ANNUAL REVIEW **2016**

UOP
الشركة المتحدة للمشروعات النفطية
United Oil Projects

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

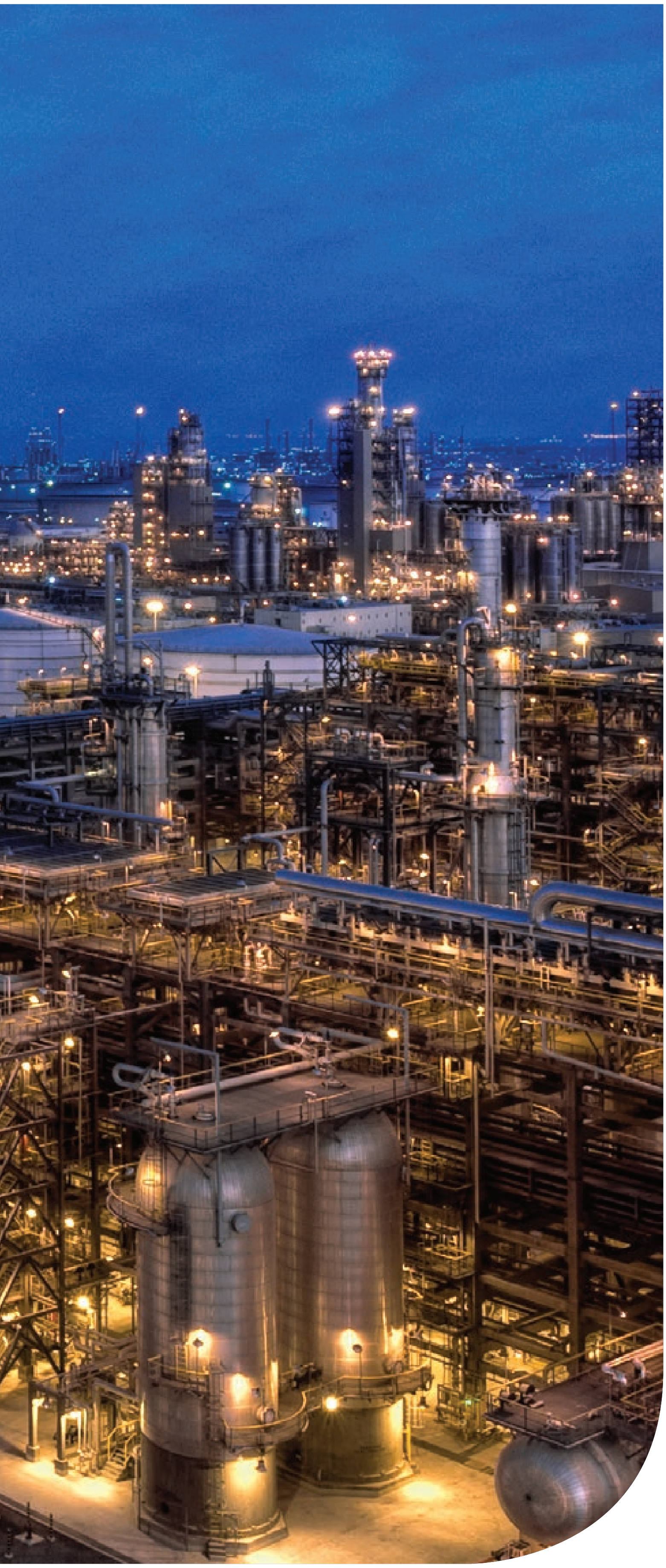
This year, the annual reports of KIPCO Group companies each feature a different piece of woven textile from The Al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item pictured here (LNS 119 T) is a panel of brocaded velvet with metal thread, woven with a pattern of carnations and diminutive trees in the interstices. The item was made in Turkey in the early 17th century CE. The image is reproduced with the kind permission of The Al-Sabah Collection, Dar Al-Athar Al-Islamiyyah.

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

About 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.

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

The KIPCO Group is one of the largest holding companies in the Middle East and North Africa, with consolidated assets of US$ 32.7 billion as on 31 December 2016. The Group has significant ownership interests in over 60 companies operating across 24 countries. The group's main business sectors are financial services, media, real estate and manufacturing. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors.

Contents

EXECUTIVE SUMMARY

Business Highlight:

- Al Khorayef – a key investment of UOP, has showcased outstanding performance in terms of its Operational Efficiency, Timely Performance and in maintaining high level of safety standards, across the projects.

  Al Khorayef successfully commissioned Large Scale Thermal Pilot Project for South Ratqa field.

- UPDC – a JV investment of UOP, continues its good performance with Kuwait Oil Company in spite of the challenges

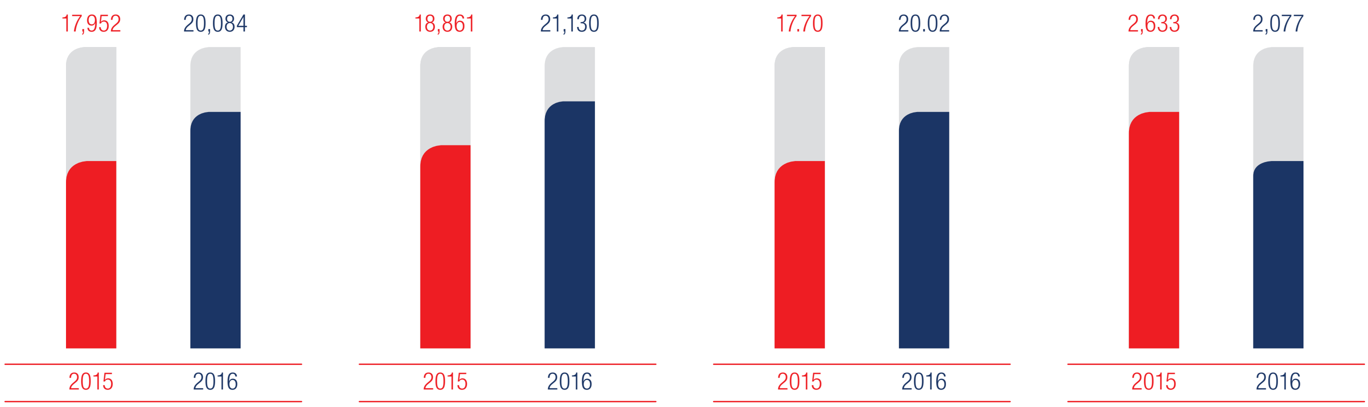
- KOC has extended the contract with UOP & its partner, for Gyroscopic Survey Services.

- UOP has been dynamically responding to fresh market challenges, effectively carving new opportunities.

Financial Highlight:

- UOP reported a Net Profit of KD 2 Million compared to KD 1.77 Million in the previous year. The net comprehensive income for the year is KD 2.73 Million compared to KD 2.39 Million of the previous year.

- The net shareholders' equity has been continuously growing from 2009 onwards. In 2016, the total assets grew by 12% and the equity by 11.9%.



Shareholders' Equity
KD Million

Assets
KD Million

Earnings Per Share
Fils

Sales
KD Million

Financial Summary:

	2016	2015	2014	2013
Income Statement Highlights (KD '000)				
Gross Profit	**273**	271	325	317
Other Income	**2,345**	2,337	1,389	1,304
Operating Expenses	**(570)**	(798)	(531)	(503)
Net Profit for the year	**2002**	1,770	1,152	1,092
Dividend	**7%**	6%	5%	0
Financial Statement Highlights (KD '000)				
Total Assets	**21,130**	18,861	16,708	15,349
Investments	**15,304**	13,242	11,219	10,432
Term Loans	**0**	0	0	0
Equity	**20,084**	17,952	16,060	14,561
Profitability				
Earnings per Share (fils)	**20.02**	17.70	11.52	10.92
Return on Average Assets	**9%**	9%	7%	7%
Return on Average Equity	**10%**	10%	7%	7%
Profit per Employee (KD 000')	**37.77**	32.78	23.04	24.27
Capital				
Equity / Total Assets	**95%**	95%	96%	95%
Debt / Equity	**5%**	5%	4%	5%
Liquidity & Business Indicators				
Investments / Total Assets	**72%**	70%	67%	68%
Liquid Assets / Total Assets	**18%**	18%	20%	18%
Number of Employees	**53**	54	50	45

Company Overview

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

In 2005, the company's management adopted a reformed strategy for the development of its activities to adroitly meet and accommodate the frequent economic transformations and developments, as well as to foster its returns through seizing available investment opportunities in the energy sector. As a result, the Company was subsequently re-named as United Oil Projects and the authorized and paid up capital was increased to 10 Million Kuwaiti Dinars approximately USD 32.9 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 key investment of UOP:

- Through Al-Khorayef United Holding Company (AKUH), United Oil Projects Company (UOP) owns 25% share in Al-Khorayef Company for sale maintenance & repair of oil production equipment L.L.C (AKC), a subsidiary of Saudi based Al-Khorayef Group, operating equipment supply contracts and oil-related facilities.
- United Precision Drilling Company (UPDC) continues to be one of United Oil Projects Company's (UOP) significant investments, with a ownership share of 47.5%. A Joint Venture in partnership with Weatherford International Company, the United Precision Drilling Company (UPDC) currently manages a number of rigs in the State of Kuwait and the neutral zone.

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.

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.

Board of Directors

Mr. Sadoun Abdullah Ali
Chairman

Mr. Muhaiman Ali Behbehani
Vice Chairman and CEO

Mr. Mohammad Bader Al-Sayer
Board Member

Mr. Fuad Abdul-Raheem Akbar
Board Member

Mr. Fawaz Bader Al-Othman
Board Member

Chairman's Message

Vice-Chairman & CEO Statement

Chairman’s Message

Dear shareholders,

On behalf of my fellow Directors, I am delighted to present the annual report of United Oil Projects Co KSC (UOP) for the year ended December 31, 2016.

The report highlights the strong market position and the financial performance achieved by UOP through dynamic strategies and high quality investments. In lieu of the above, we tackled fresh challenges through flexible and effective responses thereby creating new opportunities.

The year 2016 witnessed a deep drop in oil prices impacting government expenditure and thus, buffeting the economy. Nevertheless, oil and gas sector accounted for 27% of the planned projects in Kuwait. This triggered a fresh level of activity in the Energy sector, thereby revalidating the business strategies of UOP. As result, we have registered a 13% growth (both upstream and downstream activities) in such a difficult year, which clearly ratifies the path that we have chosen

Performance Highlights of the Year

- One of the flagship investments, Al Khorayef United Holding (AKUH), continued its growth in the -upstream sector. AKUH’s excellent track record and consistent performance has positioned itself as a prospective player for the upcoming opportunities.
- United Precision Drilling Co. (UPDC), had a challenging year in terms of operations. Nevertheless, through focused response from the management, UPDC has reinforced the strong foothold with Kuwait Oil Company, thereby making it well geared for growth in the upstream sector.
- The Projects division has successfully expanded its offerings to Kuwait Oil Company, by supplying various products and services.
- The Chemical industry faced significant headwinds in 2016 mainly due to slowing regional economies and rising raw material costs. Responding to the challenges, the Chemical Division modified its strategy and exited from unprofitable product segments. In addition to focusing on sustainably profitable grades, we have identified new supply gaps in the specialty markets, and thereby tapping into new opportunities.

In summary, the company managed to achieve growth, which has reflected positively on the financial results and other key performance indicators.

Financial Outcome

As of the year ending 2016, United Oil Projects reported a net profit of KD 2 million, as compared to KD 1.77 million in 2015, an increase of 13% in the net profit. The Comprehensive income for the year is KD 2.73 million compared to 2.39 million for the previous year.

Net shareholders’ equity has continued to grow for the eighth year continuously and the net increase in the current year is 11.9%. The total assets have increased by 12% to KD 21.12 million as compared to KD 18.86 million in 2015.

In view of the above, I am pleased to announce to you the recommendation of the board, to distribute cash dividends of 7 per cent of the company’s paid-up capital, equivalent to 7 fils per share, subject to the approval of the assembly and the related authorities.

In conclusion, I would like to seize this opportunity to thank our shareholders, clients, and partners alike for their appreciated support and to our management and staff for their dedication and relentless effort to achieve the Company’s goals.

We would also like to extend our thanks to the government of Kuwait, especially the petroleum arm Kuwait Petroleum Corporation – KPC, its subsidiaries & affiliate companies, and the regulatory authorities for their continuous support to the industrial sector with sincere commitment to drive the country towards a better future.

Sincerely
Sadoun A. Ali
Chairman

UOP continued to deliver positive results in 2016. Record profits and robust results coupled with sustainable cost savings helped to maintain stable position.

Vice-Chairman and CEO Statement

Dear shareholders,

2016 marked a significant year for UOP. We succeeded in managing a steady growth momentum and also improved our activities through sustained focus on key investments and by penetrating strategic markets. The future looks promising as we are constantly exploring ways to redefine our business approach which is expected to maintain the growth in demand.

The brave and determined steps we took during 2016 have shown good results and are bound to generate long term benefits for the Company. Our efforts to meet the growth in demand were supported by the development of resilient strategies and redefined business approach.

Macro-Economic Challenges 2016

- Brent averaging around $45 a barrel in 2016; lower oil prices put further pressure on the government toward more significant expenditure cuts and even some delays in capital spending.
- Competition in the regional market, and glutted energy demand were yet other giant-scale factors affecting our business.

Macro Opportunities

- Kuwait's hydrocarbons industry will witness a competitive landscape, as Kuwait's demand for gas is on the rise, indicating room for growth in the market.
- There are several opportunities associated with natural gas in Kuwait with many of the developments yet to come on stream.
- Economic growth has been resilient despite the lower oil price environment.

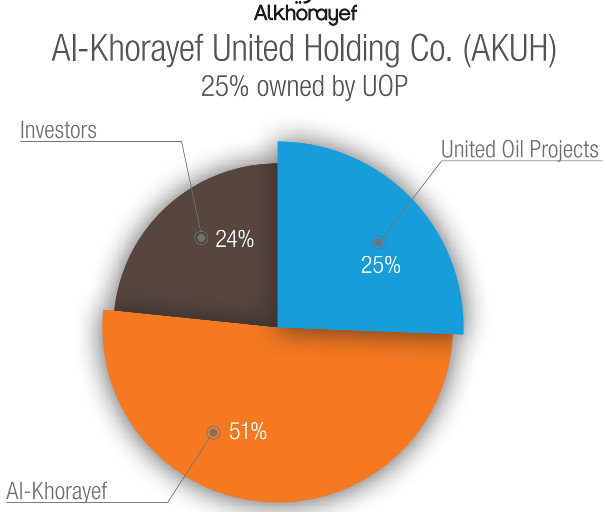
Significant Highlights of the year

- Al Khorayef continues to showcase outstanding performance in all its running projects. Additionally, Al Khorayef is quickly expanding its capabilities to other relevant areas of opportunities, be it with Kuwait Oil Company or as a service provider to other client requirements. GC-18, continues to remain as a feather to the Crown of success with Kuwait Oil Company.
- During the Year, Al Khorayef completed "Large Scale Thermal Pilot Project – South" and is currently under smooth operation.
- The Year 2016 witnessed further opportunities for new rigs with Kuwait Oil Company. Nevertheless, during the initial phase, Weatherford had its own financial limitation in participating in tenders for new rigs. Further, due to a blowout, one of the Rigs got burned down. In spite of the set back in the initial months, Weatherford made a comeback with renewed strength in participating in new tenders. Additionally, efforts were in place to replace the burned down rig with a new rig and thereby continue with the existing contract. The efforts put in during 2016, would ensure a steeper trajectory of growth for UPDC in Kuwait Market in the coming year.
- United Oil Projects has been frequently increasing its activities, both in the upstream and in downstream activities, by representing companies in the Energy Sector. Currently UOP has a good representative portfolio in the upstream sector predominantly in Drilling Fluids, Directional Drilling, Coring Services, Cementing and Thermal Solar. The active participation of the Principle along with a strong supporting hand from United Oil Projects has provided a winning

platform. Currently, UOP has a running contract with Kuwait Oil Company, namely for Gyroscopic Survey Service. UOP made inroads through the trading portfolio for supply of various products including Turbine Filters, Supply of Pumps and Water treatment Chemicals for various projects.

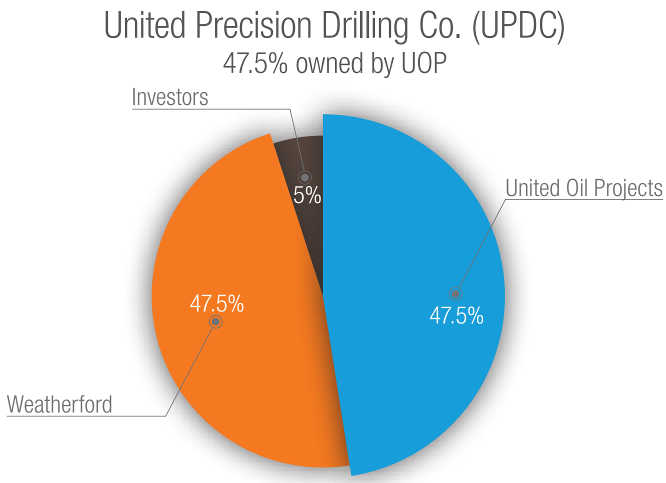
- Responding to the challenges in the market due to low crude prices, the Chemical Division has made strategic decisions to exit from unprofitable segments and focus on sustainable ones. We are also expanding our presence in the local Kuwait market with new product development and also trading in select specialties.
- The Company's Integrated Management System on Quality and Environment is certified in accordance with the requirements of International Standards: ISO 9001:2008 and ISO 14001:2004.
- Sustainability initiatives as a major approach to address our social commitments and the regulatory obligations.

Al-Khorayef Company for Sale Maintenance & Repair of oil production equipment (AKC)



- Since 1995, **Al-Khorayef Company for Sale Maintenance & Repair of oil production equipment** (AKC) has been providing services to the oil, electricity and water sectors in The State of Kuwait, including the supply of electrical submersible pumps (ESP) for both oil and water applications.
- Over the years, Al Khorayef has established itself as a prominent player in providing Artificial Lift Services to Kuwait Oil Company. While ESP continues to remain as its strong foothold, AKC's capability expansion into Progressive Cavity Pumps & Sucker Rod Pumps has broadened its scope of services in Kuwait.
- During the course of Journey, AKC has also expanded into Production Facility – mainly its construction, Operation & Maintenance. GC-18, Lower Fares heavy Oil Projects, Large Scale Thermal Pilot Project (LSTP) are few of the projects, which showcased their Professional capability in executing projects of various magnitude. Over the years GC-18 remains one of the flagship projects, and is currently under smooth operation and has brought in laurels from across Kuwait Oil Company. In the current year, AKC completed LSTP – South, which too is under smooth operation.
- Further, in the current year, AKC has expanded its qualifications into further areas of expertise and is well positioned to play a major role in oil and gas sector in Kuwait with KOC to target further opportunities. Meanwhile, they have also strengthened its in-house operation for better and efficient cost control.
- Overall, Al-Khorayef enjoys a positive future outlook, including operations and maintenance as it is expected to play an increasingly major role in providing additional world class services and expertise to Kuwait Oil Company, KGOC and joint operations.

United Precision Drilling Company (UPDC)



- The sector remained robust & poised for increased activity from KOC, in its efforts to meet the production target for 2020. Meanwhile, The first half of the year, witnessed a few setbacks for UPDC. One of the rigs got burned down, due to a blowout. UPDC was quick to respond to the situation, and put in place immediate measures to deploy a new rig under the existing contract. The rig would start operations in the first quarter of 2017.
- The second half of the year witnessed renewed appetite for participating in new tenders for rigs. UPDC has good prospects in some of the opportunities which are under finalization.
- United Precision Drilling Co continue to enjoy preferred recognition from K-Companies in relation to other competitors in the market.

Vice-Chairman and CEO Statement

The Chemical Division

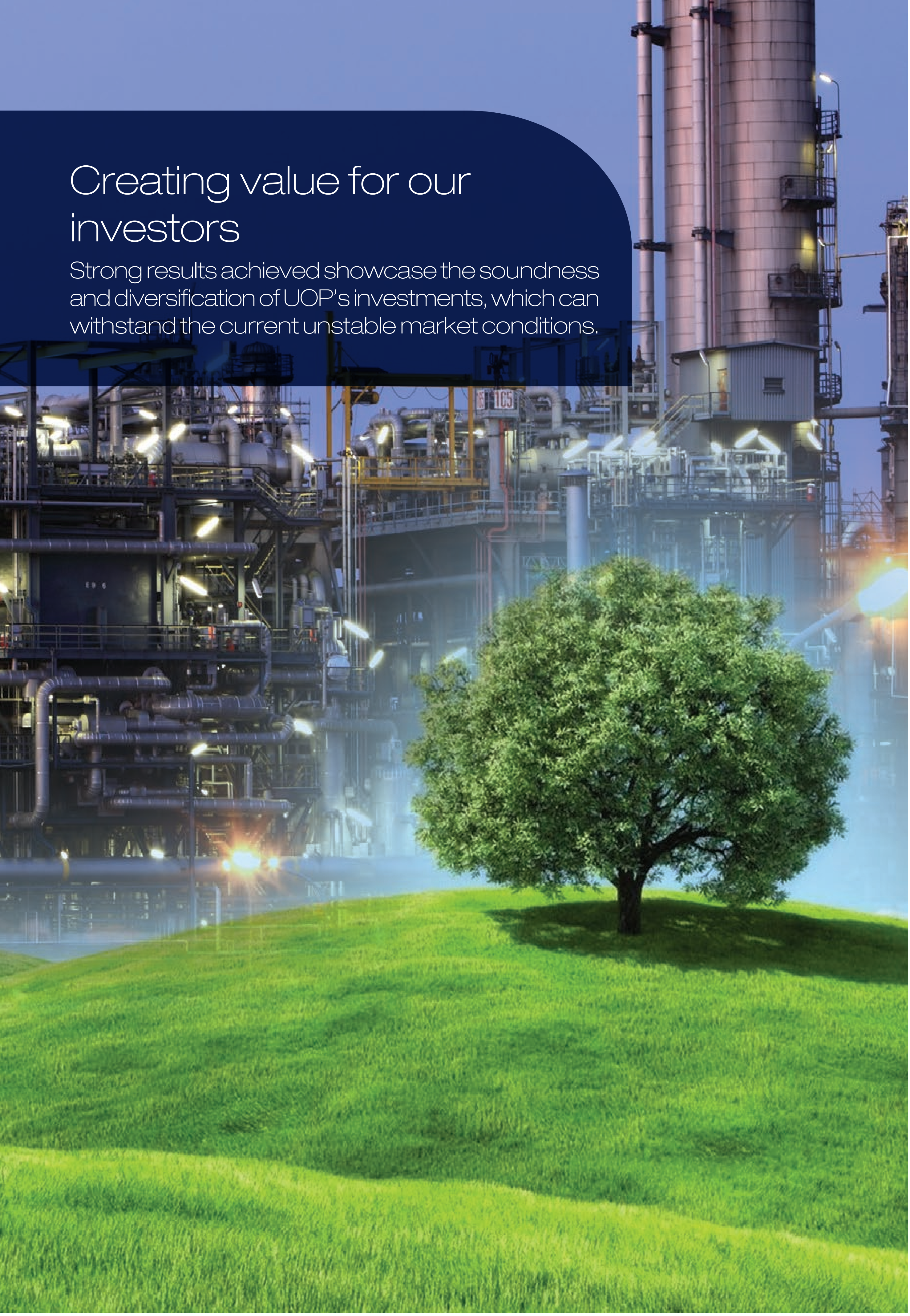
- The drastic drop in Crude prices is buffeting the GCC, particularly the Saudi Market. Many infrastructure projects are on hold, if not cancelled outright.
- Consequently much of the demand for Paints, and therefore for resins has evaporated.
- Competitors with huge resin capacities have dropped the prices to below feasible levels, taking down the market with them. Since the same competitors are also active in Sri Lankan and other markets, they have cut the prices there too to move their large inventories.
- We have chosen not to participate in this race to the bottom. Instead, we have selectively targeted niche markets where the prices are reasonable and sustainable
- The turmoil in the Egyptian market has negatively affected the resin importers and restrictions on obtaining hard currencies have hit imports as well. We are pursuing select customers & grades here that may have a long term potential.
- Compared to this chaos in the export markets, Kuwait market is far more stable, with better pricing.
- In addition to consolidating our strong position in the local market, we are also working on developing additional product streams to expand the market share. Thanks to efforts by our R&D, specialties like Sheet Molding Compound resins (for special fiberglass fabrication) etc., are already underway.
- Further, we are also expanding into trading of specialties, already in demand by our current customers in Kuwait. Though the volumes are initially small, better margins and ease of delivery are in our favor.

Agency Portfolio

- Over the years, UOP has developed a competent portfolio of companies under Products & Services Category. Some of the promising opportunities wherein UOP has developed its partnership include Drilling Fluids, Directional Drilling, Tubular Inspection services, Coring, Steam Monitoring and Concentrated Solar Power for EOR applications. On the Product applications, UOP has developed its partnership on Filter applications for Turbines.
- UOP & their partners shall develop their relationship to Joint Ventures, according to the market requirement, at the appropriate time.

Creating value for our investors

Strong results achieved showcase the soundness and diversification of UOP's investments, which can withstand the current unstable market conditions.



Vice-Chairman and CEO Statement

Sustainability initiatives and corporate social responsibility

- UOP continued its journey by maintaining and improving the established Corporate Social Responsibility [CSR] values. The new initiative on Sustainability practices along-with the CSR activities helped UOP to reach out to the community, fulfilling its social responsibility and commitment to future generations.
- Sustainability practices through CSR involve conduct of business operations in a way that minimizes harm to the environment and local community while benefitting consumers and employees and contributing to social development. In-fact CSR activities at UOP are greatly focused on sustainable development such that it is often undistinguishable from the sustainable policies.
- Thus, Sustainability and CSR are the Company's commitment to its stakeholders that business is conducted in an economically, social and environmentally sustainable manner that is transparent and ethical.
- Sustainability is not an easy value to uphold. The major difficulty being the compulsion to compromise on the core values during difficult performance years.
- Strength of the established processes and the Management commitment helps to ensure that the Company's actions are consistent with the principles of sustainability.

Sustainability governance process

In-order to govern sustainability across the processes and operations of the Company, the respective department heads are assigned ownership to the sustainability initiatives. Departments are thus able to interact and manage the daily communications on the matter, through Health, Safety and Environmental aspects.

Base principles of sustainability approach

At UOP, the approach to sustainability is based on five basic principles:

- Listening to and engaging with our stakeholders.
- Embedding sustainability aspects into our core decision making process.
- Periodic review of processes to address key environmental and social concerns.
- Ensuring that UOP upholds the role of a responsible corporate citizen.
- Conducting our operations in safe manner-both for our workforce and for the communities surrounding us.

Integrated management system and standard procedures

The Integrated Management System [IMS] and Standard procedures have been the backbone of sustainability initiatives at UOP.

The Company continued to maintain the Certification of its IMS to the International Standards: ISO 9001:2008 and ISO 14001:2004 by meeting their relevant requirements.

UOP is currently in the process of reviewing the requirements for transition of its IMS certification to the 2015 version of these two International Standards; ISO 9001:2015 and ISO 14001:2015.

Minimising our environmental impact

The Company has overcome the major hurdle in minimizing and managing the impacts of its operations through environmental aspect and impact assessment system. Factors contributing to different Environmental impacts were identified through discussion with different process owners and their effects were minimized through standard management system such as:

- VOC EMISSION MANAGEMENT
- WATER CONSERVATION AND MANAGEMENT
- WASTE MANAGEMENT

Through the above systems, the Company could achieve compliance with applicable regulatory authority [K-EPA] requirements, reduction in production cost and above all, achievement of sustainability initiative goals.

Meeting our social commitments to our employees

Commitment to our employees

Safety and occupational health

- UOP aspires for a zero-harm environment for its employees:

The success of safety program at UOP has been the multi-fold approach to safety:

- Standard systems and procedures to manage the safety of our employees and assets
- Timely training on Safe work practices
- Provision of right equipment for the job and personal protective equipment [PPE]
- Monitoring mechanism that consistently investigates and improves on the findings of safety incidents.

Caring for employee well-being extends beyond ensuring their safety:

In-order to ensure that our employees are not exposed to occupational health hazards, periodic monitoring of health factors determined by the regulatory authorities was conducted.

Training and development

- Enhancing employee capability through a structured approach:

We believe that learning not only adds to quality but also helps in achieving organizational goals.

Learning is imparted by exposing employees to training programs and seminars on work procedures and government administrative rules and regulations.

To mention a few:

- Seminar on K-EPA Environmental Protection Law
- Training on Kuwait Labour laws
- Training on Legality of contracts
- Orientation on HSE rules and Personal Protective Equipment
- Forklift operation & Safety

Commitment to the community

Being fair and transparent

- The Company's established set of guidelines and principles for business conduct ensures the ethical and responsible behavior all our employees and managers.
- Performing all operations through Standard systems.
- Proper documentation on all transactions, a major strength in ensuring transparency in operations.
- All the incoming and outgoing goods accompany a Material Safety Data Sheet mentioning their properties and the precautions to be taken while handling them.
- Standard waste management system to ensure that there are no waste discharges to the surrounding environment. Supporting activities on this being regular monitoring of stack emission, waste disposals through Government approved agencies and a policy of nil waste water discharge to the local stream.

Training of kuwait university students and fresh graduates

- As a Management initiative to exchange its services for experience to the local community, students from the Kuwait University Faculty of Science were provided training on the manufacturing operations at UOP. This program was conducted in coordination with the Kuwait Foundation for the Advancement of Science [KFAS].
- Fresh Kuwaiti Engineering graduates from sister companies were also provided opportunity for getting trained on Industrial operations at the Company facility

Engaging local vendors

- For the mutual benefit of our Company and the local industry, sincere efforts are put forth in identifying local vendors and suppliers. Our requirements on product packaging materials are to a good extent, being met through the local vendors.
- Raw materials that are manufactured locally and can be procured are given preference to imported materials. The local traders also contribute in supplying our low volume raw materials which otherwise are imported.

2016 Financial Results:

Income Statement:

- The Net profit for the year ending December 2016 is KD 2 million versus KD 1.77 million of last year same period which represent an increase of 13%. The growing profitability of the company's investments in associates is indicative of its financial acumen, strong investment strategy and the superior financial synergies provided to its associates.
- The earning per share for the period stood at 20.01 fils compared to 17.69 fils of the last year indicating a higher profitability to equity shareholders.
- The income from associates is KD 1.95 million representing a decrease of 3% compared to last year and the income from other sources is KD 0.38 million increased by 28% compared to last year. The general and administration expenses decreased by 30%.
- The revenue from sales is KD 2.07 million lower than last year by 21% due to lower exports, but Gross profit wise we are better than previous year by 0.7%.

The Balance sheet:

- Given the increased operational efficiency and sterling performance, the total asset of the company has increased by 12% compared to last year and the net equity increased by 11.9% even after paying 6% cash dividends.
- As a mark of increased liquidity, at the end of 2016, the total cash balance of UOP has increased by 4.4%. Also, the value of Portfolio investments has gone up by 21.3% indicating favourable trend and outlook on company's investments by the markets and increased valuation by investors and public at large
- Given the above positive results, UOP has declared a dividend of 6% for the year 2015 and distributed the same during the year 2016 as mark of its overall positive outlook and improved performance the company has proposed a cash dividend of 7% for the current year.
- The current assets increased by 5.6% compared to last year and it represents 15.9% of total assets. The non-current assets increased by 13.3% compared to last year and it represents 84.1% of total assets. The liabilities increased by 15% compared to last year and it represents 5% of total assets.
- The Shareholder's equity is KD 20.08 million (200.8 fils per share) compared to KD 17.95 million (179.52fils per share) increased by 11.9%.

Adapting for now and the future

Seeking new investment opportunities, in partnership with well reputed international players to strengthen our market position.

2017 Future Outlook

Adapting for now and the future

Over the years UOP has responded to changing circumstances many times. Each time we have learned, adapted and evolved. This experience, gained over more than 38 years, is one of our greatest assets. Today, we are well placed to weather the storm and navigate through a testing environment to emerge in good shape for taking advantage of new opportunities. We are confident that UOP will be delivering value for our customers and value for our shareholders long into the future.

Building a platform for growth

This is a realistic outcome that gives UOP clarity to plan for the future. To build that future, we will continue to invest in a disciplined way in a portfolio that is well balanced across our upstream and downstream businesses and across resource types. This gives us resilience and flexibility now and in the future.

Creating value for our investors and benefits for the communities where we operate

We apply our capabilities of advanced technology, strong relationships and proven expertise across our operations to help us deliver against our strategic priorities in ways that we believe set us apart from our peers. These examples reflect our distinctive ways of working across the business and our positive outlook for the future.

Building a platform for growth

Actively seeking new local and regional investment opportunities, in partnership with well reputed international players within the field to strengthen our position further in the market

Muhaiman Ali Behbehani
Vice Chairman and CEO

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

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

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

G. Noor Basha
Accounts Manager

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

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

Jacob George Paret
Business Development Manager

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

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

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

Joji John
Projects Development Manager

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

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

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

FINANCIAL STATEMENTS

31 DECEMBER 2016

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Independent Auditors' Report

To The Shareholders of United Oil Projects Company K.S.C. (Closed)

Building a better working world

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Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the United Oil Projects Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.1 of 2016, and its executive regulations and by the Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016 and its executive regulations or of the Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Company or on its financial position.

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

12 March 2017
Kuwait

STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Sale of goods		**2,076,645**	2,633,262
Cost of goods sold		**(1,803,427)**	(2,362,042)
GROSS PROFIT		**273,218**	271,220
Share of results from associates	8	**1,485,419**	1,606,998
Share of results from a joint venture	9	**473,143**	415,608
Dividend income		**249,207**	191,656
Interest income		**103,606**	90,023
Other income		**74,058**	53,456
General and administrative expenses		**(507,703)**	(730,024)
Selling and distribution expenses		**(62,422)**	(68,176)
Impairment of financial assets available-for-sale	10	**(39,991)**	(43,627)
Foreign exchange (loss) gain		**(124)**	10,579
Gain on disposal of property, plant and equipment		**-**	12,361
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' REMUNERATION		**2,048,411**	1,810,074
Contribution to KFAS		**(8,798)**	(7,483)
Zakat		**(8,000)**	(7,938)
Directors' remuneration	14	**(30,000)**	(25,000)
PROFIT FOR THE YEAR	6	**2,001,613**	1,769,653

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Profit for the year		**2,001,613**	1,769,653
Other comprehensive income:			
Item that are (or) may be reclassified subsequently to statement of income in future periods:			
Net unrealised gain on financial assets available-for-sale		**615,884**	261,993
Foreign currency translation adjustments	8	**74,163**	316,677
Impairment of financial assets available-for-sale transferred to the statement of income		**39,991**	43,627
Other comprehensive income		**730,038**	622,297
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,731,651**	2,391,950

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
ASSETS			
Non-current assets			
Property, plant and equipment	7	**848,078**	895,131
Investment in associates	8	**10,904,529**	9,931,700
Investment in a joint venture	9	**888,751**	415,608
Financial assets available-for-sale	10	**3,510,481**	2,894,597
Amount due from related parties	17	**1,250,000**	1,250,000
		17,401,839	15,387,036
Current assets			
Inventories	11	**587,421**	555,507
Accounts receivable and prepayments	12	**529,498**	477,083
Amount due from related parties	17	**375,832**	300,832
Cash and cash equivalents	13	**2,235,114**	2,140,919
		3,727,865	3,474,341
TOTAL ASSETS		**21,129,704**	18,861,377
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**10,000,000**	10,000,000
Share premium	14	**1,885,000**	1,885,000
Statutory reserve	14	**972,106**	767,265
Voluntary reserve	14	**972,106**	767,265
Asset revaluation reserve		**125,264**	125,264
Cumulative change in fair values		**1,797,175**	1,141,300
Foreign currency translation reserve		**393,190**	319,027
Retained earnings		**3,938,919**	2,946,988
Total equity		**20,083,760**	17,952,109
Liabilities			
Non-current liability			
Employees' end of service benefits	15	**275,186**	236,841
Current liabilities			
Accounts payable and accruals	16	**479,522**	431,904
Amount due to related parties	17	**291,236**	240,523
		770,758	672,427
Total liabilities		**1,045,944**	909,268
TOTAL EQUITY AND LIABILITIES		**21,129,704**	18,861,377

Sadoun A. Ali
Chairman

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Asset revaluation reserve	Cumulative changes in fair values	Foreign currency translation reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2016	10,000,000	1,885,000	767,265	767,265	125,264	1,141,300	319,027	2,946,988	17,952,109
Profit for the year	-	-	-	-	-	-	-	2,001,613	2,001,613
Other comprehensive income for the year	-	-	-	-	-	655,875	74,163	-	730,038
Total comprehensive income for the year	-	-	-	-	-	655,875	74,163	2,001,613	2,731,651
Transfer to reserves	-	-	204,841	204,841	-	-	-	(409,682)	-
Dividend (Note 14)	-	-	-	-	-	-	-	(600,000)	(600,000)
As at 31 December 2016	**10,000,000**	**1,885,000**	**972,106**	**972,106**	**125,264**	**1,797,175**	**393,190**	**3,938,919**	**20,083,760**
As at 1 January 2015	10,000,000	1,885,000	586,258	586,258	125,264	835,680	2,350	2,039,349	16,060,159
Profit for the year	-	-	-	-	-	-	-	1,769,653	1,769,653
Other comprehensive income for the year	-	-	-	-	-	305,620	316,677	-	622,297
Total comprehensive income for the year	-	-	-	-	-	305,620	316,677	1,769,653	2,391,950
Transfer to reserves	-	-	181,007	181,007	-	-	-	(362,014)	-
Dividend	-	-	-	-	-	-	-	(500,000)	(500,000)
As at 31 December 2015	10,000,000	1,885,000	767,265	767,265	125,264	1,141,300	319,027	2,946,988	17,952,109

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, Zakat and Directors' remuneration		**2,048,411**	1,810,074
Adjustments to reconcile profit to net cash flows:			
Dividend income		**(249,207)**	(191,656)
Interest income		**(103,606)**	(90,023)
Gain from sale of property, plant and equipment		**-**	(12,361)
Depreciation	7	**72,934**	72,922
Share of results from associates	8	**(1,485,419)**	(1,606,998)
Share of results from a joint venture	9	**(473,143)**	(415,608)
Impairment of financial assets available-for-sale	10	**39,991**	43,627
Provision for employees' end of service benefits	15	**45,332**	44,942
		(104,707)	(345,081)
Working capital adjustments:			
Inventories		**(31,914)**	92,936
Net movement in related parties		**50,713**	240,523
Accounts receivable and prepayments		**(52,415)**	47,870
Accounts payable and accruals		**(31,441)**	19,750
Cash (used in) from operating activities		**(169,764)**	55,998
Employees' end of service benefits paid	15	**(6,987)**	(43,797)
Dividend received from associates	8	**586,753**	578,126
Net cash flows from operating activities		**410,002**	590,327
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(25,881)**	(16,880)
Proceeds from sale of property, plant and equipment		**-**	12,392
Dividends received from others		**249,207**	191,656
Interest received		**28,606**	15,023
Net cash flows from investing activities		**251,932**	202,191
FINANCING ACTIVITY			
Dividends paid		**(567,739)**	(500,000)
Net cash flows used in financing activity		**(567,739)**	(500,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**94,195**	292,518
Cash and cash equivalents at 1 January		**2,140,919**	1,848,401
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**2,235,114**	2,140,919

The attached notes 1 to 20 form part of these financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The financial statements of United Oil Projects Company K.S.C. (Closed) (the “Company”) for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 12 March 2017. The Shareholders’ General Assembly has the power to amend these financial statements after issuance.

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

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

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

- Setting up petrochemical industry projects relying on locally or regionally available produced materials and manufacture and supply chemicals for the fiberglass, paint and petrochemical industries and for general use.
- Setting up of paint and fiberglass manufacturing projects (provided that the approval of the Public Authority for Industry is secured).
- Import and export of the raw materials required for such projects, in addition to materials complementary to the manufacturing of paints and fiberglass (provided that the approval of the Public Authority for Industry is secured).
- Production of Polyvinyl Acetate Vinyl, Polyvinyl Aster Resin and Polyurethane resin (of all kinds) Acrylic and epoxy resin, in addition to emulsion resin all kind (subject to the Public Authority for Industry approval).
- The Company may set up industrial projects in the field of petrochemicals and natural gas, singly or with the participation of parties and entities that carry on similar business (subject to the Public Authority for Industry approval).
- Invest surplus funds in financial and real estate portfolios locally or abroad managed by specialised firms.
- The Company may have an interest in or participate in any manner in entities that carry on business activities similar to its own or which may assist it in realizing its objects in Kuwait or abroad and it may buy or otherwise acquire such companies and entities. The Company may carry on the aforesaid business in the State of Kuwait and abroad acting as principal or by proxy.
- The Company may participate in industrial projects in the field of petrochemicals, oil and natural gas (subject to the Ministry of Oil approval), singly or with the participation of parties and entities that carry on similar business. The Company may also manufacture all kinds of chemical and petrochemical substances branching off thereof and used in the gas sector and the oil sector (subject to the Public Authority for Industry approval).
- To carry on the business of auxiliary services for the operations of drilling of oil wells and the exploration and repair of wells and preparation thereof for production an all subsequent business relating to the maintenance of oil wells and the representation of the competent foreign companies (subject to the Ministry of Oil approval).
- To carry on maintenance work and different general services for oil sector (subject to the Ministry of Oil approval).
- To sell, purchase, supply, distribute, export and store chemical and petrochemical material or any other substitute material used in the Gas and Oil sector and participate in all related activities, also include establish and lease required services (subject to the Ministry of interior approval).
- To participate in industrial companies, as well as finance, manage and trade in their shares.
- To provide technical and economic consultancy services relating to industrial investments.

According to an approval from the Public Authority for Industry, the Company is exempt from customs duty on raw materials for the period from October 2001 to 17 October, 2017.

The new Companies Law No. 1 of 2016 issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 issued on 12 July 2016 and published in the Official Gazette on 17 July 2016 cancelled the Executive Regulations of Law No. 25 of 2012.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared on the historical cost basis, except for financial asset available-for-sale and buildings that have been measured at fair value.

2 BASIS OF PREPARATION (continued)

The financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Company.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

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 recognized when the right to receive payment is established, which is generally when shareholders approve the dividend.

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.

Commission income

Commission income is recognised when the underlying transaction is completed.

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

Zakat

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

Foreign currencies

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

Buildings are measured at fair value less accumulated depreciation and impairment losses recognised are after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Any revaluation surplus is recorded in other comprehensive income and is credited to the asset revaluation reserve under equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of income for the period, in which case the increase is recognised as part of statement of income for the period. A revaluation deficit is recognised in statement of income for the period, except to the extent that it offsets an existing surplus on the same asset recognised as other comprehensive income or in the asset revaluation reserve. On disposal, the related asset revaluation reserve is credited directly to retained earnings.

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

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

Capital work-in-progress is stated at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Following completion, capital work-in-progress is transferred into the relevant classification of property, plant and equipment.

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

Investments in associates and joint venture

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company's investments in its associates and joint venture are accounted for using the equity method.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint venture (continued)

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

The aggregate of the Company's share of profit or loss of an associate or joint venture is shown on the face of the statement of income.

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

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

Upon loss of significant influence over the associates and joint control over the joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associates and joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of income.

Inventories

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

Raw materials, consumables and goods for resale	-	purchase cost on weighted average basis;
Goods in transit	-	purchase cost incurred upto reporting date;
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.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of income.

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets available-for-sale, amount due from related parties, accounts receivable and cash and cash equivalents. The Company determines the appropriate classification of each instrument at initial recognition.

All financial assets are recognised initially at fair value plus, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, accounts receivables, amount due from related parties and financial assets available-for-sale.

Subsequent measurement

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

Cash and cash equivalents

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.

Accounts receivables and amount due from related parties

Accounts receivable and amount due from related parties are stated at original invoice amount less a provision for any uncollectible amounts and are carried at amortised cost.. 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.

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 loans and receivables.

After initial recognition, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

For investments traded in organised financial markets, fair value is determined by reference to market bid prices. For investments where there is no quoted market price and are managed by professional portfolio managers, the fair value is based on the valuation provided by the portfolio manager.

Fair value cannot be reliably measured for certain investments. Such investments are carried at cost less any known impairment in value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)

Derecognition

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

- The rights to receive the cash flows from the asset have expired;
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 or has entered into pass-through arrangement, 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. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available-for-sale

For financial assets available-for-sale, the Company assess at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available-for-sale is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' against the period in which fair value has been 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 those financial assets available-for-sale previously recognised in the statement of income is removed from other comprehensive income and recognised in the statement of income.

Impairment losses in equity investments are not reversed through statement of income, subsequent increases in their fair value after impairment are recognized directly in other comprehensive income.

Impairment of receivable

An estimate of the collectible amount of 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as accounts payable and accruals and amount due to related parties. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accruals and amount due to related parties.

Subsequent measurement

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

Accounts payable and accruals and amount 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.

Derecognition

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

(iv) Offsetting of financial instruments

Financial assets and liabilities are offset and net amount is reported in the statement of financial position when the Company has currently legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

The Company measures financial instruments, such as, financial asset available for sale and non-financial assets, at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Fair value measurement of financial instruments

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including financial instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.The fair value of financial instruments carried at amortised cost, other than short-term in nature is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Fair value measurement of non-financial instruments

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest input level that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest input level that is significant to the fair value measurement is unobservable.

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

Employees end of service benefits

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

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

Current versus non-current classification

The Comapny presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised in the statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the statement of financial position, but are disclosed when an inflow of economic benefits is probable.

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of the financial statements are consistent with those used in the previous financial year, except for the adoption of the following amendments to the existing standards relevant to the Company, effective as of 1 January 2016.

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

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012-2014 Cycle

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of income and other comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of income and other comprehensive income. These amendments do not have any impact on the financial statements of the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Company.

4.2 STANDARD ISSUE BUT NOT YET EFFECTIVE

Standards and amendments to standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Company's financial statements. Many of the disclosure requirements in IFRS 15 are completely new.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. Application of amendments will result in additional disclosures provided by the Company.

4.2 STANDARD ISSUE BUT NOT YET EFFECTIVE (continued)

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

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income. 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.

Classification of financial assets

Classification of investments is based on management's intention at acquisition and requires considerable judgment.

Impairment of investment in associates and joint venture

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 and joint venture, at each financial reporting date based on existence of any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and joint venture and its carrying value and recognises the amount in the statement of income.

Impairment of financial assets available-for-sale

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 trade receivable

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

Valuation of inventories

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

Useful lives of property, plant and equipment

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

Impairment of property, plant and equipment

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

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property, plant and equipment (continued)

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

- Significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- Significant changes in the technology and regulatory environments; or
- Evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2016	2015
	KD	KD
Staff costs included in:		
Cost of sales	**166,149**	159,596
General and administrative expenses	**332,198**	355,757
Selling and distribution expenses	**47,088**	52,261
	545,435	567,614
Inventories recognised as expenses upon cost of goods sold	**1,508,301**	2,049,906
Rental - operating lease	**9,800**	5,600

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, machinery and equipment	Furniture, office equipment and fixtures	Motor vehicles	Capital work-in-progress	Total
	KD	KD	KD	KD	KD	KD
Cost:						
As at 1 January 2016	1,728,905	1,417,382	125,321	99,127	3,010	3,373,745
Additions	-	5,976	4,140	-	15,765	25,881
Transfers	-	3,010	-	-	(3,010)	-
As at 31 December 2016	1,728,905	1,426,368	129,461	99,127	15,765	3,399,626
Depreciation:						
As at 1 January 2016	1,454,907	847,200	112,976	63,531	-	2,478,614
Charge for the year	-	56,484	4,199	12,251	-	72,934
As at 31 December 2016	1,454,907	903,684	117,175	75,782	-	2,551,548
Net book value:						
As at 31 December 2016	**273,998**	**522,684**	**12,286**	**23,345**	**15,765**	**848,078**

Buildings are constructed on a land leased from The Public Authority of Industry, Kuwait. Notwithstanding the contractual term of the leases, management considers that, based on market experience, the leases are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease.

Fair value of the buildings was determined using the market comparable method. Valuations were performed by an independent valuer based on active market prices, adjusted for differences in the nature, location or condition of the buildings.

Fair value hierarchy

The fair value measurement of buildings has been categorised as level 3, based on inputs to the valuation technique used.

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Plant, machinery and equipment	Furniture, office equipment and fixtures	Motor vehicles	Capital work-in-progress	Total
	KD	KD	KD	KD	KD	KD
Cost:						
As at 1 January 2015	1,728,905	1,403,128	126,221	127,467	11,620	3,397,341
Additions	-	7,334	6,536	-	3,010	16,880
Transfers	-	11,620	-	-	(11,620)	-
Disposals	-	(4,700)	(7,436)	(28,340)	-	(40,476)
As at 31 December 2015	1,728,905	1,417,382	125,321	99,127	3,010	3,373,745
Depreciation:						
As at 1 January 2015	1,454,907	796,191	116,525	78,514	-	2,446,137
Charge for the year	-	55,695	3,875	13,352	-	72,922
Disposals	-	(4,686)	(7,424)	(28,335)	-	(40,445)
As at 31 December 2015	1,454,907	847,200	112,976	63,531	-	2,478,614
Net book value:						
As at 31 December 2015	273,998	570,182	12,345	35,596	3,010	895,131

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

	2016	2015
	KD	KD
Cost of sales	**46,747**	45,944
General and administrative expenses	**26,187**	26,978
	72,934	72,922

8 INVESTMENT IN ASSOCIATES

Name	Country of Incorporation	Equity interest %		Principal activities	Reporting date
		2016	2015		
United Precision Drilling Company W.L.L. ("UPDC")	Kuwait	**47.50%**	47.50%	Sale of oil equipment	31 December 2016
Al-Khorayef United Holding Company K.S.C. (Closed) ("Al-Khorayef")	Kuwait	**25.00%**	25.00%	Oil equipment sale, maintenance and repairs.	31 December 2016

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

	2016	2015
	KD	KD
As at 1 January	**9,931,700**	8,586,151
Share of results	**1,485,419**	1,606,998
Foreign currency translation adjustments	**74,163**	316,677
Dividends earned	**(586,753)**	(578,126)
As at 31 December	**10,904,529**	9,931,700

In accordance with International Accounting Standard 36 "Impairment of assets", the management has performed a detailed exercise in respect of each of the associates to determine whether there is any objective evidence that its investment in associates is considered impaired. As a result of the exercise, no impairment is considered necessary as at 31 December 2016.

8 INVESTMENT IN ASSOCIATES (continued)

The following table provides summarised financial information of Company's investment in associates that are unquoted:

	UPDC		Al-Khorayef		Total	
	2016	2015	**2016**	2015	**2016**	2015
	KD	KD	**KD**	KD	**KD**	KD
Non-current assets	**-**	-	**44,747,873**	35,191,618	**44,747,873**	35,191,618
Current assets	**25,525,873**	28,458,454	**27,238,989**	34,460,655	**52,764,862**	62,919,109
Non-current liabilities	**(1,800,538)**	(1,953,258)	**(11,033,651)**	(26,479,946)	**(12,834,189)**	(28,433,204)
Current liabilities	**(18,706,879)**	(21,194,375)	**(34,521,389)**	(21,187,311)	**(53,228,268)**	(42,381,686)
Equity	**5,018,456**	5,310,821	**26,431,822**	21,985,016	**31,450,278**	27,295,837
Company's shareholding	**47.50%**	47.50%	**25%**	25%		
Company's share in equity	**2,383,767**	2,522,640	**6,607,956**	5,496,254	**8,991,723**	8,018,894
Goodwill	**308,840**	308,840	**1,603,966**	1,603,966	**1,912,806**	1,912,806
Carrying value as at 31 December	**2,692,607**	2,831,480	**8,211,922**	7,100,220	**10,904,529**	9,931,700
Commitments	**10,277,722**	13,685,274	**6,735,055**	5,197,067	**17,012,777**	18,882,341
Revenues	**22,594,079**	36,166,683	**25,753,597**	20,367,592	**48,347,676**	56,534,275
Profit for the year	**942,904**	1,581,587	**4,150,154**	3,422,973	**5,093,058**	5,004,560
Company's share in profit on the year	**447,880**	751,254	**1,037,539**	855,744	**1,485,419**	1,606,998
Company's share of OCI during the year	**-**	-	**74,163**	316,667	**74,163**	316,667
Dividend received during the year	**586,753**	578,126	**-**	-	**586,753**	578,126

9 INVESTMENT IN A JOINT VENTURE

	Country of Incorporation	Equity interest %		Principal activities
		2016	2015	
Project GC-16 Joint Venture	Kuwait	**25%**	25%	To build and operate a gathering center in west Kuwait.

During the year ended 31 December 2010, the Company has 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.

During the year ended 31 December 2015, the Company and the Parent Company have 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 (Note 18). However, there are no such guarantees were given during the current year. The Company has not made any direct funding to the unincorporated association.

Joint venture's revenue and results:	**2016**	2015
	KD	KD
Assets	**45,030,684**	59,468,623
Liabilities	**(41,475,682)**	(57,806,190)
Net assets	**3,555,002**	1,662,433
Company's share of net assets	**888,751**	415,608
Revenue	**19,358,816**	16,526,034
Profit for the year	**1,892,569**	1,662,433
Company's share of profit for the year	**473,143**	415,608

The movement in the carrying amount of investment in a joint venture during the year is as follows:

	2016	2015
	KD	KD
As at 1 January	**415,608**	-
Share of results	**473,143**	415,608
As at 31 December	**888,751**	415,608

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2016	2015
	KD	KD
Quoted equity securities	**3,510,481**	2,894,597

Management has performed a detailed review of its financial assets available-for-sale to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded an impairment loss of KD 39,991 (2015: KD 43,627) in the statement of income for the year ended 31 December 2016 due to a significant and prolonged decline in the fair value of the investment.

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

As at 31 December 2016, the fair values of financial assets available-for-sale amounting to KD 3,510,481 (2015: KD 2,894,597) 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 2016 (2015: Nil).

There were no transfers between the hierarchies during the year.

11 INVENTORIES

	2016	2015
	KD	KD
Raw materials	**367,903**	369,246
Finished goods	**305,183**	259,820
Goods in transit	**-**	18,966
Packing materials and spare parts	**24,425**	17,565
	697,511	665,597
Provision for slow moving items	**(110,090)**	(110,090)
	587,421	555,507

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016	2015
	KD	KD
Trade receivables	**524,587**	489,839
Less: Allowance for doubtful debts	**(63,463)**	(63,463)
	461,124	426,376
Other receivables	**68,374**	50,707
	529,498	477,083

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

As at 31 December 2016, trade receivables amounting to KD 63,463 (2015: KD 63,463) were impaired and fully provided.

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

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

	Total	Neither past due nor impaired	Past due but not impaired (<30 days)
	KD	KD	KD
2016	**461,124**	**341,900**	**119,224**
2015	426,376	419,953	6,423

As at 31 December 2016, trade receivables amounting to KD 186,067 (2015: KD 184,738) were denominated in US Dollars.

13 CASH AND CASH EQUIVALENTS

	2016 KD	2015 KD
Cash in hand	**1,957**	1,747
Cash at banks	**204,128**	525,589
Short term deposits with less than original maturity of three months	**2,029,029**	1,613,583
	2,235,114	2,140,919

Included in cash and cash equivalents are balances denominated in US Dollars amounting to KD 46,225 (2015: KD 79,890) and Euro amounting to KD 43,261 (2015: KD 26,537).

14 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

a) Share capital

The authorised, issued and paid-up capital consists of 100,000,000 shares of 100 fils per share (2015: 100,000,000 shares of 100 fils per share), which is fully paid up in cash.

The board of directors has recommended cash dividend of 7 fils per share (2015: 6 fils) amounting to KD 700,000 (2015: KD 600,000) for the financial year ended 31 December 2016 which is subject to approval of the Annual General Meeting of the shareholders. The cash dividend shall be payable to shareholders registered in the Company's records as of the Annual General Meeting date.

b) Dividend

On 4 April 2016, Annual General Meeting of the Company's shareholders was held and approved cash dividends of 6 fils per share amounting to KD 600,000, which was paid following the approval date.

c) 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.

d) Statutory reserve

In accordance with the Companies Law and the Company's Memorandum of Incorporation and Article of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration, 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.

e) Voluntary reserve

In accordance with the Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration, 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. There is no restriction on distribution of voluntary reserve.

f) Director's remuneration

The Board of Directors' have proposed directors' remuneration for the year ended 31 December 2016 amounting to KD 30,000 which is subject to approval by Annual General Meeting of shareholders. The proposed Director's remuneration of KD 25,000 for the year ended 31 December 2015 was approved by the Annual General Meeting of shareholders on 4 April 2016.

15 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2016 KD	2015 KD
As at 1 January	**236,841**	235,696
Provided during the year	**45,332**	44,942
Paid during the year	**(6,987)**	(43,797)
As at 31 December	**275,186**	236,841

16 ACCOUNTS PAYABLE AND ACCRUALS

	2016 KD	2015 KD
Trade payables	**150,846**	133,503
Accrued staff payable	**166,218**	159,197
Dividends payable	**63,970**	44,137
Other payables and accrued expenses	**94,554**	90,265
Advance from customers	**3,934**	4,802
	479,522	431,904

17 RELATED PARTY DISCLOSURES

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

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

	Parent Company KD	Associates KD	Total 2016 KD	Total 2015 KD
Statement of income:				
Dividend income	825	-	**825**	825
Interest income	-	75,000	**75,000**	75,000
Other income	-	30,000	**30,000**	30,000
Statement of financial position:				
Financial assets available-for-sale	18,973	-	**18,973**	15,343
Amount due from related parties	-	1,625,832	**1,625,832**	1,550,832
Amount due to related parties	291,236	-	**291,236**	240,523

Amount due from related parties (classified under non-current assets) carries interest of 6% per annum. Amount due from related parties (classified under current assets) carries no interest and is receivable on demand.

Amount due to related parties carries no interest and is repayable on demand.

During the year ended 31 December 2015, the Company and Parent Company have given guarantee (on a joint and several basis) to a local bank in connection with certain credit facilities availed by a related party (Note 9 and Note 18).

17 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel

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

	2016	2015
	KD	KD
Salaries and short-term benefits	**171,435**	163,343
Employees' end of service benefits	**12,531**	12,303
	183,966	175,646

18 COMMITMENTS

As at 31 December 2016, the Company had commitments against irrevocable letter of credits amounting to KD 4,249 (2015: KD 19,561).

During the year ended 31 December 2015, the Company and Parent Company have given a guarantee (on a joint and several basis) to a local bank amounting to KD 11,920,275 in connection with certain credit facilities availed by a related party (Note 9 and Note 17).

19 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 is mainly exposed to credit risk, liquidity risk and market risk with the latter subdivided into interest rate risk, equity price risk and foreign currency risk. 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. No changes were made in the risk management objectives and policies during the year ended 31 December 2016 and year ended 31 December 2015.

19.1 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.

The Company's five largest customers account for 79% (2015: 76%) of outstanding accounts receivable at the reporting date.

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

19.2 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. Amount due to related parties are payable on demand and accounts payables are settled within 3 months from the reporting date.

19.3 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.

19 RISK MANAGEMENT (continued)

19.3 Market risk (continued)

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.

19.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is not significantly exposed to interest rate risks since it does not have material financial instruments which carry interest at floating rate at the reporting date.

19.3.2 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:

	Change in equity price % (+/-)	Effect on OCI	
		2016	2015
		KD	KD
Market index:			
Kuwait Stock Exchange	**5**	**39,069**	47,824

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

19.3.3 Foreign 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 statement of income (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

	Change in currency rate %	Effect on profit for the year	
Currency		**2016**	2015
		KD	KD
US Dollars	**5**	**11,615**	13,231
Euro	**5**	**2,163**	1,327

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.

19.4 Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years end 31 December 2016 and 31 December 2015. Capital comprises share capital, share premium, statutory reserve, voluntary reserve, cumulative changes in fair values, foreign currency translation reserve, asset revaluation reserve and retained earnings and is measured at KD 20,083,760 as at 31 December 2016 (2015: KD 17,952,109).

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available-for-sale, accounts receivable and prepayments, amount due from related parties and cash and cash equivalents. Financial liabilities consist of accounts payable and accruals and amount due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

All financial assets available-for-sale are classified under level 1 and there were no transfer between the levels during the year.

الشركة المتحدة للمشروعات النفطية
United Oil Projects

How to obtain our 2016 Financial Statements:

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

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

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

For further information on our 2016 Financial Statements or for extra copies of this Review, please call +965 2326 3297

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