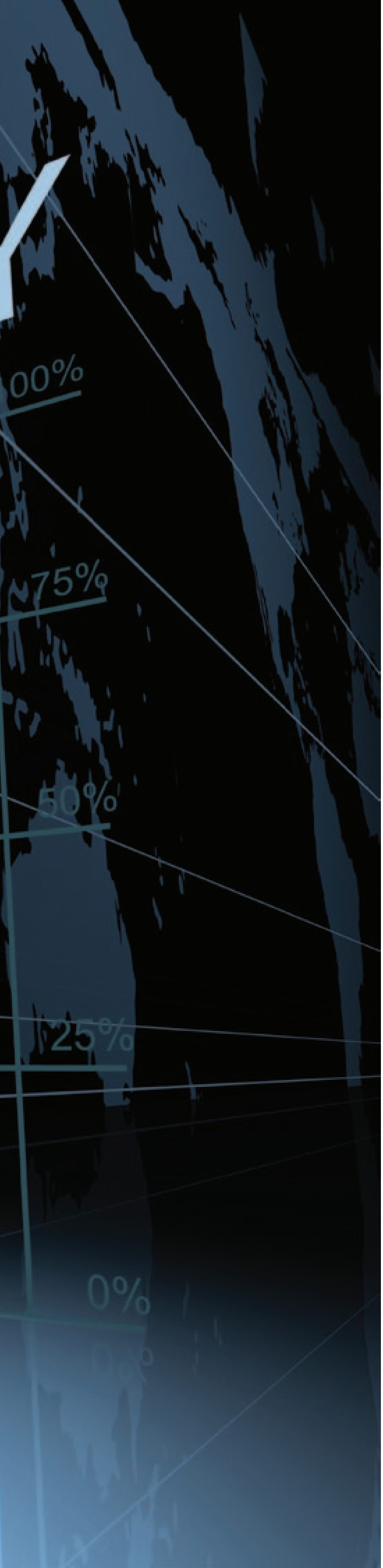
United Oil Projects Company three fold missions represent our long term business objectives, which are:

- Progressively enhance the value of shareholders’ returns through dynamic and strategic investment in the energy sector.
- Develop a regional network of deal sources; as well as identify and secure lucrative investment opportunities with industry leaders.
- Consistently uphold our social responsibilities towards our environment and our employees by adopting high quality industry standards and best practices.

Guided by our corporate values of sustainability, excellence, commitment and responsibility:

- We maintain sustainability in our business strategy, investment plans, financial growth and environmental considerations to ensure mutual growth for our investors, employees, the market we operate in and the wider community.
- We are committed to transparency and strong corporate governance and sound business practices.
- We are responsible to conduct every phase of our investment strategies with thoroughness, cost-efficiency and prudent analysis to secure long-term value for our shareholders.


Strategy
ENERGY
Technology
Management
2005 2006 2007 2008 2009 2010
Business plan



Board of Directors

Mr. Sadoun Abdullah Ali
Chairman

Mr. Muhaiman Ali Behbehani
Vice Chairman and CEO

Mr. Mohammad Bader Al-Sayer
Board Member

Mr. Fuad Abdul-Raheem Akbar
Board Member

Mr. Fawaz Bader Al-Othman
Board Member

Executive Management

Muhaiman Ali Behbehani
Vice Chairman and CEO

Mr. Muhaiman Ali Behbehani joined United Oil Projects Company in 2006 and he was promoted to Vice Chairman/ Acting General Manager in 2010, at present he is the Vice Chairman and CEO.

Prior to joining UOP, Mr. Behbehani held several posts in Kuwait National Petroleum Company. Mr. Behbehani has a diversified experience portfolio in oil industries supported by several certificates and specialized courses in business, oil projects and planning.

Mr. Behbehani holds a Bachelor's Degree in Mechanical Engineering from University of Toledo -OHIO – USA

Antony John Masefield
Chemicals Division Manager

Mr. Masefield joined United Oil Projects in 2004 and manages all aspects of the chemicals division. Mr. Masefield has a vast and varied industrial experience of 35 years across a broad spectrum of industries including petroleum products and pharmaceuticals.

However it is in the polymer field where Mr. Masefield enjoys more than 30 years of experience, covering most of the Western Hemisphere, Africa and the Middle East, making him one of the doyens of the global resins industry.

Mr. Masefield holds Bachelor's Degree in both Chemistry and Geology along with an Honors degree in Chemistry. He is also professionally qualified as a Registered Natural Scientist (Pr.Sci.Nat.) and is a member of the Oil and Color Chemists Association (OCCA).

G. Noor Basha
Accounts Manager

Mr. Basha joined United Oil Projects Company (UOP), in 2002. He manages the Accounts Department and has 30 years of working experience as a Chief Accountant in various Industry/Companies. His versatility is into Business Management, Finance, Accounting, Economics, International Trade, Company and Industrial Law, Business Environment and Govt. Policy. Prior to joining UOP Mr. Basha has worked with reputed companies in Kuwait.

Mr. Basha holds Master degree of Commerce, from Madras University, India.

Jacob George Paret
Business Development Manager

Mr. Paret joined United Oil Projects Company as Business Development Manager in 2011 and manages the Agency Portfolio of the company along with assisting the management in the Projects Division activities.

Mr. Paret has a wide experience working in Kuwait and India, both in Management Positions and Engineering Positions. Along his career, he has worked with M/s Petrofac International Limited and M/s Hindustan Petroleum Corporation Ltd (Fortune 500 Integrated Oil Company) in India and also worked with reputed companies in Kuwait in the Oil and Gas sector. He has also completed Management Development Program on 'Fuel Retailing' at Indian Institute of Management, Ahmadabad.

Mr. Paret holds a Master's Degree in Business Administration and Bachelor's Degree in Mechanical Engineering from University of Calicut, India

Joji John
Projects Development Manager

Mr. John joined United Oil Projects Company as Projects Development Manager in 2014 and involved in the process of identifying new investment opportunities along with assisting the management in the Projects Division activities.

He has 23 years working experience in Kuwait & India with reputed companies across a broad spectrum of industries.

Mr. John holds a Master's Degree in Business Administration from Nagpur University & a Bachelor's Degree in Commerce, from University of Kerala, India.

Chairman’s Message

Dear shareholder,

On behalf of the Board of Directors, I am delighted to present the annual report of United Oil Projects Co KSC. This report reflects our main developments and achievements, along with the financial performance, for the year ended December 31, 2014. The report additionally highlights the continuing challenges and prospects in the energy sector and their impact on the current portfolio of company activities .

During the year 2014, performance of the Company demonstrated its ability to deliver long-term growth and commitment to increasing the efficiency of its activities whilst maintaining a strong balance sheet. This was achieved through persistent follow-up and adherence to the following strategies:

- Regional Expansion; creating new business channels in Egypt, Jordan, Yemen and other MENA countries.
- Diversify revenue stream through increasing activities in upstream and downstream in the energy sector.
- Partner in engines of growth: Establishing a solid and well managed portfolio of companies for a wide range of prospective products and services in the energy sector to strengthen operation and enhance growth.
- Capitalize on strong managerial expertise to meet and overcome challenges.
- Explore new opportunities across our existing portfolio to maximize shareholders return.
- Continuously improving our corporate governance across all operations to effectively mitigate and manage risks.

2014 Key Performance Highlights

- Throughout 2014 UOP witnessed favorable growth in the existing investment portfolio of companies and associates wherein the company has benefited from opportunities arising from the market. As a result, the company managed to achieve growth on many levels which has reflected positively in the company’s financial results and other key performance indicators.
- Operating performance continues to be strong despite macro-markets challenges prevailing during 2014 and through further intensified in developing, marketing and producing higher revenue from specialty resins to benefit from favorable market conditions achieving an increased by 3% on gross profit compared to the previous year.
- The Project Division, through its Representation Portfolio, has expanded its operation in providing “Gyroscopic & Magnetic Survey Services”, directly to Kuwait Oil Company.

Financial Outcome

As of the year ending 2014, United Oil Projects (UOP) reported a net profit of KD 1.15 million, as compared to KD 1.09 million in 2013, an increase of 5.5% in the net profit.

Net shareholders’ equity has continued to grow since 2009 and the net increase in the current year is 10.3%. The total assets increased by 8.9% to KD 16.71 million as compared to KD 15.35 million in 2013.

Dividends

In view of the posted results the Board of Directors recommended the distribution of 5% in cash dividends, or 5 fils per share. This recommendation is subject to the approval of pertinent authorities and the General Assembly.

Future Outlook

Building on UOP’s core strengths, stable cash reserves, and utilizing its well established portfolio of companies to tap into the huge upstream and downstream market available, will enable UOP to achieve continuous improvements in the foreseeable future.

In conclusion, I would like to take this opportunity to convey our thanks and appreciation to our shareholders, clients, and partners alike for their continued support to our management and staff for their dedication and relentless effort to achieve the Company’s goals. We would also like to extend our thanks to the Kuwait regulatory authorities for their continued support and guidance.

Sincerely

Sadoun A. Ali

Chairman


4720
4710
Close open
9
10
11
12
Nov 8
Oil price
Brent crude ($ per barrel)
52
50
48
44

Management Report

2014 was another successful year for UOP where we continued to improve our operations to further drive growth and deliver value. Our year's targets were to build stronger customer relationships, enhance operations and meet the challenges that the year posed. Throughout the year our management team continued to focus on key strategic markets and core technologies while building sales momentum.

Significant Highlights of the year

- In 2014, United Precision Drilling Co (UPDC) consolidated its leading position by retaining its market share. UPDC successfully renewed its contracts in Joint Operations with better rates than previous years. In lieu of good relationship with Kuwait Oil Company and Joint Operations, UPDC is well geared up to participate in the upcoming tenders to retain its market share and simultaneously provide world class services to client.
- Al Khorayef Company for sale, maintenance and repair of oil production equipment (Al Khorayef) demonstrated outstanding performance in terms of its operational efficiency, timely performance, and maintaining high levels of safety standards. These have aided Al Khorayef being awarded multiple contracts from Kuwait Oil Company; such as the Large Scale Thermal Pilot, Water Injection and Electrical Submersible Pumps (ESP) Projects. The success of the previous years is a feather in the crown of Al Khorayef, which pave the way for additional projects in the forthcoming year. Al Khorayef has gained a strong foothold in Kuwait Oil Company.
- United Oil Projects has scaled up its activities, both in upstream and in downstream activities, through its representation of companies within the Energy Sector. The active participation of our Principal, along with a strong supporting hand from United Oil Projects, has proven mutually beneficial to either parties.
- In spite of the slowdown in the market during the current year vis-à-vis 2013, the Chemical Division performed well in a competitive market, Meanwhile, Chemical division has been able to cross many hurdles, in their efforts to expand itself to new markets.
- After a slow start to the year, the Chemical Divisions products within the new target markets slowly gathered momentum throughout the later part of 2014.
- Advanced HSE preventive measures continue to be maintained and built on from the 2013 achievements via improved standardized systems, periodic audits, augmented hazard identification and enhanced risk assessment. As a result, the company registered zero work related 'Lost time incidents'.
- Ensuring compliance with the applicable regulatory parameters and emission monitoring and control system continues to be undertaken within the production environment. The company maintains its recognition as an establishment operating in compliance with applicable standards and regulations by the Kuwait Environment Public Authority (K-EPA)
- UOP is excited with the positive results achieved through our 'Succession Plan' which is primarily aimed at the training, development and promotion of suitably qualified employees. The Company is constantly attempting to identify local expertise with the aim of incorporating additional Kuwaiti Nationals within our team.

Macro-market Challenges

UOP operating performance continues to be strong despite the macro-market challenges which prevailed during 2014:

The Cabinet decided to end subsidies on diesel and kerosene and raise the current price by 100%. The move comes as the price of crude oil slips down by 40-50% falling to a five and a half year low.

Risk Mitigation

Even though the Kuwait Oil sector hasn't seen any specific impacts in terms of activity it still remains a concern for international companies contemplating further investments in the market. Additionally, some of the International markets have slowed down, which is of concern to our partners corporate strategies. In response:

- United Precision Drilling Company has put into practice Risk Management measures, which, with the enormous professional experience contributed by Weatherford, should allow UPDC to confidently confront the challenges that lie ahead.
- Al Khorayef too has passed through various challenges, in terms of increased competition, diesel price increases and the uncertainty in Joint Operations. However, Al Khorayef have already taken steps to mitigate the impact of these risks, due to timely planning, resource allocation and excellent client relationships.
- UOP Agency and Trading Portfolio has also had its own share of challenges with extensive timeframes for Prequalification, tendering process and competition. UOP managed to mitigate these risks professionally by performing an appropriate due diligence and building a strong relations with both principle and client.

The Chemical Industry

- The Chemicals Division continues to be reliant on imports of raw materials from the GCC and international markets, which are constrained by longer delivery times involved in procuring raw materials from foreign suppliers. Accordingly, the Chemical Division deploys the best resources to maintain the optimum raw material stock volumes for smooth operation of the plant.
- The new customs regulations on imported raw materials and K-EPA charges on incoming raw material sample testing are few of the other challenges that affect the profitability, but the chemical division counter balance by building in more efficiency into its operations and better planning of its activities.
- The above factors pose significant challenge in penetrating new markets but the persistent marketing initiatives are able to counter the hurdles, & thereby focus on the long term customer relationship & sales volumes.

Human Resources

Shortage of qualified and experienced human resources is still a handicap for the oil and manufacturing industries. The Human Resources Department is currently focused on employing local talent pool of newly qualified Kuwaiti graduates and train them by existing suitably qualified company employees.

Key strategies driven by innovation

Continuous innovation of new products

- UOP strives to exceed customer expectations and satisfaction by developing new high quality specialty resins, specifically designed for local conditions, to compete with those offered by the major European and American resin manufacturers.

Application Innovation

- Developing customer awareness of alternative applications, for both current and newly developed resins, to enhance the characteristics of the customer's products and increase market penetration to the mutual benefit of both parties.

Innovation by creating new business channels

- Attract prospects, offer solutions and convert prospects into customers. Following this three-step approach, UOP has succeeded in the last year in opening new and additional business channels in Egypt, Jordan, Yemen and other MENA countries.

Innovation by building on current proven strengths

- Based on our technological prowess, UOP Chemicals Division continues to convert its manufacturing resources away from basic commodity products to higher profile specialty resins which exhibit improved margins and less local competition.
- Within our identified market; a competitive advantage also accrues from the understanding of local languages and customs in combination with superior responsiveness to customer service and delivery requests than is available from other regions.

UOP Operating Investments

United Precision Drilling Company (UPDC)

United Precision Drilling Company remains one of the flagship investments of United Oil Projects Company. UPDC enjoys unmatched appreciation from K-Companies when compared to their competitors in the market. This performance has been achievable through the professional expertise and experience brought in by Weatherford, and significant additional value contributed by the team at United Oil Projects.

In reference to KOC aggressive plans to increase production, both in onshore/offshore and specific activities in the Heavy Oil Fields, UPDC is well positioned to cater to their client's requirements and satisfaction through a combination of technical expertise, HSE standards and in offering timely cost effective solutions.

The good performance of UPDC has consistently provided good returns for UOP and is thus a feather in the cap for United Oil Projects.

Al-Khorayef Company for Sale maintenance and Repair of Oil Production Equipment (AKC)

Since 1995, Al-Khorayef Company for sale, maintenance and repair of oil production equipment (AKC) has been providing services to the oil, electricity and water sectors, and the supply of electrical submersible pumps (ESP) for both oil and water applications within The State of Kuwait. Over the years, Al Khorayef has established itself as a prominent player in providing Artificial Lift Services to Kuwait Oil Company. While ESP continues to maintain a strong foothold within the market, AKC's capability has expanded with the supply of Progressive Cavity and Sucker Rod Pumps. This turn has broadened their scope of services in the Kuwait Market, especially with respect to supplies to the Kuwait Oil Company and Joint Operations.

In the previous year, Al Khorayef added more projects to its success story such as the Water Injection Project, Large Scale Thermal Pilot Project and additional smaller projects. GC-16, remains one of the largest projects executed by Al Khorayef, and has contributed to the wide acknowledgement of Al Khorayef's expertise and competence in Project Management.

Al Khorayef enjoys a positive future outlook as it is expected to play an increasingly major role in providing additional world class services and expertise to Kuwait Oil Company, KGOC and joint operations.

Management Report

Chemical Division

- During 2014 the Chemicals Division's faced with a slower market, but inspite of that, was able to maintain its competitive position and market share. During the period, we focused on consolidating our position with existing customers and to strengthen the good relationship.
- Chemical Division had commodity products and prices approved by customers in the new geographical locations prior to the 2014. Hence, during current year, the chemical division stepped up its efforts to foray into these untested markets, inspite of continued resistance from local suppliers. With concerted focus, we look forward to expand our operations into these markets.
- On the specialty products side, the Chemical's Division continues to lead the local resin producers with the bulk of these products now being supplied within the GCC by ourselves.
- However the growth in this region will now be in-line with the economies of the countries within. Of more interest is the extent of the specialty products market in the target Mediterranean region with volumes far in excess of the GCC and little to no competition from local producers.
- The products used in countries such as Egypt are distinctly different from those of the GCC and hence efforts have been deployed to focus on the Research & Development. we did begin to develop new products for this market during 2014 to match or exceed the properties of those currently imported from Europe and the Far East. During the year, we have had some success in obtaining approvals and sales of trial quantities of these products and this should accelerate in 2015.
- **Agency Portfolio**

  Over the last couple of years, UOP has developed a good portfolio of companies under our Representative Portfolio. The Representative companies are well positioned to benefit from the favorable market conditions in Kuwait.
- The agency portfolio expanded its wings to include many leading international partners to target both the Products and Services market. In view of emerging opportunities, UOP and its partners will continue to develop their relationship in Joint Ventures as market conditions permit.
- **Corporate Social Responsibility**

  The primary focus of Corporate Social Responsibility [CSR] at UOP is not only on its economic and legal obligations, but also on its responsibilities to areas beyond normal obligations.
- The above may be readily evidenced by UOP's commitment to operate under two main aspects, namely, the quality of its management and the strict control of the effects of its operations on the environment and the society as a whole.
- Through practicing a quality management style UOP has been able to perform beyond expectations with processes optimized for maximum efficiency and continual development of its workforce through training.
- Additionally, through its Integrated Management System and Health & Safety Policies, UOP has achieved compliance to the requirements of Regulatory Authorities, especially the Kuwait Environment Public Authority (K-EPA) and the Kuwait Ministry of Health (MOH).
- By being socially responsible, practices closely linked to the production process - such as limiting the Environmental impacts of our operations, Quality and Environmental Management Systems, Health & Safety programs, fair labour practices - are consistently maintained and followed. Industrial orientation programs for fresh Kuwaiti graduates are also undertaken in association with the Kuwait Industrial Union.
- The innovative initiative, 'Protégé mentorship program' which is the signature project by the Main Group aimed at giving back to the community, through highlighting the success stories of hardworking people across all sectors, continues to be one of the major programs instituted by the company.

HSE, COMMUNITY & QUALITY

We believe that by acting as a responsible company in all aspects of our operations, not just financial, we will create long-term value for all stakeholders. We focus on employee opportunities for personal growth, an improved quality of life in all communities where we operate, business opportunities for our group, UOP continually expands its efforts to improve the efficient of use of its resources as well as moving towards cleaner production, pursuant to its ISO 14001:2004 (Environmental Management System) certification.

- Cleaner production goes beyond meeting regulatory obligations and incorporates identifying further improvements not only for the benefit of the company but the environment as well.

Key Performance Indicators

- Maintaining our strong record on Health and Safety.
- Maintaining and improving on our environmental performance by continuing to comply with both legislation and industry targets.
- Creating long term value to our shareholders by improving our people, policies, procedures and controls.
- Reusing or recycling 'wastes' rather than sending them to landfills
- Reducing or reusing packaging materials
- Preventive equipment maintenance and eliminating wasteful or harmful leaks
- Turning off equipment when not in use
- Reducing electricity use through the installation of energy efficient LED lights
- Replacing diesel powered forklift trucks with ones powered by cleaner burning and more efficient ones that run on LPG.
- Disposing wastes that cannot be internally recycled through K-EPA approved facilities.
- Apart from the above UOP continues to follow an emission monitoring and control system for its production process environment in accordance with the applicable regulatory parameters. It is commendable to note that the efforts of UOP continue to be recognized by the regulatory authorities (K-EPA) having operations which are in compliance with the applicable standards and regulations.

Good Labor Practices

UOP considers its employees as major assets and has established a good working relationship with its staff. Understanding that the quality of its relationship with employees affects the employee morale and productivity, the Company adopts the following principles:

Provide good conditions of work

- Employees are provided healthy and safe working conditions ensured through periodic monitoring of health factors determined by the regulatory authorities and enforcing the use of personal protection equipment.

Support transparent dialogue

- UOP maintains transparency in addressing the concerns of its employees by obtaining feedback through an 'Employee Satisfaction Survey' as well as a feedback system implemented under the Corporate Governance 'Whistle-blowing Policy'.

Promote and maintain health and safety at work

- Both in-house and external training is conducted in order to equip employees in discharging their duties in a healthy and safe manner. Pre-employment and periodic medical check-up is also conducted through the Health Centre of Ministry of Health..

Encourage human development through succession plan, training and promotion of local talent

- Apart from regular training programs, employees are exposed to training by International Consultants on advanced topics related to their job responsibilities. The Company's selection by United Nations Industrial Development Organization (UNIDO) for standardization of export development has contributed to a great extent. In order to encourage human development the Human Resources Department is continuing its efforts on the succession plan to train, develop and promote employees with the necessary talents. Training and employing of freshly graduated Kuwaiti nationals is also actively promoted by the Company.

Customer Support

- UOP understands the importance of its customers and values their feedback. Periodic customer visits are made by the UOP technical and sales team to understand and assess the performance of UOP products, gather information regarding any updates or modifications required, and explore additional business opportunities.
- UOP provides appropriate information on its products thereby ensuring safe usage and addressing health and safety precautions. Periodically, the customer's perceptions about the Company are evaluated by obtaining their feedback through a standardised system. The results of the customer's feedback are reviewed during Management Review Meetings and adequately addressed to improve customer satisfaction.

Management Report

Financial Results

Income Statement

- The net profit for the year ending December, 2014 is KD 1.15 Million versus KD 1.09 Million of last year same period, which represent an increase of 5.5%. The earning per share for the period stood at 11.52 fils compared to 10.92 fils of the last year.
- The revenue from sales is KD 3.19 million compared to KD 3.23 in 2013 due to the unrealisation of some export sales. The gross profit increased by 2.5% on the back of improved margins.
- The income from associates of KD 1.3 million represents an increase of 23% over the previous year whilst the income from other sources increased by 6.5%. There is an impairment loss of KD 179 thousand within our portfolio of shares. The general and administration amounted to KD 461 thousand - an increase of 5%.

The Balance sheet

- The total assets are KD 16.71 million, compared to KD 15.35 million for 2013 reflecting an increase of 8.9% or KD 1.36 Million. We revalued our buildings, as per IAS 16(39), which amounted to an increase of KD 125 thousands in our capital value.
- Current assets represent 19.7% of total assets and non-current assets 80.3%. We managed to maintain a positive cash flow throughout year and the available cash balance at the end of the year is 1.85 million which represent an increase of 16.2% over the previous year. The value of current assets increased by 15.9%, non-current assets by 7.2%.
- Current liabilities amount to KD 412 thousands versus KD 600 thousands. Non-current liabilities amount to KD 236 thousands versus the KD 188 thousand of last year. The debt to equity Ratio is 4% whilst the equity to total assets Ratio is 96%.
- The Shareholder's equity amount to KD 16.06 million (160.60 fils per share) compared to KD 14.56 million (145.61 fils per share) of the previous year an increase of 10.3%.

2015 Future Outlook

Driven by a healthy balance sheet and operational performance, and in spite of volatility in the oil, and petrochemicals sectors, UOP will continue to focus on.

- Positioning UOP in the oil, gas, petrochemical and environmental market segments where the demand for services and products is expected to recover more rapidly in the short term and continue to grow in the medium term.
- Enhancing the company's investments and services in the promising oil, gas projects through forging new partnerships with leading international establishments in the industry.
- Capturing exceptional profitable investment opportunities which are explicitly aligned with long term business objectives and core competencies.
- Accelerating the move to higher margin specialty products within the chemicals' division, through establishing partnerships with global manufacturers, while maintaining the existing commodity product base to maximize production capacity utilization during the transition period.
- Pursuing local and international strategic and synergist partnerships, to increase the chemicals' division revenue streams.

الشركة المتحدة للمشروعات النفطية
United Oil Projects

FINANCIAL STATEMENTS

31 DECEMBER 2014

UNITED OIL PROJECTS COMPANY K.S.C. (CLOSED)

Contents

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED OIL PROJECTS COMPANY K.S.C. (CLOSED)

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Building a better working world

INDEPENDENT AUDITORS’ REPORT TO THE SHAREHOLDERS OF UNITED OIL PROJECTS COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company together with the contents of the report of the Company’s board of directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and its executive regulation, as amended and by the Company’s Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 and its executive regulation, as amended nor of the Company’s Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Company or on its financial position.

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

15 February 2015
Kuwait

STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
Sales		**3,186,475**	3,231,662
Cost of sales		**(2,861,733)**	(2,914,942)
GROSS PROFIT		**324,742**	316,720
Share of results from associates	5	**1,296,479**	1,053,857
Dividend income		**135,111**	134,144
Interest income		**86,183**	82,876
Other income		**35,367**	32,056
General and administrative expenses		**(461,353)**	(438,935)
Selling and distribution expenses		**(69,940)**	(64,111)
Impairment loss on financial assets available for sale	6	**(179,191)**	(4,304)
Foreign exchange gain		**14,579**	5,726
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCE ("KFAS"), ZAKAT AND DIRECTORS' REMUNERATION		**1,181,977**	1,118,029
Contribution to KFAS		**(4,690)**	(4,900)
Zakat		**(5,185)**	(5,646)
Directors' remuneration	11	**(20,000)**	(15,000)
PROFIT FOR THE YEAR	3	**1,152,102**	1,092,483

The attached notes 1 to 17 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
PROFIT FOR THE YEAR		**1,152,102**	1,092,483
OTHER COMPREHENSIVE INCOME (LOSS):			
Other comprehensive income (loss) to be reclassified to statement of income in subsequent periods			
Net changes in financial assets available for sale	6	**228,554**	579,305
Share of other comprehensive loss of associates	5	**(7,287)**	(2,271)
Net other comprehensive income to be reclassified to statement of income in subsequent periods		**221,267**	577,034
Other comprehensive income not to be reclassified to statement of income in subsequent periods			
Revaluation of building		**125,264**	-
Net other comprehensive income not to be reclassified to statement of income in subsequent periods		**125,264**	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**346,531**	577,034
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,498,633**	1,669,517

The attached notes 1 to 17 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
ASSETS			
Non-current assets			
Property, plant and equipment	4	**951,204**	830,520
Investment in associates	5	**8,586,151**	7,795,933
Financial assets available for sale	6	**2,632,604**	2,636,434
Due from related parties	7	**1,250,000**	1,250,000
		13,419,959	12,512,887
Current assets			
Inventories	8	**648,443**	503,553
Trade and other receivables	9	**565,374**	591,434
Due from related parties	7	**225,832**	150,832
Cash and cash equivalents	10	**1,848,401**	1,590,844
		3,288,050	2,836,663
TOTAL ASSETS		**16,708,009**	15,349,550
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**10,000,000**	10,000,000
Share premium	11	**1,885,000**	1,885,000
Statutory reserve	11	**586,258**	468,060
Voluntary reserve	11	**586,258**	468,060
Asset revaluation reserve		**125,264**	
Cumulative change in fair values		**835,680**	607,126
Foreign currency translation reserve		**2,350**	9,637
Retained earnings		**2,039,349**	1,123,643
		16,060,159	14,561,526
LIABILITIES			
Non-current liability			
Employees' end of service benefits	12	**235,696**	188,026
Current liability			
Trade and other payables	13	**412,154**	599,998
		647,850	788,024
TOTAL EQUITY AND LIABILITIES		**16,708,009**	15,349,550

Sadoun A. Ali
Chairman

The attached notes 1 to 17 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, Zakat and Director's remuneration		**1,181,977**	1,118,029
Adjustments to reconcile profit to net cash flows:			
Dividend income		**(135,111)**	(134,144)
Interest income		**(86,183)**	(82,876)
Gain from sale of property, plant and equipment		**(1,600)**	
Depreciation	4	**65,775**	88,628
Share of results from associates	5	**(1,296,479)**	(1,053,857)
Impairment of financial assets available for sale	6	**179,191**	4,304
Provision for employees' end of service benefits	12	**55,264**	40,735
		(37,166)	(19,181)
Working capital adjustments:			
Inventories		**(144,890)**	(127,678)
Due from / to related parties		**-**	1,341
Trade and other receivables		**26,062**	18,206
Trade and other payables		**(217,721)**	292,158
Cash (used in) from operating activities		**(373,715)**	164,846
Employees' end of service benefits paid	12	**(7,594)**	(20,630)
Net cash flows (used in) from operating activities		**(381,309)**	144,216
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(61,233)**	(32,595)
Proceeds from sale of property, plant and equipment		**1,638**	141
Proceeds from sale of financial assets available for sale		**53,193**	11,965
Dividend received from an associate		**498,974**	411,233
Dividends received from others		**135,111**	134,144
Interest received		**11,183**	7,876
Net cash flows from investing activities		**638,866**	532,765
NET INCREASE IN CASH AND CASH EQUIVALENTS		**257,557**	676,981
Cash and cash equivalents at 1 January		**1,590,844**	913,863
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**1,848,401**	1,590,844

The attached notes 1 to 17 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Asset revaluation Reserve	Cumulative changes in fair values	Foreign currency translation reserve	Retained earning	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2014	10,000,000	1,885,000	468,060	468,060	-	607,126	9,637	1,123,643	14,561,526
Profit for the year	-	-	-	-	-	-	-	1,152,102	1,152,102
Other comprehensive income	-	-	-	-	125,264	228,554	(7,287)	-	346,531
Total comprehensive income for the year	-	-	-	-	125,264	228,554	(7,287)	1,152,102	1,498,633
Transfer to reserves	-	-	118,198	118,198	-	-	-	(236,396)	-
As at 31 December 2014	**10,000,000**	**1,885,000**	**586,258**	**586,258**	**125,264**	**835,680**	**2,350**	**2,039,349**	**16,060,159**
As at 1 January 2013	10,000,000	1,885,000	356,257	356,257	-	27,821	11,908	254,766	12,892,009
Profit for the year	-	-	-	-		-	-	1,092,483	1,092,483
Other comprehensive income	-	-	-	-	-	579,305	(2,271)	-	577,034
Total comprehensive income (loss) for the year	-	-	-	-	-	579,305	(2,271)	1,092,483	1,669,517
Transfer to reserves	-	-	111,803	111,803	-	-	-	(223,606)	-
As at 31 December 2014	10,000,000	1,885,000	468,060	468,060		607,126	9,637	1,123,643	14,561,526

The attached notes 1 to 17 form part of these financial statements.

1 CORPORATE INFORMATION

The financial statements of United Oil Projects Company K.S.C. (Closed) for the year ended 31 December 2014(the "Company") were authorised for issue by the Board of Directors on 15 February 2015. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

The Company's registered address is P.O. Box 26011 Safat 13121 - State of Kuwait.

The Company is a subsidiary of Qurain Petrochemical Industries Company K.S.C.P. ("Parent Company"), which is listed on the Kuwait Stock Exchange.

The Company was established as a Kuwaiti closed shareholding company in August 1979. The main objectives of the Company were to:

Setting up petrochemical industry projects relying on locally or regionally available produced materials and manufacture and supply chemicals for the fiberglass, paint and petrochemical industries and for general use.

Setting up of paint and fiberglass manufacturing projects (provided that the approval of the Public Authority for Industry is secured).

Import and export of the raw materials required for such projects, in addition to materials complementary to the manufacturing of paints and fiberglass (provided that the approval of the Public Authority for Industry is secured).

Production of Polyvinyl Acetate Vinyl, Polyvinyl Aster Resin and Polyurethane resin (of all kinds) Acrylic and epoxy resin, in addition to emulsion resin all kind (subject to the Public Authority for Industry approval).

The company may set up industrial projects in the field of petrochemicals and natural gas, singly or with the participation of parties and entities that carry on similar business (subject to the Public Authority for Industry approval).

Invest surplus funds in financial and real estate portfolios locally or abroad managed by specialised firms.

The company may have an interest in or participate in any manner in entities that carry on business activities similar to its own or which may assist it in realizing its objects in Kuwait or abroad and it may buy or otherwise acquire such companies and entities. The company may carry on the aforesaid business in the State of Kuwait and abroad acting as principal or by proxy.

The company may participate in industrial projects in the field of petrochemicals, oil and natural gas (subject to the Ministry of Oil approval), singly or with the participation of parties and entities that carry on similar business. The company may also manufacture all kinds of chemical and petrochemical substances branching off thereof and used in the gas sector and the oil sector (subject to the Public Authority for Industry approval)

To carry on the business of auxiliary services for the operations of drilling of oil wells and the exploration and repair of wells and preparation thereof for production an all subsequent business relating to the maintenance of oil wells and the representation of the competent foreign companies (subject to the Ministry of Oil approval).

To carry on maintenance work and different general services for oil sector (subject to the Mi nistry of Oil approval).

To sell, purchase, supply, distribute, export and store chemical and petrochemical material or any other substitute material used in the Gas and Oil sector and participate in all related activities, also include establish and lease required services (subject to the Ministry of interior approval).

To participate in industrial companies, as well as finance, manage and trade in their shares.

To provide technical and economic consultancy services relating to industrial investments.

According to an approval from the Public Authority for Industry, the Company is exempt from customs duty on raw materials for the period from October 2001 to March, 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets available for sale and building. The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentational currency of the Company.

Statement of compliance

The financial statements of the Company 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 policy and disclosures

The accounting policies used in the preparation of these financial statements and accounting policies on revaluation of building are consistent with those used in previous year, except for the adoption of the following amended IASB Standard relevant to the Company:

Offsetting Financial Assets and Financial Liabilities – (Amendments to IAS 32)

These amendments are effective for annual period 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 have no impact on the Company, since the Company does not have any offsetting arrangements.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

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

Standards issued but not yet effective

The standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

IFRS 9 Financial Instruments

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

IFRS 15 – Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Company is in the process of evaluating the effect of IFRS 15 and does not expect any significant impact on adoption of this standard.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the company.

2 SIGNIFICANT ACCOUNTING POLICIES

Standards issued but not yet effective (continued)

The Company intends to adopt these standards, if applicable, when they become effective.Additional disclosures will be made when the abovementioned standards when become effective and are adopted by the Company.

Revenue recognition

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.

Dividend income

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

Interest income

Interest income is recognised as interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Taxation

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Company in accordance with the Ministry of Finance resolution No. 58/2007.

Property, plant and equipment

Property, plant and equipment except buildingare stated at cost less accumulated depreciation and accumulated impairment losses, if any.Capital work in progress will be transferred into appropriate asset categories upon completion of the projects and depreciation will be provided from that date.

The initial cost of property, plant and equipment except building comprises their purchase price and any directly attributable costs of bringing an item of property, plant and equipment to its working condition and location. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Building is measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount (usually five years). Any revaluation surplus is recognised in other comprehensive income and is credited to the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit / loss for the period, in which case the increase is recognised as part of profit / loss for the period. A revaluation deficit is recognised in profit / loss for the period, except to the extent that it offsets an existing surplus on the same asset recognised as other comprehensive income or in the revaluation reserve.

Depreciation on property, plant and equipment other than building, is calculated on a straight line basis over the estimated useful lives of assets as follows:

Building	30 years
Plant, machinery and equipment's	5 to 25 years
Furniture, office equipment's and fixtures	5 years
Motor vehicles	5 years

2 SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment (continued)

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

When an asset is revalued, any increase in the carrying value arising on revaluation is included in other comprehensive income and credited to equity interest, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited directly to retained earnings.

An item of property, plant and equipment's is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Investments in associates

An associate is an entity over which the Company 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.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of income and is disclosed under 'Share of results of associates'.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment loss on associates' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognises any retained 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 retained investment and proceeds from disposal is recognised in consolidated statement of income.

Financial assets and liabilities

The Company classifies its financial assets with the following categories as "financial assets available for sale", "due from related parties", "accounts receivable" and"cash and cash equivalents" whereas the Company's financial liabilities include "accounts payable and accruals"and "due to related parties".

2 SIGNIFICANT ACCOUNTING POLICIES

Financial assets and liabilities (continued)

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

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through statement of income, financial assets held to maturity or loans and receivables.

After initial measurement, financial assets available for sale are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the cumulative changes in fair values reserve until the investment is disposed of, at which time the cumulative gain or loss is recognised in the statement of income.

Trade receivables and due from related parties

Accounts receivable and due from related parties are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Doubtful debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, cash in portfolios with financial institutions and short-term deposits with an original maturity of three months or less.

Trade and other payables

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

Fair value

The Company 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 to by the Company.

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 Company 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 and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

- 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 and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

De recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in statement of income.

Offsetting

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

Impairment and uncollectability of financial assets

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

a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

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

c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its 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 statement of income - is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un collectability of financial assets (continued)

are not reversed through the statement of income; increases in their fair value after impairment are recognised in other comprehensive income.

Inventories

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

Raw materials, consumables and goods for resale	- purchase cost on weighted average basis.
Finished goods	- costs 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.

Employees end of service benefits

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date, and approximates the present value of the final obligation.

Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each reporting date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in the statement of income. Reversal of impairment losses is recognised in the statement of income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currencies

The financial statements are presented in Kuwaiti dinars, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial reporting date. All differences are taken to statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Significant accounting judgments and estimates

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

Judgments

Classification of financial assets

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

The Company classifies financial assets at fair value through income statement if they are acquired primarily for the purpose of short term profit making. Classification of financial assets as fair value through statement of income depends on how management monitors the performance of these financial assets. When they are not

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through statement of income.

All other financial assets are classified as available for sale.

Judgments (continued)

Impairment of investment in associates

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

Impairment of financial assets

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

Estimates

Impairment of accounts receivable

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

Valuation 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 is applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Useful lives of property, plant and equipment

The Company's 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.

Impairment of property, plant and equipment

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

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

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

3 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2014	2013
	KD	KD
Staff costs	**520,226**	478,555
Depreciation (Note 4)	**65,775**	88,628
Rental – Operating leases	**5,600**	5,600
Inventories recognised as expenses in the statement of income	**2,584,200**	2,636,932

4 PROPERTY, PLANT AND EQUIPMENT

	Building	Plant, machinery and equipment	Furniture, office equipment and fixtures	Motor vehicles	Capital-work-in-progress	Total
	KD	KD	KD	KD	KD	KD
Cost:						
As at 1 January 2014	1,603,641	1,380,102	128,387	96,644	18,610	3,227,384
Additions	-	5,294	6,829	37,490	11,620	61,233
Transfers	-	18,610	-	-	(18,610)	-
Disposals	-	(878)	(8,995)	(6,667)	-	(16,540)
Changes in fair value	125,264	-	-	-	-	125,264
As at 31 December 2014	**1,728,905**	**1,403,128**	**126,221**	**127,467**	**11,620**	**3,397,341**
Depreciation:						
As at 1 January 2014	1,454,907	742,858	123,064	76,035	-	2,396,864
Charge for the year	-	54,210	2,420	9,145	-	65,775
Disposals	-	(877)	(8,959)	(6,666)	-	(16,502)
As at 31 December 2014	**1,454,907**	**796,191**	**116,525**	**78,514**	**-**	**2,446,137**
Net book value:						
As at 31 December 2014	**273,998**	**606,937**	**9,696**	**48,953**	**11,620**	**951,204**

Building is constructed on land leased from the Government of Kuwait for a period of one year and the leases are renewable on the expiry of the leases. The management expects these leases to be renewed indefinitely.

The depreciation charge has been allocated in the statement of income as follows:

	2014	2013
	KD	KD
Cost of sales	**45,944**	45,944
General and administrative expenses	**19,831**	42,684
	65,775	88,628

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Building	Plant, machinery and equipment	Furniture, office equipment and fixtures	Motor vehicles	Capital-work-in-progress	Total
	KD	KD	KD	KD	KD	KD
Cost:						
As at 1 January 2013	1,603,641	1,378,592	140,788	87,894	-	3,210,915
Additions	-	2,800	2,435	8,750	18,610	32,595
Disposals	-	(1,290)	(14,836)	-	-	(16,126)
As at 31 December 2013	1,603,641	1,380,102	128,387	96,644	18,610	3,227,384
Depreciation:						
As at 1 January 2013	1,427,277	690,403	134,902	71,639	-	2,324,221
Charge for the year	27,630	53,739	2,863	4,396	-	88,628
Disposals	-	(1,284)	(14,701)	-	-	(15,985)
As at 31 December 2013	1,454,907	742,858	123,064	76,035	-	2,396,864
Net book value:						
As at 31 December 2013	148,734	637,244	5,323	20,609	18,610	830,520

5 INVESTMENT IN ASSOCIATES

Name	Country of incorporation	Legal interest % 2014	2013	Principal activities
United Precision Drilling Company W.L.L. ("UPDC")	Kuwait	**47.50%**	47.50%	Sale of oil equipment
Al-KhorayefUnited Holding Company K.S.C. (Closed) ("Al-Khorayef")	Kuwait	**25.00%**	25.00%	Oil equipment sale, maintenance and repairs.

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

	2014	2013
	KD	KD
As at 1 January	**7,795,933**	7,600,901
Share of results	**1,296,479**	1,053,857
Share of other comprehensive income (loss)	**(7,287)**	(2,271)
Dividends	**(498,974)**	(856,554)
As at 31 December	**8,586,151**	7,795,933

In accordance with International Accounting Standard 36 "Impairment of assets", the management has performed a detailed exercise in respect of each of the associates to determine whether there is any objective evidence that its investment in associates is considered impaired. As a result of the exercise, no impairment is considered necessary as at 31 December 2014.

5 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of individual associates is as follows:

	UPDC		Al-Khorayef		Total	
	2014	2013	**2014**	2013	**2014**	2013
	KD	KD	**KD**	KD	**KD**	KD
Current assets	**20,689,437**	27,362,074	**33,162,564**	27,745,780	**53,852,001**	55,107,854
Non-current assets	**-**	-	**18,583,220**	5,780,212	**18,583,220**	5,780,212
Current liabilities	**(13,759,070)**	(21,312,983)	**(6,933,552)**	(6,966,960)	**(20,692,622)**	(28,279,943)
Non-current liabilities	**(1,984,025)**	(1,567,385)	**(27,516,897)**	(11,541,764)	**(29,500,922)**	(13,109,149)
Net assets	**4,946,342**	4,481,706	**17,295,335**	15,017,268	**22,241,677**	19,498,974
Company's Shareholding	**47.50%**	47.50%	**25%**	25%		
Company's share in net assets	**2,349,512**	2,128,810	**4,323,833**	3,754,317	**6,673,345**	5,883,127
Goodwill	**308,840**	308,840	**1,603,966**	1,603,966	**1,912,806**	1,912,806
Carrying value as at 31 December	**2,658,352**	2.437,650	**5,927,799**	5,358,283	**8,586,151**	7,795,933
Commitments	13,904,900	11,458,005	3,918,136	3,922,114	17,823,036	15,470,119
Revenues	**35,326,007**	29,519,776	**18,997,839**	14,805,284	**88,901,271**	44,325,060
Profit (loss) for the year	**1,515,105**	1,303,101	**2,307,216**	1,739,536	**3,821,928**	3,042,637
Company's share in profit (loss) on the year	**719,675**	618,973	**576,804**	434,884	**1,296,479**	1,053,857

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	2014	2013
	KD	KD
Quoted equity securities	**2,632,604**	2,636,434

Management has performed a detailed review of its financial assets available for sale to assess whether impairment has occurred in the value of these investments. Based on specific information, management recorded an impairment loss of KD 179,191(2013: KD 4,304) in the statement of income for the year ended 31 December 2014.

As at 31 December 2014, the fair values of financial assets available for sale amounting to KD2,632,604(2013: KD 2,636,434) are measured under Level 1 fair value hierarchy. No financial instruments are measured under Level 2 and Level 3 fair value hierarchy as at 31 December 2014 (2013: Nil).

There were no transfers between the hierarchies during the year.

7 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company,associated companies, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Significant balances and transactions with related parties included in the financial statements are as follows:

	Parent Company	Associates	**Total 2014**	Total 2013
	KD	KD	KD	KD
Statement of income:				
Dividend income	825		**825**	825
Interest income	-	75,000	**75,000**	75,000
Other income	-	30,000	**30,000**	30,000
Statement of financial position:				
Financial assets available for sale	16,663	-	**16,663**	18,313
Due from related parties	-	1,475,832	**1,475,832**	1,400,832

Due from related parties (classified under non-current assets) carries interest of 6% per annum.

The Company and Parent Company have given guarantee (on a joint and several basis) to a local bank in connection with certain credit facilities availed by a related party (Note 14 and Note 17).

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014	2013
	KD	KD
Salaries and short-term benefits	**165,099**	132,867
Employees' end of service benefits	**10,953**	18,168
	176,052	151,035

8 INVENTORIES

	2014	2013
	KD	KD
Raw materials	**445,867**	372,047
Finished goods	**296,276**	233,688
Packing materials and spare parts	**16,390**	7,908
	758,533	613,643
Provision for slow moving items	**(110,090)**	(110,090)
	648,443	503,553

9 TRADE AND OTHER RECEIVABLES

	2014	2013
	KD	KD
Trade receivables	**500,941**	552,543
Other receivables	**64,433**	38,891
	565,374	591,434

Trade receivables are non-interest bearing and are generally settled within 30 to 90 days terms.

As at 31 December 2014, trade receivables amounting to KD63,463(2013: KD 64,214) were impaired and fully provided.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for bad and doubtful debts.

Movement in the provision for impairment of trade receivables was as follows:

	2014	2013
	KD	KD
As at 1 January	**64,214**	64,214
Reversal of charge	**(751)**	-
As at 31 December	**63,463**	64,214

As at 31 December, the ageing analysis of trade receivables that were not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired (< 30 days)
	KD	KD	KD
2014	**500,941**	**497,350**	**3,591**
2013	552,543	551,106	1,437

As at 31 December 2014, trade receivables amounting to KD 317,684(2013: KD 368,932) were denominated in US Dollars.

10 CASH AND CASH EQUIVALENTS

	2014 KD	2013 KD
Cash in hand	**332**	2,018
Cash at banks	**508,318**	622,562
Cash in portfolios with local financial institutions	**51,583**	13,488
Short term deposits with less than original maturity of three months	**1,288,168**	952,776
	1,848,401	1,590,844

Included in cash and cash equivalents are balances denominated in US Dollars amounting to KD 97,543 (2013: KD 229,036) and Euro amounting to KD 8,230 (2013: KD 129,050).

11 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

a) Share capital

The authorised, issued and paid-up capital consists of 100,000,000 shares (2013: 100,000,000 shares) of 100 fils per share (2013: 100 fils per share), which was fully paid up in cash.

The board of directors has recommended directors remuneration of KD 20,000 (2013: 15,000) and cash dividend of 5 fils per share (2013: KD Nil) for the financial year ended 31 December 2014 which is subject to approval of the Annual General Meeting of the shareholders. The cash dividend shall be payable to shareholders registered in the Company's records as of the Annual General Meeting date.

b) Share premium

Share premium represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution.

c) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration, after offsetting accumulated deficit brought forward,has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

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

d) Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration, after offsetting accumulated deficit brought forward, has been transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Company's shareholders' general assembly upon a recommendation by the board of directors.

e) Director's remuneration

The Director's remuneration of KD 20,000 (2013: KD 15,000) is subject to approval by the ordinary general assembly of the shareholders.

12 EMPLOYEES' END OF SERVICE BENEFITS

	2014 KD	2013 KD
As at 1 January	**188,026**	167,921
Provided during the year	**55,264**	40,735
Paid during the year	**(7,594)**	(20,630)
As at 31 December	**235,696**	188,026

13 TRADE AND OTHER PAYABLES

	2014 KD	2013 KD
Trade payables	**210,595**	285,827
Accrued staff payable	**58,645**	45,351
Accrued expenses	**139,362**	140,270
Advance from customers	**3,552**	128,550
	412,154	599,998

14 COMMITMENTS

As at 31 December 2014, the Company had commitments against irrevocable letter of credits amounting to KD20,399(2013: KD 91,689).

The Company and Parent Company have given a guarantee (on a joint and several basis) to a local bank amounting to KD 11,920,275(2013 : KD 11,920,275in connection with certain credit facilities availed by a related party (Note 7 and Note 17).

15 RISK MANAGEMENT

Risk is inherent in the Company's activities but 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 Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's principal financial liabilities comprise accounts payables and accrualsand due to related parties. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade receivables, due from related parties and cash and cash equivalents that arrive directly from its operations. The Company also holds financial assets availableforsale.

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

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk with the latter subdivided into interest rate risk, equity price risk and foreign currency 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 Company's strategic planning process.

Risk management structure

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

Risk mitigation

As part of its overall risk management, the Company may choose to use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual counter-parties, and for geographical and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

With respect to credit risk arising from the financial assets of the Company (which comprise trade receivable, due from related parties and cash and cash equivalents), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments in the statement of financial position.

15 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a periodic basis.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations:

	Within 1 year KD	**2014 KD**	2013 KD
Trade and other payables*	408,602	**408,602**	471,448

** Trade and other payables exclude advances from customers.*

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, equity prices and foreign exchange rates whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

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 Company is not significantly exposed to interest rate risks since it does not have material financial instruments which carry interest at floating rate at the reporting date.

Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment in equity securities classified as 'financial assets available for sale'.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Company has significant exposure at 31 December:

Market indices	**Change in equity price %**	**Effect on other comprehensive income KD**
Kuwait Stock Exchange		
2014	±5	**(110,180)**
2013	±5	(58,399)

An increase in the value of the equity price would only impact other comprehensive income, and not have an effect on statement of income.

Currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge foreign currency exposures.

15 RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

The effect onstatement of income(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	Effect on results	
Currency	**Against KD**	**2014**	2013
		KD	KD
US Dollars	-5%	**(4,102)**	(11,452)
Euro	-5%	**(417)**	(6,453)

The effect of increase in currency rate is expected to be equal and opposite to the effect of the decrease shown above. There will be no effect on other comprehensive income.

16 CAPITAL MANAGEMENT

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

The Company 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 end 31 December 2014 and 31 December 2013. Capitalcomprises share capital, share premium,statutory reserve, voluntary reserve, cumulative changes in fair values, foreign currency translation reserve, asset revaluation reserveand retained earnings and is measured at KD16,060,159as at 31 December 2014 (2013: KD 14,561,526).

17 JOINT VENTURE AGREEMENT

During the year ended 31 December 2010, the Company entered into a joint venture agreement (unincorporated association) to build, operate and maintain an oil facility in Kuwait. The Company has a 25% interest in this unincorporated association which has not yet commenced its operations as at 31 December 2014 since the construction of the facility is still in progress.

The Company and theParent Companyhave given a guarantee (on a joint and several basis) to a local bank in connection with certain credit facilities availed by a related party in respect of the activities of the unincorporated association. The amount guaranteed under the agreement is KD 11,920,275(2013: KD 11,920,275) (Note 14).The Company has not made any direct funding to the unincorporated association.

United Oil Projects

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How to obtain our 2014 Financial Statements:

Shareholders attending our General Assembly meeting will be provided with a draft printed copy of the Financial Statements for their approval. Shareholders can request a printed copy of the Financial Statements to be sent to them by courier seven days before the advertised date of the General Assembly; please contact Ms. Nehaya Al-Qedra, HR and Admin. Manager, Tel.: +965 2326 3297 ext. 111 to arrange this.

Shareholders can request a copy of the Financial Statements to be sent to them by email seven days before the advertised date of the General Assembly; please contact nhelmy@uopkt.com to arrange this.

Shareholders can download a PDF copy of the Financial Statements seven days before the advertised date of the General Assembly from our company website - www.uopkt.com

For further information on our 2014 Financial Statements or for extra copies of this Review, please call +965 2326 3297

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