Annual Review **2012**

الشركة المتحدة للمشروعات النفطية
United Oil Projects

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

Financial Highlights

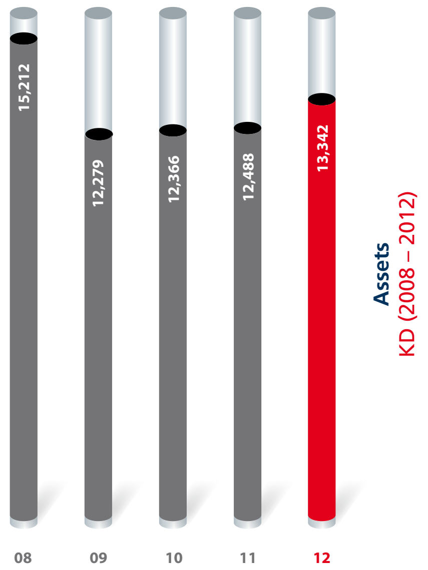
	2012	2011	2010	2009	2008
Income Statement Highlights (KD '000)					
Gross Profit	**229**	165	219	159	584
Other Income	**984**	88	635	881	-1186
Operating Expenses	**-432**	-598	-519	-697	-1102
Net Profit for the year	**762**	-349	328	334	-1714
Dividend	**0**	0	0	0	0
Financial Statement Highlights (KD '000)					
Total Assets	**13,342**	12488	12366	12279	15212
Investments	**9674**	9033	9036	10093	9286
Term Loans	**0**	0	0	150	3000
Equity	**12,892**	11903	11897	11632	11788
Profitability					
Earnings per Share (fils)-restated	**7.6**	-3.5	3.28	3.34	-17.14
Return on Average Assets	**6%**	-3%	3%	3%	-11%
Return on Average Equity	**6%**	-3%	3%	3%	-15%
Profit per Employee (KD)	**16.93**	-7.43	6.98	7.11	-35.71
Capital					
Equity / Total Assets	**97%**	95%	96%	95%	77%
Debt / Equity	**3%**	5%	4%	6%	29%
Liquidity & Business Indicators					
Investments / Total Assets	**73%**	72%	73%	82%	61%
Liquid Assets / Total Assets	**15%**	14%	12%	9%	31%
Number of Employees	**45**	47	47	47	48

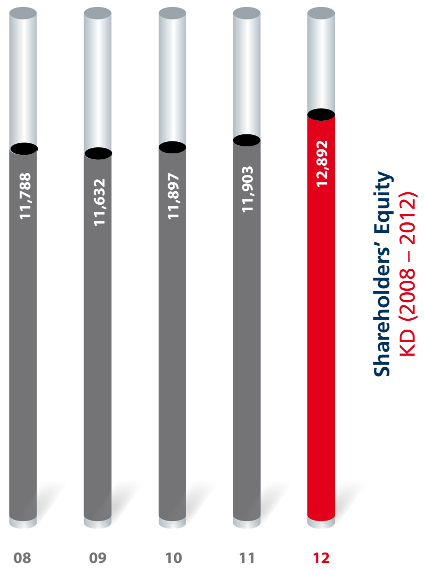
Key Achievements in 2012

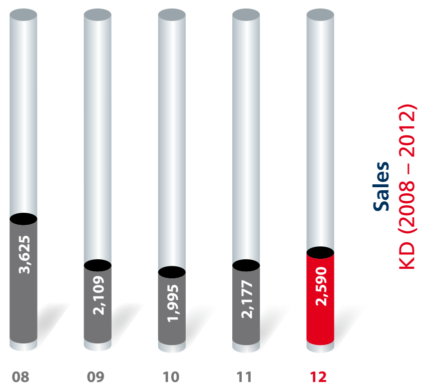
- KOC has awarded UPDC an additional long term contract, for two more Rigs.
- KOC has recognize Al-Khorayefas the best performance on the ongoing ESP contract, in comparison to (among) all other international contractors.
- Chemical Division specialty resin volume sales increased to 28% of production.
- The Chemical Division of UOP was awarded ISO 14001:2004 certification for an Effective Environmental Management System

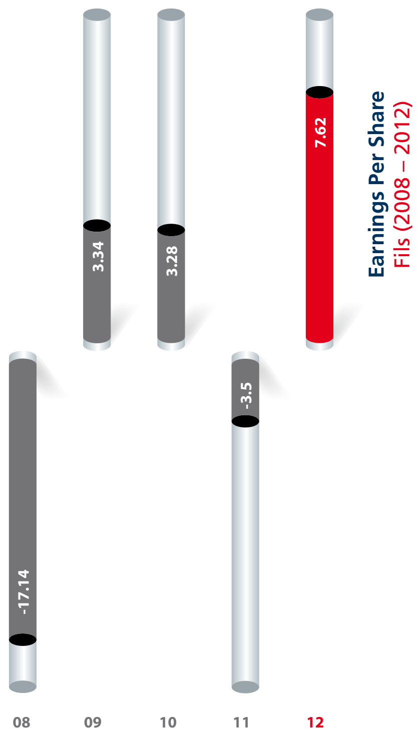
2012 Financial Results Summary

UOP reported a net profit of KD 762 thousand compared to a net loss of KD 349 thousand in the last year. The net comprehensive income for the year is KWD 989 thousand compared to KD 6 thousand of the previous year. The net shareholder's equity has been continuously growing from 2009 onwards; even taking into consideration the losses of 2011. During 2012 total liabilities declined by 23%, total assets grew by 6.8%, and equity increased by 8.4%.









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 arm in the Oil, Energy & Petrochemical Sector.

QPIC is a public listed company with a share capital of Kuwait Dinars 110 million, sourcing investments in the petrochemical sectors and its related service. QPIC was established by state owned Petrochemical Industries Company (PIC), to encourage the involvement of the private sector in major petrochemical projects locally and internationally and, hence, utilize the available wealth to setup local industries that add value to Kuwait's national economy and provide job opportunities for the people of Kuwait.

The KIPCO Group is one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of US$ 25.6 billion as at 31 December, 2012. The Group has significant ownership interests in over 60 companies operating across 26 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.

The Dar al-Athar al-Islamiyyah is one of Kuwait's leading cultural organizations and home to the al-Sabah Islamic art collection – acknowledged as one of the world's finest collections of Islamic art. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass dating from the seventh century CE from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different key glassware 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 is a glass bottle made in the Iranian region in a period between the twelfth century and first half of the thirteenth century CE. The piece features a decorative rosette motif favoured by Iranian glass makers at the time. The design resembles a flower whose petals are duplicated to suggest movement, almost like waves shifting on the surface. The image is reproduced with the kind permission of the Dar al-Athar al-Islamiyyah.

Contents

United Oil Projects Company was incorporated in the early eighties under the name of Kuwait Chemical Manufacturing Company, interpreting the pioneer vision of its founders 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, which has witnessed a profound growth during the years. 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

The Company along with Weatherford International Company established United Precision Drilling Company (UPDC). The United Precision Drilling Company currently manages a number of rigs in the State of Kuwait and the neutral zone. The share of United Oil Projects Company (UOP) in United Precision Drilling Company (UPDC) is 47.5%.

Al-Khorayef Company for sale maintenance & repair of oil production equipment L.L.C (Al-Khorayef) is a subsidiary of Saudi based Al-Khorayef Group . UOP holds 25% share in Al-Khorayef through Al-Khorayef United Holding Company (AKUH). Al-Khorayef operates contracts for supply of equipments and oil-related facilities; additionally it has expanded its activities to include water injections and early production facilities. Further in 2012, Al-Khorayef has included into its portfolio of activities, other forms of Artificial Lifts – namely Progressive Cavity Pumps and Sucker Rod, in an attempt to diversify the sources of income. Al-Khorayef continues to provide high quality leading services to Upstream Sector.

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.

UOP Board of Directors' experience & professional skills positively reflect on the performance of the company.

Board of Directors

Mr. Khaled Rashid Al-Haroon
Chairman

Mr. Muhaiman Ali Behbehani
Vice Chairman and Managing Director

Mr. Mohammad Bader Al-Sayer
Board Member

Executive Management

Muhaiman Ali Behbehani
Vice Chairman and Managing Director

Mr. Muhaiman Ali Behbehani joined United Oil Projects Company in 2006 and he was promoted to Vice Chairman/ Acting General Manager in 2010, and then promoted to Vice Chairman and Managing Director in 2011.

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 such as House of Trade and Contracting Company, Kuwait Italian Maintenance Construction and Electrical Company.

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

Haitham Al-Qassem
Projects Development Manager

Mr. Haitham Al-Qassem joined United Oil Projects Company as Projects Development Manager in 2012.

Prior to his current job, Mr. Al Qassem had left an outstanding military career to pursue new horizons within the Energy sector, where he worked for KOC as Project Manager for the sand control project in North Kuwait.

Mr. AL Qassem had occupied the position of Deputy Chairman and Managing Director at Ms. Saqar Al Jazira Company, During AL Qassem's administration he would enhance and reinforce the company's existence within the Energy Sector by through obtaining several International Companies Agencies, including Indian Oil Corporation, Engineers India Limited and TATA Consultancy Services.

Mr. Haitham AL Qassem holds a BS in Military Science from Kuwait Military Academy.

Chairman's Message

Dear Shareholders,

On behalf of the members of the Board of Directors & myself, its gives me great pleasure in presenting to you the performance results of the United Oil Projects Co, for the fiscal year ending December 31st, 2012.

The Regional market is rebounding and this is being reflected in the emerging opportunities across all sectors in Kuwait. During 2012, we continued to advance our mission to consolidate the company's core competencies by successfully implementing several key strategic decisions to emerge stronger and more confident in our future. At UOP, we strive to make each year more productive, more efficient and more exceptional than the previous years.

The year in Review

2012 witnessed the implementation of several action plans which has improved the performance in terms of Revenues and Profitability. A few of the key successful initiatives that require a special mention are as follows:

- **United Precision Drilling** Co, a key investment of United Oil Projects, with an admirable reputation in the upstream sector, has enabled to increase the number of lease contracts with clients.

- **Al-Khorayef** Company for sale maintenance & repair of oil production equipment L.L.C, yet another flagship company in the UOP portfolio, has improved its profitability through better process and controls in addition to diversifying its capabilities into other forms of Artificial Lift thereby building a strong foundation for the long term.

- The **Projects Division** of UOP has aligned itself with International partners to offer their expertise in the oil industry to cater to both contracting and supply requirements in the market. Additionally, efforts are in place to identify further investment opportunities that will add value to the share-holders.

- The **Chemical Division** of UOP further expanded its R & D capabilities thereby increasing its ability to rapidly design products to meet specific customer requirements

- Equally worth highlighting is its certification to ISO 14001:2004 for an Effective Environmental Management System and thus becoming the "First" Company in its sector in Kuwait to have a Management system conforming to the requirements of both ISO 9001:2008 and ISO 14001:2004. This in turn has the advantage of increasing its export competitiveness and improving customer credibility.

- UOP's robust and employee friendly **HR policies** have greatly contributed to the development and retention of our human resources whom are considered as a major asset for the company.

Positive Outlook

As we consider the future, growth remains our top priority while using our acquired expertise as a catalyst for our partners. Certainly, the coming years are promising for UOP. The frame-work for our long term visibility plan is defined in our strategic outlook as follows:

- Develop and implement new key investment opportunities to sustain a leading market position by reinforcing the company's core competencies to stay ahead of competition.

- Focus on existing investments, their expertise and experience, thereby leveraging market growth potential.

- Focus on operational businesses, with special attention to specialty resins as main drivers for growth.

- Examining further ways to streamline operation to increase efficiency and volume through put.

- Enhancing a greater culture of customer focus.

Financial Performance

- For the year ended in 31st December 2012, UOP posted a net profit of KD 761,593 or(Profit per share of 7.62 fils) compared to the KD 349,259 loss of previous year or (3.49) fils per share.
- Net sales and gross profit improved over the previous year and is mainly attributed to selling larger volumes of higher value specialty coating resins.
- Incomes from associate companies, together with income from various other resources, have also shown positive improvements compared to last year.
- Operational expenses decreased during 2012 and UOP maintained a positive cash flow through out the period.
- Total assets increased by 6.8% to KD 13.34Mn and our net equity rose to KD 12.89Mn (128.9 fils per share) as compared to KD 11.90 Mn (119.03fils per share) last year - a net increase of 9.89 Fils per share. Retained earnings KD 254,766 is a positive balance compared to the negative balance of KD 439,103 in 2011.

We are confident that the strength of our core businesses, combined with our comfortable cash position, current growth initiatives, and robust innovation pipeline, will enable us to deliver growth in the years to come.

In view of the future plans, the Board of Directors has made recommendations to the Annual General Assembly to withhold any dividend in respect of the financial year ended 31 December 2012.

We extend our appreciation to both those of the management team and employees for their commitment, fortitude and efforts throughout what has undeniably been a challenging year.

Sincerely

Khaled Al-Haroon
Chairman

Management Review

In response to the international economic situation, the Kuwait government began to take measures to move forward towards a more favorable macro-market situation by increasing its spending and plans for Major Projects in the Energy Sector. KOC's increase in Production plans, New Refinery Project, Clean Fuel Project, Multiple projects under Public Private Partnership model. Further in Infrastructure, green light was given to mega size construction projects including; causeway, large commercial port, and airport modification.

During 2012 the company has energetically pursued growth improvement which is clearly reflected in its financial results. The fiscal year has been marked by a host of achievements and initiatives, as the company steadily marches toward the attainment of its strategic objectives.

Significant Highlights of the year:

- In response to aggressive production plans of Kuwait Oil Company, UOP has guided its investment portfolio companies, namely UPDC, Al Khorayef and Napesco, to reaffirm their strong presence in the upstream sector and simultaneously to grow and diversify to take advantage of upcoming opportunities.
- During the fiscal year, the management continued to execute its target plan to reduce operating expenses, to ensure its ability to address challenging operating environment in a manner that limits their adverse impact on the company's bottom line results, and increase the functional and operating efficiency of its facilities.
- The management maintained a stable operating performance under variable conditions and achieved a progressive increase in sales and profits, in addition to diversifying our portfolio of products and services, creating value both to shareholders and to our customers.
- The management simultaneously worked diligently to mitigate the negative effects of interrelated external economic, political and social factors that are beyond the company's control.
- UOP was awarded the certification to ISO 14001:2004 for an Effective Environmental Management System. Which demonstrate the company's commitment to the environment. Further the UOP is the "First" Company in its sector in Kuwait, to have a Management system conforming to the requirements of both; ISO 9001:2008 – Quality Management System - and ISO 14001:2004 - Environmental Management System.

Challenging Macro-markets

The Chemical Industry

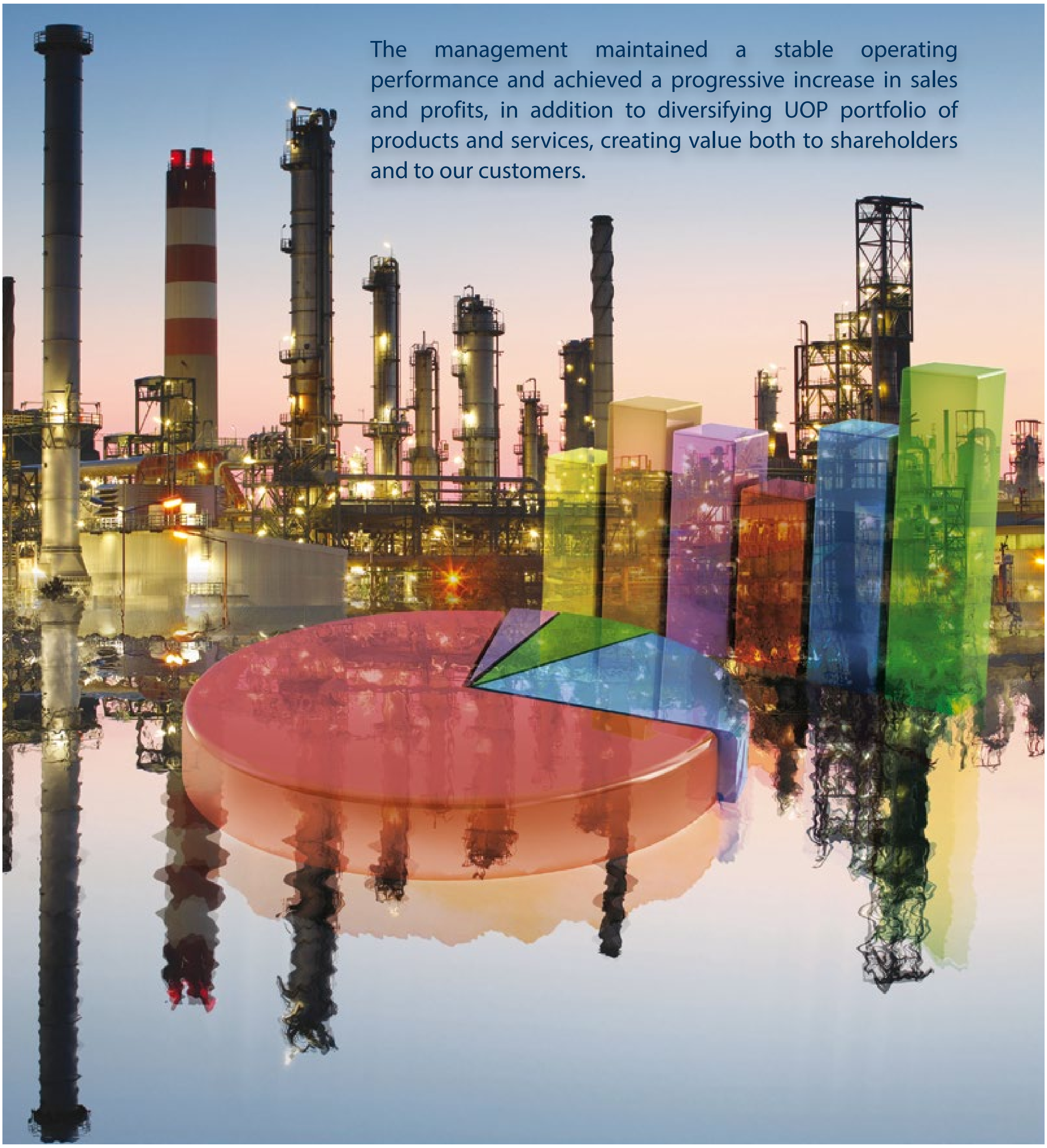
The year at hand presented us with new challenges that continued to slow down the progress of our business sectors.

- A slow US economy and lingering debt crisis in Europe topped by austerity measures in Western Europe weighed down end-user demand in 2012, but scattered signs of improvement in the region provided a solace.
- Despite scattered signs of improvement, the chemical industry, during the year, remained in a state of uncertainty, characterized by strong downside fragility.
- Emerging markets economies remained the main drivers of growth for chemical makers.
- Global raw material costs have increased which consequently may have on impact on gross profits in future years.

Oil & Gas

- A number of complex factors currently at play are transforming and reshaping the oil and gas industry - such as changing geopolitical relationships, the emergence of new competitors, changes in supply and demand dynamics, social and environmental pressures, and demographic shifts.
- The Chinese and Indian markets, and those of the Middle East, managed to obtain a 5 to 8% of growth, which had a huge impact on the oil demand.
- Oil consumption from emerging markets has stabilized oil prices which hovered around $110/barrel throughout the year.

The management maintained a stable operating performance and achieved a progressive increase in sales and profits, in addition to diversifying UOP portfolio of products and services, creating value both to shareholders and to our customers.



Management Review (continued)

Against the backdrop of this complex and challenging operating environment, our committed management team maintained its vigilant focus, and continued to push forward unrelentingly to secure the company's market position taking mitigated risks, without losses, while consolidating relations with other companies. Positioning the company for the future, the management continued to engage proactively to ensure that the company remains resilient to challenges and opportunities.

Our key strategies:

- Focus on Growth Sector through new investment leveraging on inherent strengths and capabilities

  UOP, through its investment vehicles, are perceived by the K-companies as partners with high credibility, workmanship and a responsible Management System. In spite of the Macro-economic challenges facing the industry, UOP intends to secure its foothold on its strength and values, thereby sustaining and growing its market share.

- Create and Sustain low-cost culture

  Continue to seek cost-effective solutions to mitigate the impact of raw material cost increases, by adopting alternative lower price local raw materials, where practicable, to maintain adequate margins within the highly competitive GCC market.

  Maximize returns from the existing production facility by enhancing the operational efficiency and resource utilization to ensure that the company continues to offer customers competitively priced products.

  Efficiently manage cash, liquidity and cost rationalization, to reinforce UOP's strong financial position and reputation whilst applying effective strategies of cost control, to lower expenses, and effectively use available resources to increase income and honor the company's financial obligations.

- Optimize Competitive Competencies

  Continue the transition into a substantial supplier of high margin specialty polymers, whilst reinforcing the company's status as a local manufacturer of world-class products. Carving a niche for UOP in oil and gas projects whilst staying ahead of the competition.

With the new ISO standard, UOP has achieved the milestone "First" Company in its sector in Kuwait, by conforming to the requirements of both; ISO 9001:2008 – Quality Management System - and ISO 14001:2004 - Environmental Management System.

Strategic Partnership

United Precision Drilling Company (UPDC)

- United Precision Drilling Company (UPDC) remains one of the major strategic investments of the company. United Oil Project's has 47.5% stake in United Precision Drilling Company (UPDC) which is similar to Weatherford International's shares. The company continues to provide good returns to UOP and maintains a strong market position amidst fierce domestic and international competition in the oil and gas drilling sector.
- During 2012 United Precision Drilling Company performed well despite a challenging competitive business environment. The entry of new contractors into the market has compounded the situation further necessitating the management to devise new strategies to strengthen the company's position for future local tender bids.
- The company continued its' Kuwait drilling projects utilizing Nine of its rigs. In 2012, UPDC has won an additional contract for two more rigs, including upgrading the existing rig, in addition to a New Rig. UPDC additionally expects to secure more rig installations during 2013.
- Considering the aggressive expansion and modernization projects plans of Kuwait Oil Company to increase the production from the current capacity of 2.6 million barrel per day (BD) to 4 million BD by the year 2020, the drilling sector is poised for aggressive growth in the coming years. UPDC enjoys a strong reputation and good-will within KOC which will improve its results in the coming years and provide better investment returns to UOP.

Al-Khorayef Company for sale maintenance & repair of oil production equipment (AKC)

- UOP's stake in Al Khorayef is 25%. AKC has been conducting business in Kuwait since 1995 providing services to the oil, electricity and water sectors. Amongst the services they offer is the supply of electrical submersible pumps (ESP) for both oil and water applications.
- Al Khorayef has multiple projects with KOC. One of the major contracts is the execution of GC-16, an early production facility. The project is currently implemented under the time-line advised by the Client and is still in the procurement phase.
- In lieu of AKC's excellent performance on the ESP contract with Kuwait Oil Company, the client has been awarded the best amongst all international contractors and has enabled Al Khorayef to garner more wells for operation under the same contract.
- Al Khorayef increased its offering and expanded its services to other forms of Artificial Lift processes including Progressive Cavity Pumps and Sucker Rod Pumps. The expertise and experience from ESP has provided Al Khorayef a firm platform in the field of Artificial Lifts which allows them to effectively compete with International Players. In future years Al Khorayef will play an increasingly major role in providing additional services to Kuwait Oil Company and Joint Operations, especially in Progressive Cavity Pumps and Sucker Rod Pumps.
- AKC intends to aggressively participate in the various upcoming projects in the upstream sector and intends to diversify its portfolio of offering.

Chemical Division

The aliphatic solvent substitute, based on locally available raw materials, developed during 2011, enabled us to maintain, and slightly increase, volumes within the GCC commodity coatings market. However local restrictions on the availability of these raw materials may severely curtail market growth in this area and increases our dependence on raw materials sourced internationally and from other GCC countries.

Low price raw materials are essential to maintain adequate margins within the highly competitive GCC market, and, as such, our purchasing department had been tasked with establishing contacts with alternative raw material suppliers to ensure that we maintain a competitive edge with our products.

As previously reported, our small production facilities are not conducive to realizing adequate profitability in the high volume, low margin, bulk commodities market. A number of years ago we started earnestly working on developing and marketing specialty products, capable of providing enhanced contributions, to replace imported products. Specialty products, as the name infers, are used in more demanding applications than commodity products and imported products (as they are synonymous with 'higher quality') have thus far been preferred by local industry for their 'blue chip' products. The transition from a commodity resin producer to a manufacturer of specialty products has been, and will continue to be, an arduous road when one considers the performance history in these product types that the larger international companies enjoy.

In 2012 specialty resins contributed 28% production volume and 36% of the resin contribution (by contrast commodity products formed 57% by volume and 49% contribution). As we continue to create a stronger foothold in this market segment our raw material purchasing power will grow and allow us to enjoy further improvements in profitability.

During 2012 we were awarded ISO 14001 (Environmental Management System) certification which, in addition to our ISO 9001 (Quality Management system) certification, demonstrates to our customers, and other concerned parties, our commitment to reducing our environmental impact and maintaining high product quality. Having not received any customer complaints on product quality during the course of 2012 bears further testament to our product technology and quality and subsequently enhances customer perception of our premier status within the industry.

Our published product portfolio is now in excess of 80 individual products we are capable of manufacturing in our current facilities and covers the majority of resins utilised by the GCC coatings manufacturers. This does not mean that our R&D department is standing still as we are looking towards the future with 'Green Product' development (low Volatile Organic Coatings and High Solids Coatings systems) in advance of possible governmental legislation.

The global economic outlook for 2013 is not altogether promising, particularly outside the GCC. However, over the last few years the Chemicals Division has built a firm base by offering quality products to the industry backed by superior technical service. This we believe will allow us to maintain our current customer base whilst we continue developing further range extensions and penetrate new markets.

Agency Portfolio

The Kuwait Market is booming and there are a large number of projects in the pipeline at various stages of execution and implementation. UOP has a strong foothold both in the upstream and downstream, through its investments, associates and subsidiaries and has good networking through its shareholders. The Management has taken a conscious decision to expand the Agency Business by enhancing its portfolio and offerings to the Oil and Gas sector,

In lieu of the emerging opportunities in the Energy sector, both in terms of Production and Investments, UOP is in various stages of discussion with International Manufacturers and Service Providers and hence have developed a working relationship with leading International partners in the following line of activities:

Products:

- Chemicals and Catalysts
- Artificial Lifts
- Bioremediation Products
- Cathodic Protection equipments
- Vessels and Heat Exchangers
- Solar Products

Services:

- Seismic Services
- Drilling Services
- Well Services
- Engineering, Procurement & Construction
- Soil Remediation
- Catholic Protection Service
- Industrial Maintenance Services
- Renewable Energy
- Inspection Services

UOP intends to increase its portfolio of companies to provide a better offering to the Kuwait Energy Sector. The relationship built through its Agency Portfolio will be the stepping stone to establish Joint Ventures in these sectors.

In future years UOP shall emerge as a prominent and competitive player in the Energy Sector and shall offer better returns to shareholders.

Social Responsibility

UOP understands its responsibility to the society and the environment by evaluating and implementing sustainable business practices which is embedded in its core corporate culture. Its social responsibility is further reflected in the following initiatives and practices.

Fair Operating Practices

UOP respects the applicable regulations and practice accountability and fairness in its operations and dealings.

This is evidenced by the periodic compliance monitoring inspection reports provided by the Regulatory Authorities; especially the Kuwait Environment Public Authority (K-EPA) and the Kuwait Ministry of Health (MOH).

Environment

Identifies and improves environmental impacts of the Company's operations, including resource use and waste disposal.

Moreover, in its endeavor to improve the existing controls and compare its systems to standard operations, UOP had appointed a Consultant to study the impacts of its operations to the Environment the results of which were found complimentary to the existing systems.

The Company has also been awarded certification to ISO 14001:2004 (Environmental Management System), which has helped in identifying the areas requiring improvement and also in understanding how efficiently the waste generated through its operations can be classified and recycled, reused or disposed off, resulting in beneficial outcomes on the management of resources and effective use of energy resources.

Good Labor Practices

The company considers its employees as a major asset and constantly undertakes to improve the facilities provided to them.

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

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

It also conducts pre-employment as well as periodic medical check-up for its employees through the Health Centre of the Ministry of Health.

UOP understands the great importance to Employee training. Apart from the training programs conducted as per the Annual Training Plan, employees are provided training in the systems operated by the Company which has greatly helped in ensuring that the employees execute associated responsibilities in a safe and standardised manner as essential by the Company.

Customer Support

The Company provides appropriate information to its customers' on its products thereby ensuring health and safety. Any concerns raised by customers are reviewed and addressed with actions as deemed appropriate.

Periodically, customers' perception about the Company is evaluated by obtaining their feedback through a standard system. The results of which are reviewed in the Management Review Meetings and adequately addressed to improve customer satisfaction.

Innovative in using our current resources to support expansions, secure higher profit margins and to differentiate ourselves from competition.

Although current economic scenario affected the financial results of the company, UOP continued to realize good financial results from Associates & other divisions.

Income Statement

- The net profit for the year ending December, 2012 is KD 761,593/- compared to net loss of KD 349,259 last year same period, which represent an increase of 318%. The earning per share for the period stood at 7.62fils compared to a loss of 3.49 fils per share in 2011.
- The main reason for achieving these results is attributed to profits received from our Associates (United precision drilling company & Al Khorayef united holding company) and the better results from our chemical division. The impairment of financial assets in 2012 is only (KD 3,373) compared to (KD 918,240) in 2011.
- The revenue from sales is KD 2.59 million compared to KD 2.18 million in the last year representing an increase of 19% and the gross profit increased by 39%. The general and administration expenses are reduced compared to last year.

The Balance sheet

- The total assets of the company at the end of the current year stood at KD 13.34 million compared to KD 12.49 million for the previous year reflecting a increase of 6.8% or KD 855 thousands.
- The current assets represent 14.8% and the non-current assets represent 85.2% of total assets. The investment to total assets is 73% and the liquid asset to total assets is 15%. We managed to maintain a positive cash flow throughout the year and the available cash balance at the end of the year is KD 913,863.
- The current liabilities decreased by 35.7% and the total liabilities decreased by 23% compared to last year. The debt to equity is 3% and the equity to total assets is 97%.
- The Shareholder's equity is KD 12.89 million (128.9 fils per share) compared to KD 11.90 million (119 fils per share) of previous year same period, a net increase of 9.89 fils per share or 8.3% increase in the net equity. This increase is attributed to available for sale investments.

Despite mixed economic signals, erupting from the current economic scenario the company's core business remained intact and we believe the company has the means to remain competitive and relevant.

Future Outlook

A glance into the future

Despite the continued volatility in the oil, energy and petrochemicals sectors, UOP will continue to focus on:

- Positioning UOP in the oil, gas, petrochemical, renewable energy and environmental market segments where the demand for services and products are 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 and renewable energy projects through forging new partnerships with leading international establishments in the field.
- Exceptional profitable investment opportunities that are explicitly aligned with long term business objectives and core competencies.
- Accelerating the move to higher margin specialty products within the chemicals' division, through forging partnerships with global manufacturers, whilst 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.

UOP
الشركة المتحدة للمشروعات النفطية
United Oil Projects

FINANCIAL STATEMENTS

31 DECEMBER 2012

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

Contents

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 2012, and the income statement, and statements of 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' judgement, 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 auditor considers 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 Company'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 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young
Baitak Tower, 18-21st Floor, Safat Square, Ahmed Al Jaber Street
P.O. Box 74 Safat 13001 Kuwait - Tel: +96 5 2295 5000
Fax: +96 5 2245 6419 - kuwait@kw.ey.com

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, 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 by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, nor of the Articles of Association have occurred during the year ended 31 December 2012 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
ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS

February 21. 2013
Kuwait

Income Statement

For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
Sales		**2,590,430**	2,177,217
Cost of sales		**(2,360,956)**	(2,011,710)
GROSS PROFIT		**229,474**	165,507
Share of results from associates	6	**799,848**	837,378
Dividend income		**92,663**	90,259
Interest income		**7,021**	7,379
Foreign exchange gain		**9,379**	5,226
Other income		**168,257**	71,138
General and administrative expenses		**(382,263)**	(553,238)
Distribution costs		**(49,953)**	(49,262)
Interest expense		**(3,326)**	(906)
Impairment of financial assets available for sale	7	**(3,373)**	(918,240)
Impairment of investment in an associate	6	**(90,000)**	-
PROFIT (LOSS) BEFORE CONTRIBUTION TO KFAS, ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**777,727**	(344,759)
Contribution to KFAS		**(3,048)**	-
Zakat		**(4,086)**	-
Board of Directors' remuneration	8	**(9,000)**	(4,500)
PROFIT (LOSS) FOR THE YEAR	3	**761,593**	(349,259)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	4	**7.62 fils**	(3.49) fils

The attached notes 1 to 19 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
Profit (loss) for the year		**761,593**	(349,259)
Other comprehensive income:			
Unrealised gain (loss) on financial assets available for sale		**224,028**	(563,642)
Impairment of financial assets available for sale	7	**3,373**	918,240
Share of other comprehensive income of associates	6	**-**	383
Other comprehensive income		**227,401**	354,981
Total comprehensive income for the year		**988,994**	5,722

The attached notes 1 to 19 form part of these financial statements.

Statement of Financial Position

As at 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Non-current assets			
Property, plant and equipment	5	**886,694**	957,238
Investment in associates	6	**7,600,901**	7,190,562
Financial assets available for sale	7	**2,073,398**	1,842,937
Due from related parties	8	**804,680**	804,680
Total non-current assets		**11,365,673**	10,795,417
Current assets			
Inventories	9	**375,875**	504,257
Due from related parties	8	**77,173**	29,279
Accounts receivable and prepayments	10	**609,640**	559,802
Cash and cash equivalents	11	**913,863**	598,800
Total current assets		**1,976,551**	1,692,138
TOTAL ASSETS		**13,342,224**	12,487,555
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	**10,000,000**	10,000,000
Share premium	12	**1,885,000**	1,885,000
Statutory reserve	12	**356,257**	322,395
Voluntary reserve	12	**356,257**	322,395
Cumulative change in fair values		**27,821**	(199,580)
Foreign currency translation reserve		**11,908**	11,908
Retained earnings (accumulated deficit)		**254,766**	(439,103)
Total equity		**12,892,009**	11,903,015
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	13	**167,921**	145,367
Total non-current liabilities		**167,921**	145,367
Current liabilities			
Accounts payable and accruals	14	**282,294**	349,173
Due to related parties	8	**-**	90,000
Total current liabilities		**282,294**	439,173
Total liabilities		**450,215**	584,540
TOTAL EQUITY AND LIABILITIES		**13,342,224**	12,487,555

Khalid Al-Haroon
Chairman

The attached notes 1 to 19 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit (loss) for the year		**761,593**	(349,259)
Adjustments to reconcile profit to net cash flows:			
Depreciation	5	**89,837**	89,542
Share of results from associates	6	**(799,848)**	(837,378)
Dividend income		**(92,663)**	(90,259)
Interest income		**(7,021)**	(7,379)
Impairment of financial assets available for sale	7	**3,373**	918,240
Impairment of investment in an associate	6	**90,000**	-
Interest expense		**3,326**	906
Provision for employees' end of service benefits	13	**24,470**	35,957
Provision for slow moving inventory		**15,000**	20,000
Provision for doubtful debts	10	**4,412**	40,000
		92,479	(179,630)
Working capital adjustments:			
Inventories		**113,382**	(120,497)
Due from / to related parties		**(137,894)**	(29,520)
Accounts receivable and prepayments		**(53,607)**	(238,311)
Accounts payable and accruals		**(66,879)**	91,526
		(52,519)	(476,432)
Employees' end of service benefits paid	13	**(1,916)**	(10,277)
Net cash used in operating activities		**(54,435)**	(486,709)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(19,503)**	(26,043)
Purchase of financial assets available for sale		**(6,866)**	-
Dividends received from associates	6	**299,509**	276,905
Dividends received from others		**92,663**	90,259
Interest received		**7,021**	7,379
Net cash from investing activities		**372,824**	348,500
FINANCING ACTIVITIES			
Interest paid		**(3,326)**	(906)
Net cash used in financing activities		**(3,326)**	(906)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**315,063**	(139,115)
Cash and cash equivalents at 1 January		**598,800**	737,915
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**913,863**	598,800

The attached notes 1 to 19 form part of these financial statements.

Statement of Changes In Equity

For the year ended 31 December 2012

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	(Accumulated deficit) retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2012	10,000,000	1,885,000	322,395	322,395	(199,580)	11,908	(439,103)	11,903,015
Profit for the year	-	-	-	-	-	-	761,593	761,593
Other comprehensive income	-	-	-	-	227,401	-	-	227,401
Total comprehensive income for the year	-	-	-	-	227,401	-	761,593	988,994
Transfer to reserves	-	-	33,862	33,862	-	-	(67,724)	-
As at 31 December 2012	**10,000,000**	**1,885,000**	**356,257**	**356,257**	**27,821**	**11,908**	**254,766**	**12,892,009**
As at 1 January 2011	10,000,000	1,885,000	322,395	322,395	(554,178)	11,525	(89,844)	11,897,293
Loss for the year	-	-	-	-	-	-	(349,259)	(349,259)
Other comprehensive income	-	-	-	-	354,598	383	-	354,981
Total comprehensive income for the year	-	-	-	-	354,598	383	(349,259)	5,722
As at 31 December 2011	10,000,000	1,885,000	322,395	322,395	(199,580)	11,908	(439,103)	11,903,015

1 Corporate information

United Oil Projects Company K.S.C. (Closed) (the "Company") was established as a closed Kuwaiti shareholding company in August 1979. The main objectives of the Company are to:

- Manufacture and supply chemicals for the fiberglass, paint and petrochemical industries and for general use.
- Invest surplus funds in financial and real estate portfolios managed by specialised firms.

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 until June 2013.

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

Major shareholder of the Company is Qurain Petrochemical Industries Company K.S.C. ("major shareholder"), which is listed on the Kuwait Stock Exchange.

The financial statements were authorised for issue by the Board of Directors on February 21, 2013. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

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.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional 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 are consistent with those used in previous year, except for the adoption of the following amended IASB Standard relevant to the Company:

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective

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

2 Significant accounting policies (continued)

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment) (effective 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Company's financial position or performance.

IAS 19: Employee Benefits (Amendment) (effective 1 January 2013)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will require the recognition of actuarial gains and losses in other comprehensive income and will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment does not have any impact on the Company's financial position or performance as it does not have any funded defined benefit plans.

IAS 28: Investments in Associates and Joint Ventures (Amendment) (effective 1 January 2013)

As a consequence of the new IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Involvement with Other Entities, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32: Offsetting Financial Assets and Financial Liabilities (Amendment) (effective 1 January 2014)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance.

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective 1 January 2013)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance.

IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2015)

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39: Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2 Significant accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 12: Disclosure of Involvement with Other Entities (effective 1 January 2013)

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

IFRS 13: Fair Value Measurement (effective 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance.

Additional disclosures will be made in the financial statements when these Standards become effective.

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

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, Board of Directors' remuneration, accumulated deficit and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

The Company calculates Zakat in accordance with the requirements of law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property, plant and equipment 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 income statement 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.

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

An item of property, plant and equipment 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 income statement 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

The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company exercises significant influence and which is neither subsidiary nor joint venture.

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

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36 indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

Unrealised gains on transactions with an associate are eliminated to the extent of the Company's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The reporting dates of the associates and the Company are identical and in case of different reporting date of an associate, which are not more than three months, from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. The associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

2 Significant accounting policies (continued)

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".

Financial assets

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 income statement, 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 income statement.

Accounts receivable 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.

Financial liabilities

The Company classifies its financial liabilities as "Accounts payable and accruals"and "due to related parties".

Accounts payable and accruals and due to related parties

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 fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 18.

2 Significant accounting policies (continued)

Financial assets and liabilities (continued)

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 income statement.

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 income statement. 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 income statement;

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 income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in other comprehensive income.

2 Significant accounting policies (continued)

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 income statement. Reversal of impairment losses is recognised in the income statement. 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 income statement.

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.

2 Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Judgment

Classification of financial assets

Management decides on acquisition of financial assets whether it should be classified as financial assets at fair value through income statement 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 income statement depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other financial assets are classified as available for sale.

Estimates

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 income statement.

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.

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.

3 Profit (loss) for the year

Profit (loss) for the year is stated after charging:

	2012 KD	2011 KD
Staff costs:		
Salaries	**264,939**	273,744
Leave salaries	**30,085**	35,192
End of service benefits	**24,470**	35,957
Bonus	**50,000**	50,000
Other benefits	**28,182**	36,388
	397,676	431,281
Depreciation (Note 5)	**89,837**	89,542

4 Basic and diluted earnings (loss) per share

Basic and diluted earnings (loss) per share amount is calculated by dividing profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year.

	2012 KD	2011 KD
Profit (loss) for the year	**761,593**	(349,259)
	Shares	Shares
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Basic and diluted earnings (loss) per share	**7.62 fils**	(3.49) fils

5 Property, plant and equipment

	Building KD	Plant, machinery and equipment KD	Furniture, office equipment and fixtures KD	Motor vehicles KD	Total KD
Cost:					
As at 1 January 2011	1,603,641	1,368,365	136,543	67,374	3,175,923
Additions	-	9,047	3,426	13,570	26,043
Disposals	-	(10,315)	(239)	-	(10,554)
As at 31 December 2011	1,603,641	1,367,097	139,730	80,944	3,191,412
Additions	-	11,495	1,058	6,950	19,503
As at 31 December 2012	**1,603,641**	**1,378,592**	**140,788**	**87,894**	**3,210,915**
Depreciation:					
As at 1 January 2011	1,372,017	594,409	121,396	67,364	2,155,186
Charge for the year	27,630	52,252	8,562	1,098	89,542
Disposals	-	(10,292)	(52)	-	(10,344)
As at 31 December 2011	1,399,647	636,369	129,906	68,462	2,234,384
Charge for the year	27,630	54,034	4,996	3,177	89,837
As at 31 December 2012	**1,427,277**	**690,403**	**134,902**	**71,639**	**2,324,221**
Net book value:					
As at 31 December 2012	**176,364**	**688,189**	**5,886**	**16,255**	**886,694**
As at 31 December 2011	203,994	730,751	10,011	12,482	957,238

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

	2012 KD	2011 KD
Cost of sales	**45,944**	45,944
General and administrative expenses	**43,893**	43,598
	89,837	89,542

6 Investment in associates

Name	Country of incorporation	Equity interest %		Principal activities
		2012	2011	
United Precision Drilling Company W.L.L. ("UPDC")	Kuwait	**47.5**	47.5	Oil equipment
Al-Khorayef United Holding Company K.S.C. (Closed) ("Al-Khorayef")	Kuwait	**25**	25	Oil equipment sale, maintenance and repairs.
United Carbon Projects Company K.S.C. (Closed) ("UCP")	Kuwait	**36**	36	Technical consulting for protection of gas environment

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

	2012 KD	2011 KD
As at 1 January	**7,190,562**	6,629,706
Share of results	**799,848**	837,378
Share of other comprehensive income	**-**	383
Impairment	**(90,000)**	-
Dividends received	**(299,509)**	(276,905)
As at 31 December	**7,600,901**	7,190,562

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

	2012 KD	2011 KD
Share of associates' statement of financial position:		
Current assets	**13,599,181**	9,646,740
Non-current assets	**936,872**	237,847
Current liabilities	**(7,404,956)**	(4,089,764)
Non-current liabilities	**(1,443,002)**	(517,067)
	5,688,095	5,277,756
Goodwill	**1,912,806**	1,912,806
	7,600,901	7,190,562

	2012 KD	2011 KD
Share of associates' revenue and profit:		
Revenues	**16,068,169**	11,868,230
Profit	**799,848**	837,378

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, the management has recorded an impairment loss of KD 90,000 against its investment in UCP in the income statement for the year ended 31 December 2012.

7 Financial assets available for sale

	2012 KD	2011 KD
Quoted equity securities	**2,073,398**	1,842,937

Management has performed a 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 3,373 in the income statement for the year ended 31 December 2012 (2011: KD 918,240).

8 Related party transactions

Related parties represent major shareholder, 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 management.

Significant transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Major shareholder KD	Associates KD	Total 2012 KD	Total 2011 KD
Dividend income	1,312	-	**1,312**	-
Other income	-	167,894	**167,894**	69,473

Balances:	Major shareholder KD	Associates KD	Total 2012 KD	Total 2011 KD
Financial assets available for sale	14,518	-	**14,518**	17,323
Due from related parties	-	881,853	**881,853**	833,959
Due to related parties	-	-	**-**	90,000

Other than due from related parties, outstanding balance at the year end are unsecured, interest free and settlement occurs in cash. Due from related parties carries an interest of 6% per annum.

The Company and major shareholder has given a guarantee (on a joint and several basis) to a local bank in connection with certain credit facilities availed by a related party (note 19).

8 Related party transactions (continued)

Compensation of key management personnel

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

	2012	2011
	KD	KD
Salaries and short-term benefits	**107,007**	124,632
Employees' end of service benefits	**9,255**	11,725
Board of Directors' remuneration	**9,000**	4,500
	125,262	140,857

Related party transactions are subject to approval of the Shareholders' General Assembly.

9 Inventories

	2012	2011
	KD	KD
Raw materials	**285,848**	337,209
Finished goods	**195,814**	217,981
Packing materials and spare parts	**4,303**	13,057
Goods in transit	**-**	31,100
	485,965	599,347
Provision for slow moving items	**(110,090)**	(95,090)
	375,875	504,257

10 Accounts Receivable And Prepayments

	2012 KD	2011 KD
Trade receivables	**579,175**	524,983
Other receivables	**30,465**	34,819
	609,640	559,802

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

As at 31 December 2012, trade receivables amounting to KD 64,214 (2011: KD 59,802) were impaired and fully provided.

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

	2012 KD	2011 KD
As at 1 January	**59,802**	19,802
Charge for the year	**4,412**	40,000
As at 31 December	**64,214**	59,802

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

	Total KD	**Neither past due nor impaired KD**	**Past due but not impaired (<30 days)** KD
2012	**579,175**	**541,329**	**37,846**
2011	524,983	444,133	80,851

As at 31 December 2012, trade receivables amounting to KD 392,116 (2011: KD 399,428) were denominated in US Dollars.

11 Cash And Cash Equivalents

	2012 KD	2011 KD
Cash in hand	**2,293**	247
Cash at banks	**206,286**	93,553
Cash in portfolios with local financial institutions	**3,530**	-
Short term deposits	**701,754**	505,000
	913,863	598,800

Included in cash and cash equivalents are balances denominated in US Dollars amounting to KD 28,835 (2011: KD 50,382).

12 Share Capital, Share Premium And Reserves

a) Share capital

Authorised, issued and paid-up capital consists of 100,000,000 shares (2011: 100,000,000 shares) of 100 fils per share (2011: 100 fils per share) which is fully paid up in cash.

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 Law of Commercial Companies 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.

13 Employees' end of service benefits

	2012 **KD**	2011 KD
As at 1 January	**145,367**	119,687
Provided during the year	**24,470**	35,957
Paid during the year	**(1,916)**	(10,277)
As at 31 December	**167,921**	145,367

14 Accounts payable and accruals

	2012 KD	2011 KD
Accounts payable	**128,164**	212,773
Accrued staff leave	**35,404**	32,301
Accrued expenses	**118,726**	104,099
	282,294	349,173

15 Commitments

As at 31 December 2012, the Company had commitments against irrevocable letter of credits amounting to KD 114,425 (2011: KD 80,959)

16 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 accruals and 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 available for sale.

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.

16 Risk management (continued)

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 uses or 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.

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	1 to 5 years KD	Total KD
2012			
Accounts payables and accruals	282,294	-	282,294
Total financial liabilities	**282,294**	**-**	**282,294**
2011			
Accounts payables and accruals	349,173	-	349,173
Due to related parties	-	90,000	90,000
Total financial liabilities	349,173	90,000	439,173

16 Risk management (continued)

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 exposed to interest rate risks since it does not have 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 income statement KD**	**Effect on other comprehensive income KD**
2012			
Kuwait Stock Exchange	**-5**	**(19,990)**	**(27,085)**
2011			
Kuwait Stock Exchange	-5	(19,563)	(24,025)

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

16 Risk management (continued)

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.

The effect on income statement (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:

Currency	Change against KD (%)	Effect on income statement KD
2012		
US Dollars	**-5**	**(16,188)**
2011		
US Dollars	-5	(12,036)

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.

17 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 shareholder 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 2012 and 31 December 2011.

Capital comprises share capital, share premium, statutory reserve, voluntary reserve and retained earnings and is measured at KD 12,852,280 as at 31 December 2012 (2011: KD 12,090,687).

18 Fair values of financial instruments

The fair values of financial instruments are not materially different from their carrying values. The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

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

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

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

As at 31 December 2012, the fair values of financial assets available for sale amounting to KD 2,073,398 (2011: KD 1,842,937) 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 2012 (2011: Nil).

There were no transfers between the hierarchies during 2012 and 2011.

19 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 2012 since the construction of the facility is still in progress.

The Company and a major shareholder has 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. The Company has not made any direct funding to the unincorporated association.

الشركة المتحدة للمشروعات النفطية
United Oil Projects

How to obtain our 2012 Financial Statements:

Shareholders attending our General Assembly meeting will be provided with a printed copy of the Financial Statements for their approval.

Shareholders can request a soft copy of the Financial Statements to be sent to them through email. For this purpose, please send an email to nhelmy@uopkt.com

Shareholders can request a printed copy of the Financial Statements to be sent to them. For this purpose, please call Ms. Nehaya Helmy, HR. & Admin. Officer, Tel. No. 23263297 ext. 111.

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