



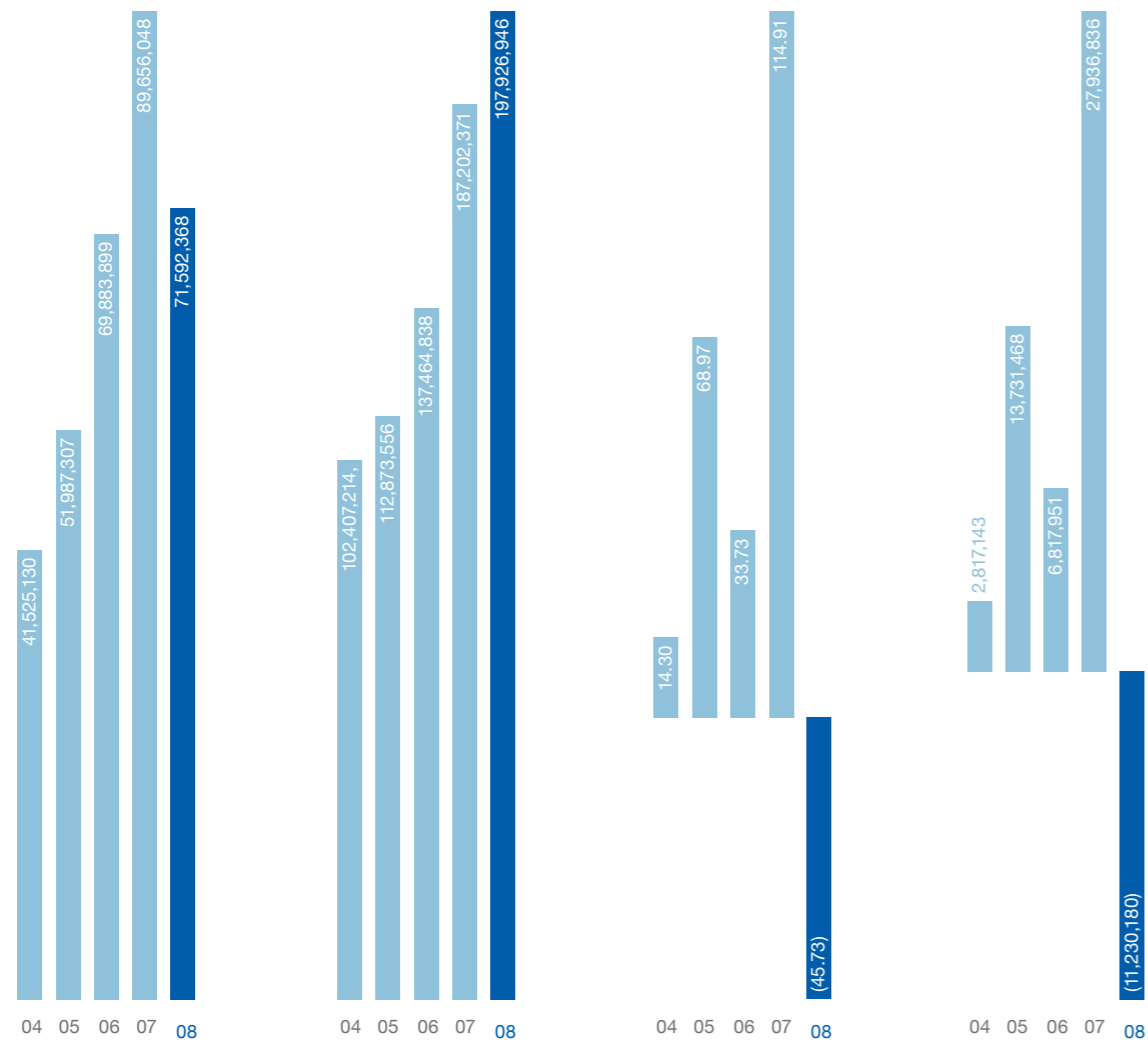
United Industries Company

A member of the KIPCO Group

Annual Review 2008

30th
anniversary

Financial Highlights



Shareholders' Equity
KD (2004-2008)

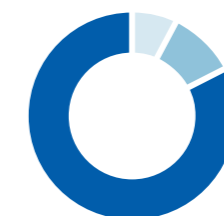
Assets
KD (2004-2008)

Earnings Per Share
Fils (2004-2008)

Net Profit
KD (2004-2008)

+6%
Total Assets

Total assets as at the end of 2008 rose to KD 197.9 million up by 6% compared to KD 187 million



Assets

- Core sector 85%
- Other sectors 10%
- Current assets 5%

	2004	2005	2006	2007	2008
Income Statement Highlights (KD Million)					
Operating Income	3.44	5.22	1.84	13.07	3.35
Income from divestment of long term investments	1.11	3.39	3.31	3.15	(0.26)
Operating expenses	(2.59)	(5.85)	(4.90)	(8.06)	(18.92)
Relating to discontinued operations (net of related expense)	1.05	18.57	11.28	19.37	-
Net profit (loss) for the year	3.01	21.34	11.52	27.53	(15.83)
Minority Interest	0.19	7.60	4.70	(0.40)	(4.60)
Net profit (loss) attributable to equity holders of parent company	2.82	13.73	6.82	27.94	(11.23)
Dividend	20% cash	25% stock	30% cash	35% cash 5% stock	-

	2004	2005	2006	2007	2008
Financial Statement Highlights (KD Million)					
Total assets	102	113	137	187	198
Investments	75	68	91	173	189
Term loans	44	34	35	74	108
Group equity	55	73	95	103	80

	2004	2005	2006	2007	2008
Profitability					
Earnings per share (fils)-Restated	14	69	34	115	(46)
Return on average assets	3.1%	19.8%	9.2%	17.0%	-8.2%
Return on average equity	5.6%	33.5%	13.8%	27.9%	-17.3%

	2004	2005	2006	2007	2008
Capital					
Group equity / Total assets	53.4%	64.3%	69.1%	54.8%	40.4%
Debt / Group equity	81.3%	46.8%	37.4%	72.0%	134.6%

	2004	2005	2006	2007	2008
Liquidity & Business Indicators					
Investments / Total assets	73.5%	60.0%	66.7%	92.4%	95.3%
Liquid assets / Total assets	13.0%	33.7%	24.3%	13.5%	4.4%



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

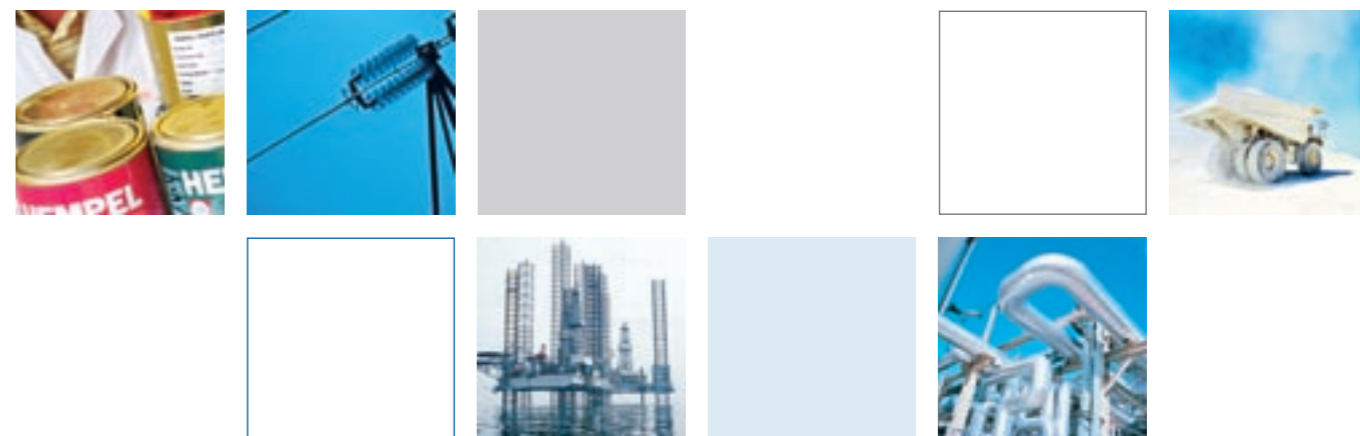


H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State
of Kuwait

INTRODUCTION United Industries Company is part of the KIPCO Group - one of the biggest diversified holding companies in the Middle East and North Africa, with assets worth more than US\$19 billion under management or control. The Group has substantial ownership interests in a portfolio of over 50 companies operating across 21 countries. The company's main business sectors are financial services and media. Through the subsidiaries and affiliates of its core companies, KIPCO also has interests in Industry, Real Estate, Healthcare and the Management & Advisory sector.

Contents

- 5 Introduction
- 7 Mission Statement
- 9 About United Industries Company
- 11 Board of Directors
- 12 Chairman's Statement
- 14-20 Management Report
- 21 Consolidated Financial Statements 2008



Pioneering Times



MISSION STATEMENT The Company has identified key objectives to be attained over the coming five years, focusing on the value proposition for shareholders and strategic partners.

UIC mission is to manage and operate a diversified portfolio of investments in the energy, food and basic industries sectors; to become a top player in these sectors through selective acquisitions, joint ventures and investments in Greenfield projects and as a result achieve consistent growth and returns.

VISION STATEMENT UIC seeks to be a leading regional investment house with specialized activities in the Industrial sector, focused on maximizing returns and increasing shareholder value



Quality Products

ABOUT UNITED INDUSTRIES COMPANY (UIC) Kuwait-based United Industries Company (UIC) Established in 1979, United Industries Company is a closed shareholding company based in the State of Kuwait. It was listed on Kuwait Stock Exchange (KSE) in 1997.

UIC invests in the downstream industries sector in Kuwait and the GCC states. The Company's authorized and paid up capital is KD 24,773,437.500 (USD 93,484,669).

UIC's Major Investments include:

- Saudi Dairy and Foodstuff Company (SADAFCO)
- United Oil Projects Company (UOP)
- Hempel Paints - Middle East
- Al Qurain Petrochemical Industries Company
- Amaken United Real Estate Company
- Al Atoun Steel Industries Company- Saudi Arabia



Leading the Industry



BOARD OF DIRECTORS

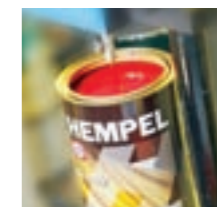
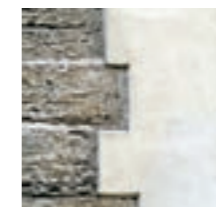
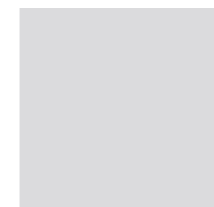
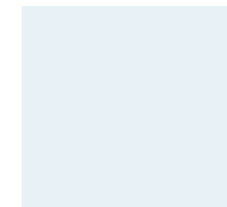
Sheikh Khalifa Al Abdulla Al-Jaber Al-Sabah
Board Chairman

M. Essa Khalid Al Essa
Vice Chairman and CEO

Mr. Waleed Ahmed Al Sharhan
Board Member

Mr. Hazem Khalid Al Braikan
Board Member

Mr. Ahmed Abdul Wahab Al Fahad
Board Member



CHAIRMAN'S MESSAGE Dear Shareholders, On behalf of the board of directors and myself it is my pleasure to welcome you to our thirtieth annual assembly to discuss the annual report of United Industries Company (UIC) for the year ending on the 31st of December, 2008. Our report is designed to highlight the salient features of this period and review the main activities and challenges that our company faced during the past twelve months.

UIC, which has benefited from strong results since its establishment, has felt the impact of the global and local economic downturn that has adversely affected our results in 2008. Over the past five years, our management teams have practiced a conservative policy in order to diffuse risks and diversify income sources through investing a limited portion of your company's funds in the portfolios of (specialized) industrial companies that are traded on the local stock markets.

All of our subsidiaries and partner companies in the United Industries group have followed this strategy and have managed to register positive returns. Nevertheless, due to the decrease in the value of the regional stock markets, which led to a reduction in the value of portfolio shares during the year, the company incurred losses (classified as unrealized). Due to the pace at which prices have fallen, time and circumstances did not permit us to avoid this situation.

The company's main (direct) investments could not contribute to an increase in net profits as most of these investments were in projects which had already commenced or were starting up. It is important to note that a decrease in international demand for basic goods led to a reduction in selling prices, especially in the last quarter of the year, which also contributed to a reduction in revenues and consequently profits

The company recently underwent a complete restructuring of the organization in terms of focusing on core business elements and streamlining key business functions.

In order to protect the future, and due to the prevailing global economic climate, the company adopted an accounting policy different from the previous years. The stock portfolios, previously classified as "Financial assets at fair value

through income statement-trading", were classified to "Financial assets available for sale" to mitigate the impact of market fluctuations on future profits and losses.

Based on what was described above, the company incurred a loss of KD 11,230,180 million whereas the shares lost only 45.73 fills.

Due to the fragile and difficult circumstances that the economy in general and the company in particular are facing, we started examining and assessing the situation regarding UIC in order to develop a business plan to manage and reduce the damages on one hand and on the other hand achieve stability and progress in the long term.

Thanks and Appreciation

I hereby wish to extend my gratitude

and appreciation to our honorable shareholders for their trust and constant support of our steps aimed at achieving the best results possible. You have allowed us to pursue our journey of continuous commitment and the efficient participation in economic development. We also continue asking our Almighty God for his assistance to all be successful in our future endeavors.

God will help us with what is in the best interest of our nation and company, as we renew our commitment to increase efforts to achieve your goals, hoping for a better future and more progress, achievements and revenues.

Sincerely,

**Sheikh Khalifa Abdullah
A Jaber AL Sabah**
Chairman of UIC



**Sheikh Khalifa Abdulla
Al Jaber Al Sabah**
Chairman

MANAGEMENT REPORT The 2008 global financial crisis and its subsequent impact on the MENA region, had a negative impact on UIC's performance during the year. As a result, the company's year-end results were disappointing. However, in response to worsening market conditions during the year, the company's management team began implementing a new business plan aligned to UIC's investment strategy which puts a focus on basic industry goods, energy and food.

The unstable economic conditions of 2008 - especially the year's last quarter - prevented UIC achieving its aspirations and goals. However, your company's management strived towards making every possible effort to maintain and limit the negative repercussions of the current downturn on the company's investments.

During 2008, UIC adopted an accounting policy different from previous years. The company's portfolios, previously classified as "financial assets at fair value through income statement", were converted to "investments available for sale", an initiative to mitigate the impact of financial market value fluctuations on future profits and losses.

2008 highlights:
During the year, the company managed its existing investments and evaluated several new investment opportunities and then took several executive actions to improve its investment portfolio.

- UIC increased its stake in Al Qurain Petrochemicals Industries Company (QPIC) through the acquisition of an additional 3.46%, reaching a total of 18.46%. QPIC is a leading holding company in the chemical and petrochemical industries and supporting services.
- UIC invested KD 12.5 million to acquire a 24.05% equity stake in Al Atoun Steel Industries Company (ASI). ASI is a new Saudi company that is expected to become a leading player in the steel billet and rebar manufacturing industry.
- Saudi Dairy & Foodstuff Company's (SADAFCO) net sales for the nine months ending 31st December 2008 increased by 6.9%, totalling SR 693.9 million compared to SR 648.9 million for the same period in 2007. This sales growth is the result of new product launches in early 2008.

- Hempel Paints Middle East net profits increased by 45.6% reaching KD 3.96 million compared to KD 2.72 million in 2007.

- UIC completed a feasibility study on a proposal to build and operate a PTA – PET (Purified Terephthalic Acid - Polyethylene Terephthalate) plant. The company is completing the necessary due diligence to proceed with implementation.

- Amaken United Real Estate Company net profits increased to KD 4.9 million, compared with KD 0.02 million in 2007.

Financial Performance

Consolidated Income Statement

UIC incurred a loss of KD (11.23) million or (45.73) fils per share or 236 % below 2007's normalized profits (which exclude gain from the divestment of subsidiaries) of KD 8.28 million or 34.06 fils per share.

The company's performance was affected by the current global financial crisis which negatively impacted the performance of regional stock markets leading to a substantial decrease in total income. Total income decreased by 81% (KD 13.1 million) to KD 3.1 million, compared to income in 2007 of KD 16.2 million. This decrease was due to the following factors:

- Share of results from associates decreased by 41% (KD 0.7 million) to KD 1.1 million compared to previous year KD 1.8 million.

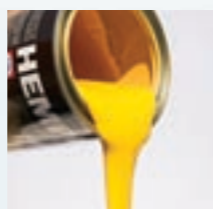
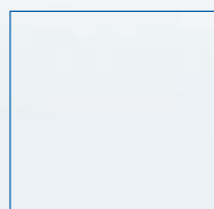
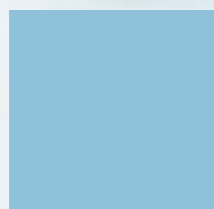
24%

UIC acquired 24% equity stake in Al Atoun Steel Industries Company



18.5%

UIC increased its stake in Al Qurain Petrochemical Industries Company



MANAGEMENT REPORT CONTINUED

- Return on short term investments (comprised of realized gain, dividend and unrealized gain) decreased by 134% (KD 13.5million) to negative loss of KD 3.4 million compared to last year's return of KD 10 million. This was due to the fall of the Kuwait Stock Market.
- The company's financing costs increased by 128% (KD 4 million) to KD 7.2 million, compared to KD 3.2 million in 2007, due to increased borrowing used to finance new investments.

Consolidated Balance Sheet

Total assets rose as at the end of 2008 to KD 198 million, showing an increase of 6% from last year's KD 187 million. This is due to new investments in 2008 in affiliated firms and new projects, which resulted in a significant increase in long-term investments.

Total investments increased by 9 % to reach KD 189 million as at the end of 2008 compared with KD 173 million in 2007. The growth in total investments is reflected in the following:

- Investments in associates rose by KD 89 million or 133 % to a total of KD 156 million compared to a total KD 67 million in 2007. This increase in investment comprised of the acquisition of an additional 3.46% in Al Qurain Petrochemical Industries Co. and a 24.05% stake in Al Atoun Steel projects. The increase in associates is also due to reclassification of the holding in Al Qurain previously classified as investments available for sale.

- A number of land properties previously classified as "land under development" were converted to investment property at market value.

Despite the increase in total assets resulting from the investments detailed above, the investments were partly affected by the decrease in current assets particularly "financial assets at fair value through income statement" due to reclassification to "investments available for sale". Decrease in "investments available for sale" and "land under development" are also associated with reclassification.

Saudi Dairy & Foodstuff Company (SADAFCO)

SADAFCO is one of UIC's core portfolio companies with a paid-up capital of KD 23.7 million (SR 325 million). The company was established 32 years ago and listed on Saudi stock exchange in 2005. Its product range includes dairy products and by-products, tomato paste, juices and ice cream. SADAFCO's activities were expanded to include other products, such as cheese, cream and tomato ketchup. These products enjoy high demand in the Saudi market and across the GCC.

SADAFCO regularly adapts its manufacturing strategy to meet changes and developments in its local and regional markets and refines its manufacturing processes to increase production and reduce costs. In 2008, the Company overcame the challenge of a rise in the price of raw materials and con-

tinued operations without disruption while maintaining competitive prices. The company also invested in a new transport fleet as part of its plans to modernize product distribution throughout the region.

SADAFCO owns a number of distinctive and prestigious trade marks which support the company's marketing efforts and sales growth. In particular its "SAUDIA" trade mark is a highly recognized and trusted consumer brand in Saudi Arabia and other Arab countries.

On January 1, 2008, SADAFCO's Board of Directors appointed Mr. Waltros Mathews as Chief Executive Officer. Mr. Mathews brings a strong track record of success and expertise in a 25 year career with leading international and Gulf consumer goods manufacturing companies.

SADAFCO continued its comprehensive restructuring process in 2008 while maintaining a sound track record in operating results. The first phase of the restructuring plan - scaling down and consolidation - is now complete; the execution of the second phase - modernization, expansion, acquisition and assets growth - will begin in 2009.

SADAFCO's net profit for the nine months ending 31 December, 2008 decreased by 17.5%, to a total of KD 1.9 million (SR 25.4 million) compared to KD 2.2 million (SR 30.8 million) for the same period in 2007.

MANAGEMENT REPORT CONTINUED

To date, SADAFCO's restructuring has been reflected in impressive operating results. Net sales for nine months ending 31 December 2008 increased by 6.9% over previous fiscal year, totalling KD 50.7 million (SR 693.9 million) compared to KD 47.4 million (SR 648.9 million) in 2007. This growth in sales is due to price increases implemented in January 2008 and the launch of new products early in the year.

Al Qurain Petrochemicals Industries Company

UIC is continually identifying and evaluating new investment opportunities that add shareholder value. As part of this strategy, UIC increased its stake in Qurain Petrochemical Industries Company (QPIC) to 18.46% in 2008 with the aim of benefiting from potential future growth in the petrochemicals sector.

The Petrochemical Industries Company (PIC), which represents the Government of Kuwait, is the founding shareholder of QPIC and retains a 10% shareholding. From the beginning, QPIC's capital was committed to four robust petrochemical investments: EQUATE (spell out), The Kuwait Olefins Company (TKOC), The Kuwait Aromatics Company (KARO) and The Kuwait Styrene Company (TKSC). These investments allowed QPIC to establish a strong foothold in the petrochemicals industry and to partner with global leaders in the sector.

However, the company's financial results were affected by the decrease in the

market value of its investment portfolio in chemical and petrochemical companies traded on the local stock markets.

As a result, the company delivered a net loss during the year of KD 5,622,953 (US\$ 20,373,018).

In order to prevent these effects from impacting the company's results and performance in the future, the company reclassified its investment portfolio to avoid or limit any future price fluctuations in the financial markets.

Investments in associates rose during the year by 74% due to additional capital investments of KD 15 million in the Kuwait Olefins Company and KD 1.4 million in Almet, Algeria. These investments are in line with UIC's plan to diversify income sources and develop shareholder value by reaping the results of these special investments in the long term.

The company is closely monitoring its investments during this period of economic instability, striving to minimize risk factors as much as possible and preserve shareholder value.

United Oil Projects Company (UOP)

UIC has a 41.6% stake in the United Oil Projects Company (UOP) capital of KD 10 million. UOP plays a leading role in the energy industry through direct investments in the oil, gas and petrochemical sectors and alliances with leading institutions specializing in these fields. UOP is a key producer of coating resins and unsaturated polyesters that

are widely used in the manufacture of architectural and industrial paints, as well as fibreglass products.

UOP's achievements in 2008 fell short of our expectations due to the global financial crisis and high volatility in the oil prices.

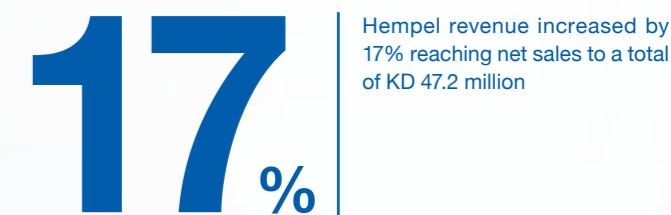
The company's core activity - chemical operation - performed well, while one of its associate companies - the United Precision Drilling Company - performed better than budgeted. The Al Khorayef company performed slightly below budget.

The crash and subsequent slow recovery of the Kuwait Stock Exchange took its toll on UOP's earnings from the investment portfolio. UOP posted a net loss of KD 1.7 million (of which KD 1.42 million loss originated from investments in portfolio, .05 million from other operation losses, as well as a loss from Al Khorayef Co. of 0.23 million).

Hempel Paints Middle East

Hempel Paints Middle East manufactures paint and coatings for the marine, offshore, container, yacht and building sectors, as well as materials and tools for surface preparation and coating application. Hempel companies in the region are divided into two divisions, with Qatar and the UAE in the eastern division and Bahrain, Kuwait, Saudi Arabia and Syria in the western division.

Overall performance was significantly enhanced throughout the year despite



MANAGEMENT REPORT CONTINUED

the increased cost of raw materials which was driven by the volatility of world oil prices.

Hempel improved its position in 2008, continuing to deliver sustained growth. The company increased revenues by 17% reaching net sales to a total of KD 47.2 million compared to KD 40.3 million in 2007.

Hempel's net profit increased by 45.6 % to KD 3.96 million compared to KD 2.72 million in 2007.

Total assets as at the end of 2008 rose 9% to KD 45.5 million compared to KD 41.6 million in 2007.

Shareholders' equity at the end of 2008 increased 15% to KD 23.4 million compared to KD 20.3 million in 2007.

Amaken United Real Estate Company

The Amaken United Real Estate Company was established in 2005. The company provides the industrial real

estate sector with high value service through strategic investment and real estate development projects and by expanding the scope of real estate services in order to meet the growing needs of the real estate market.

Amaken's net profits increased during the year to KD 4.9 million, compared with KD 0.02 million in 2007.

The company's total assets rose 78% in 2008 to KD 13.68 million from KD 7.7 million in 2007.

Shareholder's equity increased 79% in 2008 to KD 11.27 million from KD 6.3 million in 2007.

Al Atoun Steel Industries, KSA

In April 2008, UIC's Board of Directors approved an investment of KD 12.5 million for the acquisition of a 24.05% stake in the Al Atoun Steel Industries Company (ASI) which is setting up a new steel manufacturing plant in Yanbu Industrial City in Saudi Arabia.

The steel plant will roll out in three phases:

1- Steel billet and rebar factory.

2- DRI production facility.

3- Steel Wire production.

The total project cost for all three phases is expected to be in the range of KD 250-300 million (SR 3.5 – SR 4 billion) and will be financed by both debt and equity.

ASI management has contracted some of the world's leading companies to manage the technical and administrative requirements of the project with the aim of achieving the highest plant efficiency and full production capacity in the shortest possible time, while maintaining the highest quality standards.

Auditors' Report

Independent Auditors' Report to The Shareholders of United Industries Company K.S.C (Closed)

We have audited the accompanying consolidated financial statements of United Industries Company K.S.C. (Closed) (the "parent company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Inherent Uncertainty Regarding Continuation of Going Concern

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicates that the Group incurred a loss for the year attributable to the equity holders of the parent company of KD 11,230,180 and, as of 31 December 2008, the Group's current liabilities exceeded its current assets by KD 107,856,592. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

DR. SHUAIB A. SHUAIB
LICENCE NO. 33 A
Albazie & Co.
Member of RSM International

24 February 2009
Kuwait

Contents

23	Auditors' Report
24	Consolidated Income Statement
25	Consolidated Balance Sheet
26	Consolidated Cash Flow Statement
28	Consolidated Statement of Changes in Equity
30-58	Notes to the Consolidated Financial Statements

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
Continuing operations			
Share of results from associated companies	12	1,069,387	1,804,394
Realised gain on sale of financial assets at fair value through income statement		217,609	3,812,870
Unrealised (loss) gain on financial assets at fair value through income statement		(4,400,104)	5,645,897
Gain on dilution of holding in a subsidiary		-	315,484
(Loss) gain on sale of shares in an associated company	12	(375,295)	501,563
Realised gain on sale of financial assets available for sale		114,959	2,331,745
Change in fair value of investment properties	13	5,251,517	-
Dividend income		768,699	610,868
Interest income		324,651	768,727
Other income		116,572	428,201
		3,087,995	16,219,749
Administrative expenses		2,533,306	3,173,535
Impairment of investment in an associated company	12	9,024,256	-
Impairment of financial assets available for sale	11	178,988	-
Receivables written off		-	1,657,249
Finance charges		7,180,196	3,143,796
Expenses		18,916,746	7,974,580
(Loss) profit for the year from continuing operations		(15,828,751)	8,245,169
Discontinued operations			
Gain for the year from discontinued operations	5	-	20,365,099
(Loss) profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration		(15,828,751)	28,610,268
Contribution to KFAS	29	-	(260,777)
NLST	28	-	(712,634)
Zakat	30	-	(17,611)
Board of Directors' remuneration		-	(85,000)
(LOSS) PROFIT FOR THE YEAR	6	(15,828,751)	27,534,246
Attributable to:			
Equity holders of the parent company		(11,230,180)	27,936,836
Minority interest		(4,598,571)	(402,590)
		(15,828,751)	27,534,246
(Loss) earnings per share			
(Loss) earnings per share attributable to equity holders of the parent company	7		
- Basic		(45.73) fils	114.91 fils
- Diluted		(45.70) fils	114.62 fils
(Loss) earnings per share from continuing operations			
(Loss) earnings per share from continuing operations attributable to equity holders of the parent company	7		
- Basic		(45.73) fils	34.06fils
- Diluted		(45.70) fils	33.97 fils

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

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Current assets			
Bank balances and short term deposits	8	8,809,219	13,577,301
Other receivable and prepayments	9	205,870	633,548
Due from related parties	10	51,185	16,779
Financial assets at fair value through income statement-trading	11	-	11,720,812
Total current assets		9,066,274	25,948,440
Non current assets			
Financial assets at fair value through income statement-designated	11	788,026	862,501
Financial assets available for sale	11	18,809,569	86,481,429
Investment in associated companies	12	156,082,453	66,931,631
Investment properties	13	10,100,000	-
Land under development		2,931,201	6,897,572
Property, plant and equipment		105,466	80,798
Goodwill	4	43,957	-
Total non current assets		188,860,672	161,253,931
TOTAL ASSETS		197,926,946	187,202,371
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	8	41,692	-
Interest-bearing loans	14	92,718,000	32,908,167
Bonds	16	15,000,000	-
Accounts payable and accruals	15	7,574,247	8,905,141
Due to related parties	10	1,588,927	1,607,875
Total current liabilities		116,922,866	43,421,183
Non current liabilities			
Interest-bearing loans	14	-	25,908,166
Bonds	16	-	15,000,000
Employees' end of service benefits		817,786	309,778
Total non current liabilities		817,786	41,217,944
Total liabilities		117,740,652	84,639,127
Equity			
Share capital	17	24,773,438	23,593,750
Share premium	18	7,591,193	7,591,193
Treasury shares	19	(639,796)	(496,767)
Statutory reserve	20	9,635,879	9,635,879
Voluntary reserve	21	9,635,879	9,635,879
Treasury shares reserve		1,929,152	1,928,577
Employees' share options reserve		116,836	83,923
Cumulative changes in fair values		(675,069)	(2,157,528)
Foreign currency translation reserve		(80,699)	(62,750)
Retained earnings		19,305,555	39,903,892
Equity attributable to the equity holders of the parent company		71,592,368	89,656,048
Minority interest		8,593,926	12,907,196
Total equity		80,186,294	102,563,244
TOTAL LIABILITIES AND EQUITY		197,926,946	187,202,371

Essa Khalid Al-Essa
Vice Chairman & CEO

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

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
OPERATING ACTIVITIES			
(Loss) profit for the year from continuing operations		(15,828,751)	8,245,169
Profit for the year from discontinued operations		-	20,365,099
Adjustments for:			
Share of results from associated companies		(1,069,387)	(2,005,216)
Realised gain on sale of financial assets at fair value through income statement		(217,609)	(3,812,870)
Unrealised gain on financial assets at fair value through income statement		4,400,104	(5,870,001)
Gain on disposal of discontinued operations		-	(20,280,838)
Gain on dilution of holding in a subsidiary		-	(315,484)
Loss (gain) on sale of shares in an associate company		375,295	(501,563)
Gain on sale of financial assets available for sale		(114,959)	(2,331,745)
Change in fair value of investment properties		(5,251,517)	-
Dividend income		(768,699)	(703,993)
Interest income		(324,651)	(798,488)
Provision for employees' end of service indemnity		531,873	209,461
Provision for employees' share based payment		36,034	69,757
Impairment of investment in an associated company		9,024,256	-
Impairment of financial assets available for sale		178,988	-
Receivables written off		-	1,657,249
Depreciation		28,500	92,062
Finance charges		7,180,196	3,389,546
		(1,820,327)	(2,591,855)
Changes in operating assets and liabilities:			
Other receivable and prepayments		369,266	(302,694)
Related party balances		(53,354)	9,154,823
Accounts payable and accruals		(1,618,770)	1,203,528
Financial assets at fair value through income statement		1,482,002	(2,407,266)
Cash (used in) from operations		(1,641,183)	5,056,536
Directors' fee paid		(85,000)	(56,000)
Payment of KFAS		(260,777)	(22,767)
Payment of NLST		(712,634)	(77,511)
Employees' end of service benefits paid		(24,017)	(39,819)
Net cash (used in) from operating activities		(2,723,611)	4,860,439

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

Consolidated Cash Flow Statement Continued

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(53,168)	(43,639)
Purchase of financial assets available for sale		-	(110,376,385)
Purchase of shares in an associated company		(30,245,987)	(45,271,400)
Additions to land under development		(882,111)	(1,990,055)
Proceeds from sale of shares in an associated company		3,898,781	3,331,215
Proceeds from sale of shares in a subsidiary, net of cash disposed		-	36,453,378
Proceeds from sale of financial assets available for sale		1,452,606	41,535,079
Cash distribution from financial assets available for sale		-	57,213
Dividends received		4,424,128	1,665,925
Interest received		383,062	961,012
Net cash used in investing activities		(21,022,689)	(73,677,657)
FINANCING ACTIVITIES			
Repayment of interest-bearing loans		(903,108)	(2,437,348)
Receipt of interest-bearing loans		34,800,000	57,000,000
Purchase of treasury shares		(153,658)	(77,044)
Proceeds from sale of treasury shares		8,084	1,883,103
Dividends paid		(8,211,489)	(6,800,896)
Finance charges paid		(5,754,888)	(2,352,972)
Net movement in minority interest		(853,190)	12,754,262
Net movement in restricted bank accounts		25,656	(358,664)
Net cash from financing activities		18,957,407	59,610,441
DECREASE IN CASH AND CASH EQUIVALENTS		(4,788,893)	(9,206,777)
Net foreign exchange difference		4,775	(86,814)
Cash and cash equivalents at 1 January		13,218,637	22,512,228
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		8,434,519	13,218,637
Represented by:			
Bank balances and short term deposits (net of restricted bank accounts)	8	8,476,211	13,218,637
Bank overdraft		(41,692)	-
		8,434,519	13,218,637

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the parent company										Total equity KD				
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD		Employees share options reserve KD		Cumulative changes in fair values KD		Foreign currency translation reserve KD	Retained earnings KD	Sub total KD	Minority interest KD
						Shares	Reserve	Reserve	Reserve						
Balance at 31 December 2007	23,593,750	7,591,193	(496,767)	9,635,879	9,635,879	1,928,577	83,923	(2,157,528)	(62,750)	39,903,892	89,656,048	12,907,196	102,563,244		
Effect of financial assets available for sale	-	-	-	-	-	-	-	2,238,477	-	-	2,238,477	1,621,314	3,859,791		
Becoming an investment in an associate	-	-	-	-	-	-	-	(702,166)	(17,949)	-	(720,115)	-	(720,115)		
Share in revaluation of associate's investments	-	-	-	-	-	-	-	-	-	(11,230,180)	(11,230,180)	(4,598,571)	(15,828,751)		
Change in fair value of financial assets available for sale	-	-	-	-	-	-	-	(53,852)	-	-	(53,852)	-	(53,852)		
Income and expenses recognised directly in equity	-	-	-	-	-	-	-	1,482,459	(17,949)	-	1,464,510	1,621,314	3,085,824		
Loss for the year	-	-	-	-	-	-	-	-	-	(11,230,180)	(11,230,180)	(4,598,571)	(15,828,751)		
Total income and expenses for the year	-	-	-	-	-	-	-	1,482,459	(17,949)	(9,765,670)	(2,977,257)	(12,742,927)			
Employees share' based payment (Note 22)	-	-	-	-	-	3,120	36,033	-	-	-	39,153	-	39,153		
Issue of bonus shares (note 17)	1,179,688	-	-	-	-	-	-	-	-	(1,179,688)	-	-	-		
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(8,188,469)	(8,188,469)	-	(8,188,469)		
Purchase of treasury shares	-	-	(153,658)	-	-	-	-	-	-	-	(153,658)	-	(153,658)		
Sale of treasury shares	-	-	10,629	-	-	(2,545)	(3,120)	-	-	-	4,964	-	4,964		
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-		
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,336,013)	(1,336,013)		
Balance at 31 December 2008	24,773,438	7,591,193	(639,796)	9,635,879	9,635,879	1,929,152	116,836	(675,069)	(80,699)	19,305,555	71,592,368	8,593,926	80,186,294		

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

Consolidated Statement of Changes in Equity Continued

Year ended 31 December 2008

	Attributable to equity holders of the parent company										Share of gain on sale of subsidiary's treasury shares KD	Minority interest KD	Total equity KD			
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD		Employ-Cumulative changes in fair values KD		Foreign currency translation reserve KD				Retained earnings KD	Sub total KD	Minority interest KD
						Shares	Reserve	Reserve	Reserve							
Balance at 31 December 2006	23,593,750	7,591,193	(1,801,379)	6,734,593	6,734,593	1,392,502	48,794	522,295	(114,981)	530,770	24,651,769	69,883,899	24,708,009	94,591,908		
Share in revaluation of subsidiary's investments	-	-	-	-	-	-	-	(1,621,314)	-	-	(1,621,314)	-	(1,621,314)			
Share in revaluation of associate's investments	-	-	-	-	-	-	-	(20,568)	-	-	(20,568)	-	(20,568)			
Change in fair value of financial assets available for sale	-	-	-	-	-	-	-	4,533	-	-	4,533	-	4,533			
Arising on sale of financial assets available for sale	-	-	-	-	-	-	-	(1,247,898)	-	-	(1,247,898)	-	(1,247,898)			
Arising on sale of shares in subsidiary and associate	-	-	-	-	-	-	-	205,424	52,231	(530,770)	(273,115)	-	(273,115)			
Income and expenses recognised directly in equity	-	-	-	-	-	-	-	(2,679,823)	52,231	(530,770)	(3,158,362)	-	(3,158,362)			
Profit for the year	-	-	-	-	-	-	-	-	-	27,936,836	27,936,836	(402,590)	27,534,246			
Total income and expense for the year	-	-	-	-	-	-	-	(2,679,823)	52,231	(530,770)	(3,158,362)	(402,590)	(3,158,362)			
Dividends (Note 17)	-	-	-	-	-	-	-	(2,679,823)	52,231	(530,770)	(27,936,836)	(402,590)	(24,375,884)			
Employees share based payment (Note 22)	-	-	-	-	-	34,628	69,757	-	-	-	(6,882,141)	-	(6,882,141)			
Purchase of treasury shares	-	-	(77,044)	-	-	-	-	-	-	-	104,385	-	104,385			
Sale of treasury shares	-	-	1,381,656	-	-	501,447	(34,628)	-	-	-	(77,044)	-	(77,044)			
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	1,848,475	-	1,848,475			
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	(5,802,572)	-	(5,802,572)			
Balance at 31 December 2007	23,593,750	7,591,193	(496,767)	9,635,879	9,635,879	1,928,577	83,923	(2,157,528)	(62,750)	39,903,892	89,656,048	12,907,196	102,563,244			

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

Notes to the Consolidated Financial Statements

At 31 December 2008

1 CORPORATE INFORMATION

United Industries Company K.S.C. (Closed) (“UIC” or the “parent company”) is listed on the Kuwait Stock Exchange and was incorporated on 28 March 1979 with the following activities:

- To participate and subscribe in industrial companies and other companies with activities that are supplementary or related to the company’s activities, to finance and manage such companies and trade in their shares.
- Manufacturing and trading in carpets, furniture, paints and other supplementary industries.
- Investing surplus funds in portfolios and funds managed by specialised firms.
- Providing technical and economical consultancy services relating to industrial investments.
- Incorporation, marketing and management of investment funds specialised in industrial sector and service sector supporting the industrial sector in the State of Kuwait and abroad.
- Development of industrial projects and areas.
- Establishment of or participation in industrial projects.

The parent company is located in Sharq, Al-Shaheed Tower, Khalid Bin Al-Waleed Street, State of Kuwait and its registered address is at P.O. Box 25821, Safat 13119, State of Kuwait.

The parent company is 43.54% (2007: 43.53%) owned by KIPCO Asset Management Company K.S.C. (Closed).

The consolidated financial statements were authorised for issue by the Board of Directors on 24 February 2009. The Shareholders’ General Assembly has the power to amend these consolidated financial statements after issuance.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a net loss of KD 15,828,751 (2007: profit of KD 27,534,246) for the year ended 31 December 2008 and as at that date, the Group’s current liabilities exceeded its current assets by KD 107,856,592 (2007: KD 17,472,743).

The ability of the Group to continue as a going concern is dependent on availability of the continued support from the financial institutions (i.e. rescheduling of the interest bearing loans from short term to medium/long term loans) (note 14), bondholders and the shareholders and the ability of the Group to improve profitability and cash flows. The management is in the process of negotiating the terms of the settlement of some of the short term loans amounting to KD 83,300,000 with the banks whereby these short term loans will be converted into medium and long term loans. The management is confident that they will be able to renegotiate the terms of these short term loans as contemplated at this stage.

If the Group is unable to continue in operational existence for the foreseeable future, it may be unable to discharge its liabilities in the normal course of business. Accordingly, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to reclassify non current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these consolidated financial statements.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars, which is the functional currency of the parent company.

Statement of compliance

The consolidated financial statements of the United Industries Company K.S.C. (Closed) and subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Ministerial Order No. 18 of 1990.

Change in accounting policies and disclosures

The accounting policies are consistent with those used in the previous financial year except as follows:

The Group has adopted the following new applicable and amended IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) Interpretations during the year:

- [Amendments to IAS 39 \(Financial Instruments: Recognition and Measurement\) and IFRS 7](#)

On 13 October 2008, the International Accounting Standards Board (IASB) approved and published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures to allow reclassifications of certain financial instruments held for trading to either the held to maturity, loans and receivables or available for sale categories with effect from 1 July 2008.

The Group has adopted the amendments to IAS 39. As a result, the Group has reclassified certain trading investments with a carrying value of KD 6,130,790 from the ‘held for trading’ category to the ‘available for sale’ category with effect from 31 December 2008, as these investments are no longer held for the purpose of selling or repurchasing in the near term due to the impact of the global financial crisis on the local and regional equity markets.

As the reclassification from the ‘held for trading’ category to ‘available for sale’ category took place on 31 December 2008, no unrealised loss or gain in respect of the reclassified investments was recorded in cumulative changes in fair values.

- [IFRIC 11 IFRS 2 Group and Treasury Share Transactions](#)

Adoption of amendments to IFRIC 11 did not have any effect on the financial performance or position of the Group.

The following International Accounting Standards Board (“IASB”) Standards and Interpretations applicable to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

Standards issued but not yet effective

[IFRS 2 \(Revised\) Share Based Payment \(effective for annual periods beginning on or after 1 January 2009\)](#)

IFRS 2 Share Based Payment, the amended standard, deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The application of the revised standard is not expected to have a material impact on the consolidated financial statements in the period of initial application.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policies and disclosures (continued)

IFRS 3(Revised) Business Combinations and IAS 27(Revised) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3(Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27(Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash flows, IAS 12 Income Taxes, IAS 21 the Effects of Changes in Foreign Exchange Rate, IAS 28 Investment in Associates and IAS 31 Interest in Joint Ventures.

The changes by IFRS 3(Revised) and IAS 27(Revised) will affect future acquisitions or loss of control and transactions with minority interests.

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

IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standards separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as single line. In addition, the Standards introduces the statement of comprehensive income; it present all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to the IAS 39 were issued in August 2008 and become effective for financial year beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situation. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries (the “Group”) as set out in Note 4. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All material inter-group balances and transactions, including inter-group profits and unrealised profits and losses are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent company. Control is achieved where the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interest represents the portion of profit and loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet separately from equity attributable to the equity holders of the parent company. Acquisitions of minority interest are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:

Interest and rental income are recognised when earned, on a time apportionment basis.

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

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognised at the time of the sale.

Financial assets and liabilities

The Group classifies its financial assets with the following categories as “cash and cash equivalents”, “other receivables”, “financial assets at fair value through income statement” and “financial assets available for sale”.

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through income statement, or financial assets available for sale as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

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

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

Cash and cash equivalents

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

Other receivables

Other receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Financial assets at fair value through income statement

Financial assets at fair value through income statement includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through income statement.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the consolidated income statement. Financial assets may be designated at initial recognition as at fair value through income statement if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

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 in any of the preceding categories. After initial measurement, financial assets available for sale are measured at fair value with unrealised gains or losses being recognised directly in equity in the investment revaluation reserve. When the financial asset is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

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

Impairment is determined as follows:

- 1- For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognised in the consolidated income statement;
- 2- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- 3- For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in equity.

Financial liabilities

The Group classifies its financial liabilities with the following categories as “interest bearing loans” and “accounts payables and accruals”.

Interest bearing loans

Interest bearing loans are carried on the consolidated balance sheet at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in ‘accounts payable and accruals’.

Accounts payable and accruals

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

Derecognition of financial assets and liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

	Years
• Furniture, office equipment and fixtures	3 – 7
• Motor vehicles	4 – 5

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

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

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

Investment in associated companies

The Group’s investments in associates are accounted for under the equity method of accounting. These are entities over which the Group exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Group’s share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group’s share of the results of its associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates.

The Group’s investments in associated companies include goodwill identified on acquisition, which is included in the carrying amount of the investment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group’s share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Any excess, at the date of acquisition, of the Group’s share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. Impairment loss recognised on goodwill can not be subsequently reversed. Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement.

Investment properties

Investment properties are initially recorded at cost being the fair value of the consideration given and including acquisition charges associated with the investment property. After initial recognition, the properties are re-measured to fair value on an individual basis with any gain or loss arising from a change in fair value being included in the consolidated income statement in the period in which it arises.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to subsequent lease.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated income statement.

Land under development

Land for development is stated at cost, less any impairment in value.

Employees end of service benefits

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

Treasury shares

Treasury shares consist of the parent company's own shares that have been issued, subsequently reacquired by the parent company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account.

When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Share based payment transactions

The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). Under the terms of the plan, share options are granted to eligible employees. The options are exercisable in future. The fair value of the options at the date on which they are granted is recognised as an expense over the vesting period with corresponding effect to equity. The fair value of the options is determined using Black-Scholes option pricing model.

The proceeds received and amount transferred from employees share option reserve are credited to share capital (nominal value) and share premium when the options are exercised.

Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated income statement. Reversal of impairment losses is recognised in the consolidated income statement.

Foreign currencies

The financial statements are presented in Kuwaiti dinars, which is the Group'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 balance sheet date. All differences are taken to consolidated income statement.

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

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The Group's investment in foreign associates is translated into Kuwaiti dinars at the year end rates of exchange and the results of the associates are translated into Kuwaiti dinars at the average rates of exchange for the year. All foreign exchange translation adjustments are taken to the foreign exchange translation reserve until disposal at which time they are recognised in the consolidated income statement.

Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and bank balances, receivables, investments, bank facilities and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note 3.

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

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Segment information

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

Significant accounting judgements and estimates

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

Classification of financial assets

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

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

Classification of financial assets as fair value through income statement depends on how management monitor the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other financial assets are classified as available for sale.

Impairment of investment in associated companies

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

Impairment of financial assets

The Group 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.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Impairment of other receivables

An estimate of the collectible amount of other receivables 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.

Fair value

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models

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

4 INVESTMENT IN SUBSIDIARIES

The consolidated financial statements include the following subsidiaries:

Name of company	Country of incorporation	Effective equity interest as at 31 December 2008	Effective equity interest as at 31 December 2007
Direct:			
Kuwait National Industrial Projects Company K.S.C. (Closed) (KNIPC)	Kuwait	50%	50%
Amaken United Real Estate Company K.S.C. (Closed) (formerly United Real Estate Development Company K.S.C. (Closed))	Kuwait	75.62%	75.62%
United Cement Company K.S.C. (Closed)	Kuwait	80%	60%
United Industrial Gas Company K.S.C. (Closed)	Kuwait	100%	100%
North Gulf Cement & Building Materials K.S.C (Closed)	Kuwait	100%	-
Badael Energy Company K.S.C. (Closed)	Kuwait	100%	-
Eastern Projects General Trading Company W.L.L.	Kuwait	100%	-
Western Projects General Trading Company W.L.L.	Kuwait	100%	-

During the year ended 31 December 2008, the parent company acquired additional 20% interest in United Cement Company K.S.C. (Closed), a subsidiary of the parent company for an amount of KD 821,146, which resulted in a goodwill amount of KD 43,957.

During the year ended 31 December 2008, the parent company subscribed for 100% equity interest in the following newly setup companies:

- 2,500,000 shares at 100 fils each amounting to KD 250,000 in North Gulf Cement & Building Materials K.S.C. (Closed).
- 2,500,000 shares at 100 fils each amounting to KD 250,000 in Badael Energy Company K.S.C. (Closed).
- 100 shares at KD 1,500 each amounting to KD 150,000 in Eastern Projects General Trading Company W.L.L.
- 100 shares at KD 1,500 each amounting to KD 150,000 in Western Projects General Trading Company W.L.L.

These newly set up companies have not yet started operating.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

5 DISCONTINUED OPERATIONS

During the year ended 31 December 2007, the parent company sold 61,600,000 shares, equivalent to 40% of its ownership interest in United Fisheries of Kuwait K.S.C. (Closed) ("UFG") for an amount of KD 39,999,947, which resulted in a gain of KD 18,727,985. The remaining interest in the investee being 1.72% and amounting to KD 804,140 was transferred to financial assets available for sale and accounted for in accordance with International Accounting Standard 39 from the date United Fisheries of Kuwait K.S.C. (Closed) ceased to be a subsidiary on account of loss of control.

The results of United Fisheries of Kuwait K.S.C. (Closed) are as follows:

	2008 KD	2007 KD
Sales	-	1,306,706
Cost of sales	-	(955,218)
Gross profit	-	351,488
Share of results from an associated company	-	200,822
Gain on sale of financial assets at fair value through income statement	-	-
Unrealised gain on financial assets at fair value through income Statement	-	224,104
Gain on sale of shares in an associated company	-	-
Dividend income	-	93,125
Interest income	-	29,761
Other income	-	68,124
Administration and selling expenses	-	(566,064)
Provision for doubtful debts and claims	-	-
Impairment of assets	-	-
Settlement of bank guarantee	-	-
Depreciation	-	(71,349)
Finance charges	-	(245,750)
Profit for the year from discontinued operations	-	84,261
Gain on disposal of the discontinued operations	-	20,280,838
Gain for the period from discontinued operations	-	20,365,099
Basic earnings per share from discontinued operations	-- fils	80.85 fils
Diluted earnings per share from discontinued operations	--- fils	80.64 fils

	KD	KD
Cash inflow on sale:		
Consideration received	-	39,999,947
Net cash disposed off with the subsidiary	-	(3,546,569)
	-	36,453,378

As a result of sale of UFG, gain of KD 1,552,853 representing profit from sale of Kuwait United Catering & Restaurant Management Company K.S.C. (Closed) to UFG during the year 2006, that was previously not recognised as an inter-company transaction was then recognized on sale of the above subsidiary to a third party.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

6 (LOSS) /PROFIT FOR THE YEAR

The (loss) /profit for the year is stated after charging:

	2008 KD	2007 KD
Staff costs:		
Salaries	551,531	469,470
Leave salaries	94,292	88,634
End of service benefits	531,873	209,616
Bonus	85,744	1,015,975
Share based payment	36,033	69,756
Other benefits	62,199	49,709
	1,361,672	1,903,160
Depreciation	28,500	20,713
Receivables written off:		
Amount receivable from a former subsidiary of the parent company	-	1,017,966
Claim to meet an affiliated company's obligations	-	636,733
Others	-	2,550
	-	1,657,249

7 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic (loss) earnings per share amounts are calculated by dividing the net (loss) profit for the year attributable to equity holders of the parent company by the weighted average number of shares outstanding, less treasury shares, during the year. Diluted (loss) earnings per share amounts are calculated by dividing the net (loss) profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding, less treasury shares during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2008 KD	2007 KD
(Loss) profit for the year attributable to equity holders of the parent company	(11,230,180)	27,936,836
		(Restated)
	Shares	Shares
Weighted average number of shares outstanding	247,734,375	247,734,375
Weighted average number of treasury shares	(2,131,913)	(4,607,120)
Weighted average number of shares for basic earnings per share	245,602,462	243,127,255
Dilutive effect of share options	110,023	614,851
Weighted average number of shares for diluted earnings per share	245,712,485	243,742,106
Basic (loss) earnings per share	(45.73) fils	114.91 fils
Diluted (loss) earnings per share	(45.70) fils	114.62 fils

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

7 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (continued)

(Loss) earnings per share from continuing operations

	2008 KD	2007 KD
(Loss) profit from continuing operations attributable to equity holders of the parent company	(11,230,180)	8,280,267
		(Restated)
	Shares	Shares
Weighted average number of shares outstanding	247,734,375	247,734,375
Weighted average number of treasury shares	(2,131,913)	(4,607,120)
Weighted average number of shares for basic earning per share	245,602,462	243,127,255
Dilutive effect of share options	110,023	614,851
Weighted average number of shares for diluted earning per share	245,712,485	243,742,106
Basic (loss) earnings per share	(45.73) fils	34.06 fils
Diluted (loss) earnings per share	(45.70) fils	33.97 fils

Basic and diluted earnings per share for the previous year presented have been restated to reflect the bonus shares issued on 10 March 2008 (Note 17).

8 CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Cash in hand and at banks	4,959,294	3,380,314
Cash in portfolios of local financial institutions	1,959,925	1,493,204
Bank deposits maturing within 3 months from placement date	1,890,000	8,703,783
Bank balances and short term deposits	8,809,219	13,577,301
Less: bank overdraft	(41,692)	-
	8,767,527	13,577,301
Less: balances in restricted bank accounts	(333,008)	(358,664)
Cash and cash equivalents in the statement of cash flows	8,434,519	13,218,637

Bank deposits are placed with local banks and are denominated in Kuwaiti Dinars, with an average interest rate of 4.5% per annum (2007: 5.25%). Bank deposits are placed for varying periods ranging between one and three months, depending on the liquidity management of the Group.

Cash at banks and cash in portfolios of local financial institutions of KD 3,531,572 (2007: KD 917,048) are pledged as security in favour of local banks against loans granted to the parent company (Note 14).

9 OTHER RECEIVABLE AND PREPAYMENTS

	2008 KD	2007 KD
Prepayments	51,069	81,931
Advances	44,116	-
Other receivables	110,685	551,617
	205,870	633,548

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

10 RELATED PARTY DISCLOSURES

a- Significant transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management. The most significant of these transactions are as follows:

	Major shareholders	Associates	Other related parties	Total 2008	Total 2007
	KD	KD	KD	KD	KD
Interest income	4,437	-	197,098	201,535	464,635
Finance charges	-	-	4,291,595	4,291,595	974,199
Realised gain on sale of financial assets at fair value through income statement	1,447	-	-	1,447	848,905
Unrealised gain (loss) on financial assets at fair value through income statement	2,864	-	-	2,864	(308,218)
Purchase of investments	-	-	-	-	2,396,108

b- Balances:

	Major shareholders	Associates	Other related parties	Total 2008	Total 2007
	KD	KD	KD	KD	KD
Cash and cash equivalents	246,691	-	4,450,498	4,697,189	2,039,476
Financial assets available for sale (managed by a related party)	-	-	-	-	1,064,974
Financial assets at fair value through income statement (managed by a related party)	-	-	-	-	658,837
Interest-bearing loans (Note 14)	-	-	65,500,000	65,500,000	45,000,000
Due from related parties	-	51,185	-	51,185	16,779
Due to related parties	20,389	1,561,570	6,968	1,588,927	1,607,875
Management fees payable (included in accounts payable and accruals)	5,134	-	-	5,134	2,469

Other than interest-bearing loans, outstanding balances at the year end are unsecured and are interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2008, the Group has not recorded any impairment of receivables relating to amounts due from the related parties (2007: KD nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

c- Key management compensation:

	2008 KD	2007 KD
Salaries and other short-term benefits	206,442	804,981
Employees end of service indemnity	221,441	143,645
Share based payments	19,360	36,342
Board of directors' remuneration	-	85,000
	447,243	1,069,968

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

11 FINANCIAL ASSETS

	2008 KD	2007 KD
Financial assets at fair value through income statement:		
Trading:		
Quoted equity security portfolios	-	11,720,812
	-	11,720,812
Designated:		
Quoted equity securities	788,026	862,501
	788,026	862,501
Financial assets available for sale:		
Quoted securities (note 12)	6,169,840	72,760,836
Unquoted securities	12,440,926	12,441,540
Money market funds	198,803	1,279,053
	18,809,569	86,481,429

Financial assets managed by a related party are disclosed in Note 10.

At the year end, the management performed a detailed impairment exercise to assess whether any impairment is considered necessary in respect of financial assets available for sale. As a result of this exercise, an impairment provision of KD 178,988 is recorded in the consolidated income statement. Fair value of other financial assets is not significantly different from the carrying amount.

Due to the adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the Group has reclassified certain trading investments with a carrying value of KD 6,130,790 from the 'held for trading' category to the 'available for sale' category with effect from 31 December 2008 (See note 3).

As the reclassification from the 'held for trading' category to 'available for sale' category took place on 31 December 2008, no unrealised loss or gain in respect of the reclassified investments was recorded in cumulative changes in fair values.

Financial assets amounting to KD 17,746,627 (2007: KD 60,612,424) are pledged as security in favour of local banks against loans granted to the Group (Note 14).

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

12 INVESTMENT IN ASSOCIATED COMPANIES

Details of major associated companies are set out below:

	Country of incorporation	Percentage of ownership		Principal activities
		2008	2007	
Danish Paints Middle East Holdings B.S.C (Closed)-(DPME)	Bahrain	25.57%	25.57%	Production of paint and related supplies
Hempel Paints L.L.C.	UAE	21.20%	21.20%	Production of paint and related supplies
Hempel Paints W.L.L.	Qatar	21.20%	21.20%	Production of paint and related supplies
Saudi Dairy and Foodstuff Company S.S.C. (SADAFCO)	KSA	40.13%	40.13%	Production of foodstuffs and dairy products
United Oil Projects Company (Formerly Kuwait Chemical Manufacturing Company K.S.C. (Closed))	Kuwait	41.46%	41.46%	Manufacture and supply of chemicals and petrochemical industries
Qurain Petrochemical Industries Company K.S.C.	Kuwait	18.46%	-	Business activities relating to chemical, petrochemical and other derivative materials.
Al Atoun Steel Industries SSC (Closed)	KSA	24.05%	-	Business activities relating to steel industry

The parent company along with one of its subsidiary, Kuwait National Industrial Projects Company K.S.C. (Closed) (KNIPC) holds 18.46% equity of Qurain Petrochemical Industries Company K.S.C. ("Qurain") (a company listed on the Kuwait Stock Exchange). As at 31 December 2007, this investment was treated as financial assets available for sale. From 1 January 2008, this company is treated as an associate as the Group now has significant influence on the board of directors and participates in the policy making process. Subsequently, the Group is in a position to exercise "significant influence" over Qurain and accordingly, this investment has been accounted for as an associate in accordance with International Accounting Standard 28 ("Investments in Associates"). As at 31 December 2007, the carrying value of investment in Qurain was KD 72,631,392. As a result of this classification as an associate, the investment is reverted to its original cost by adjusting the cumulative changes in fair values by KD 3,859,791. Share of loss arising from Qurain amounting to KD 751,774 (2007: KD Nil) is included in the consolidated income statement for the year ended 31 December 2008. During the year ended 31 December 2008, the Group sold 9,230,000 shares in Qurain resulting in a loss of KD 375,295.

During the year ended 31 December 2008, the parent company subscribed for 24.05% equity interest in Al Atoun Steel Industries Company (a Saudi closed joint stock company) for a cash consideration of KD 12,516,718. The main object of this company is to engage in all business activities relating to steel industry, including without limitation, the manufacturing of steel billets, direct reduced iron production and other steel end-products.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	2008 KD	2007 KD
At 1 January	66,931,631	46,143,413
Additions	30,245,987	45,271,400
Disposals	(4,274,076)	(2,829,652)
Effect of revaluation of associate's investments and foreign currency adjustments	(1,302,746)	(20,568)
Share of results	1,069,387	1,804,394
Dividends received	(3,655,429)	(1,055,057)
Transfer from financial assets available for sale	76,491,183	4,983,388
Transfer to financial assets available for sale	(399,228)	-
Impairment	(9,024,256)	-
Related to discontinued operation	-	(27,365,687)
At 31 December	156,082,453	66,931,631

The carrying value of each individual associated company is as follows:

	2008 KD	2007 KD
DPME Holdings B.S.C (Closed) and subsidiaries	11,028,250	10,368,154
Hempel Paints (Emirates) L.L.C	1,011,054	924,087
Hempel Paints (Qatar) W.L.L	654,010	681,716
SADAFCO S.S.C.	48,826,471	48,668,612
United Oil Projects Co. K.S.C.	4,901,630	5,889,834
Qurain Petrochemical Industries Company K.S.C.	77,144,320	-
Al Atoun Steel Industries S.S.C (Closed)	12,516,718	-
Other	-	399,228
	156,082,453	66,931,631

The movement in goodwill is as follows:

	2008 KD	2007 KD
Goodwill:		
As at 1 January	34,117,731	9,720,817
Additions	60,973,140	28,761,165
Disposals	(477,655)	(4,364,251)
As at 31 December	94,613,216	34,117,731

The shares in SADAFCO S.S.C. and Qurain Petrochemical Industries Company K.S.C are pledged in favour of a local related party bank as a guarantee for the loan used in the acquisition of the associate (Note 14).

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

The goodwill included in the carrying value of each associated company is analysed as follows:

	2008 KD	2007 KD
DPME Holdings B.S.C (Closed)	5,976,967	5,976,967
Hempel Paints (Emirates) L.L.C.	584,929	584,929
Hempel Paints (Qatar) W.L.L.	390,248	390,248
SADAFCO S.S.C.	27,165,587	27,165,587
Qurain	60,495,485	-
As at 31 December	94,613,216	34,117,731

The following table illustrates summarised financial information of the Group's investments in associated companies:

	2008 KD	2007 KD
Aggregate of the associates' assets and liabilities:		
Current assets	78,781,638	69,306,983
Non-current assets	191,060,295	57,867,052
Current liabilities	(34,954,581)	(33,782,071)
Non-current liabilities	(12,807,338)	(9,380,506)
Net assets	222,080,014	84,011,458
Aggregate of the associates' revenue and profit:		
Revenue	115,110,632	96,438,829
Profit for the year	251,182	6,215,544
Market value of quoted associates		
SADAFCO S.S.C	16,562,995	44,297,135
Qurain	33,293,864	-

The aggregate of the associates' (SADAFCO S.S.C and Qurain Petrochemical Industries Company K.S.C) contingent liabilities and capital commitments amounted to KD 60 million (2007: KD 9.3 million).

In accordance with international accounting standard 36 "Impairment of assets", the management has performed a detailed impairment exercise in respect of each of the associated companies to determine whether any impairment provision is required. The management compared the recoverable amount (higher of value in use and fair value less cost to sell) of each of the associated companies with the carrying amounts. In determining the value in use, the management estimated the present value of the estimated future cash flows expected to arise from dividends to be received from each of the associated companies and from their ultimate disposal. As a result, an impairment of KD 9,024,256 is recorded in the consolidated income statement in respect of Qurain.

With respect to investment in Qurain, the rate used to discount the future cash flows is 9.15% and price/book value (P/BV) used to compute the terminal value is 3.

A change in the key assumptions, with all other assumptions remaining the same, would have the following effect:

- 1- An increase in the discount rate of 1% would cause the carrying amount to be impaired by KD 15 million. In case of a decrease in the discount rate of 1%, the recoverable amount would exceed the carrying amount by KD 3 million.
- 2- Under the assumption of P/BV of 3.2, the carrying amount will exceed the recoverable amount resulting in impairment charge of KD 5 million. Under the assumption of P/BV of 2.8 carrying amount will exceed the recoverable amount resulting in impairment of KD 13 million.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

13 INVESTMENT PROPERTIES

	2008 KD	2007 KD
Transfers from land under development	4,848,483	-
Changes in fair value	5,251,517	-
At 31 December	10,100,000	-

During the year, Amaken United Real Estate Company K.S.C. (Closed), a subsidiary company, transferred three properties from "land under development" to "investment properties" after their development had been completed. These properties have now been stated at fair value, which has been determined based on valuations performed by an independent specialist financial institution, which is experienced in valuing these types of investment properties. Net gain from changes in fair value during the year ended 31 December 2008 amounted to KD 5,251,517. As a result of the independent valuation of these investment properties, the fair value of these investment properties as at 31 December 2008 amounted to KD 10,100,000.

14 INTEREST-BEARING LOANS

	2008 KD	2007 KD
The loan is unsecured and is borrowed from a foreign bank which carries an interest rate of 1% over 3 month LIBOR and is denominated in US dollar repayable in six semi-annual instalments with effect from September 2007.	918,000	1,816,333
The short-term loan is borrowed from a local bank maturing on 15 December 2009. It is secured by 'financial assets available for sale' and a portion of shares in an associated company managed by the same bank and carries an interest rate of 6.75% per annum	8,000,000	6,000,000
The short-term loan is borrowed from a local related party bank maturing on 31 March 2009. It is secured by 9,700,000 shares held by the parent company in an associated company and carries an interest rate of 1.5% over the Central Bank of Kuwait discount rate.	20,000,000	20,000,000
The short-term loan is borrowed from a local related party bank maturing on 31 March 2009. It is secured by certain 'financial assets available for sale' and a portion of shares in certain associated companies and carries an interest rate of 1.75% over the Central Bank of Kuwait discount rate.	20,000,000	-
The short-term loan is borrowed by a subsidiary of the parent company from a local related party bank due on 2 March 2009, is secured by a pledge on the shares of Qurain Petrochemical Industries Company K.S.C. which carries an interest rate of 2.5% over the Central Bank of Kuwait discount rate.	25,000,000	25,000,000
The short-term loan is borrowed in parts by a subsidiary of the parent from a local Islamic bank due in one year from the date of disbursement, which is secured by a pledge on the shares of Qurain Petrochemical Industries Company K.S.C. of the subsidiary and carries a profit rate of 8.25% per annum.	18,300,000	6,000,000
The short-term loan is borrowed by a subsidiary of the parent company from a local related party bank due on 15 March 2009, which is secured by a pledge on some land under development of the subsidiary and carries an interest rate of 2.5% over the Central Bank of Kuwait discount rate.	500,000	-
	92,718,000	58,816,333

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

14 INTEREST-BEARING LOANS (continued)

Interest-bearing loans are classified as follows:

	2008 KD	2007 KD
Current liabilities	92,718,000	32,908,167
Non current liabilities	-	25,908,166
	92,718,000	58,816,333

The management is in the process of negotiating the terms of the settlement of some of the short term loans with the banks whereby these short term loans will be converted into medium and long term loans. The management is of the opinion that they will be able to renegotiate the terms of these short term loans as contemplated at this stage (see note 2).

15 ACCOUNTS PAYABLE AND ACCRUALS

	2008 KD	2007 KD
Accrued interest	2,327,368	842,971
Kuwait Foundation for the Advancement of Sciences	-	260,777
National Labour Support Tax	-	712,680
Zakat	-	17,611
Board of directors' remuneration	-	85,000
Dividends payable	172,521	195,542
Accrued expenses	483,385	1,641,626
Amount payable to former owner of a subsidiary	4,000,000	5,000,000
Other	590,973	148,934
	7,574,247	8,905,141

16 BONDS

The parent company issued floating rate bonds with a principal of KD 6,500,000 on 28 December 2004 and fixed rate bonds with a principal of KD 8,500,000 on 28 December 2004. The issue price of bonds is 100% of their principal amount. The fixed rate bonds bear fixed interest at the rate of 6.5% per annum. The floating rate bonds bear interest at the rate of 2.25% per annum above the three month KIBOR rate in effect on the rate fixing date. Interest is payable quarterly in arrears. The bonds will be redeemed at their principal amount on 28 December 2009.

17 SHARE CAPITAL AND DIVIDENDS

	Authorised		Issued and fully paid	
	2008	2007	2008 KD	2007 KD
Shares of fils 100 each	247,734,375	235,937,500	24,773,438	23,593,750

On 10 March 2008, the General Assembly of the parent company approved cash dividends amounting to KD 8,188,469 (2007: KD 6,882,141) and an increase in the authorised share capital from KD 23,593,750 to KD 24,773,438 (2007: KD Nil) by issue of 11,796,875 bonus shares of 100 fils per share.

18 SHARE PREMIUM

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

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

19 TREASURY SHARES AND TREASURY SHARES RESERVE

	2008	2007
Number of shares	2,324,350	1,729,113
Percentage of issued shares	0.94%	0.73%
Market value (KD)	223,138	622,481
Cost (KD)	639,796	496,767

Treasury share reserve is not available for distribution.

20 STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the year attributable to equity holders of the parent company before contribution to KFAS, NLST, Zakat and board of directors' remuneration is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. No transfer has been made to statutory reserve, since losses have been incurred for the year ended 31 December 2008.

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.

21 VOLUNTARY RESERVE

As required by the parent company's articles of association, 10% of the profit for the year attributable to equity holders of the parent company before contribution to KFAS, NLST, Zakat and board of directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the parent company's shareholders' general assembly upon a recommendation by the board of directors. No transfer has been made to voluntary reserve, since losses have been incurred for the year ended 31 December 2008.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

22 SHARE BASED PAYMENTS

The parent company has a stock option plan for certain employees. Options are exercisable at a price approved by Board of Directors at the date of grant. The weighted average vesting period is one to three years. The options expire if they are not exercised within the period specified in the grant. If an employee leaves the Group before the options vest, the share options are forfeited.

850,000 share options were granted on 1 January 2008 (2007: 1,552,850 share options granted on 1 January 2007) with a vesting period of one to three years.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movement in, share options during the year:

	2008		2007	
	No. of share options	Weighted average exercise price Fils	No. of share options	Weighted average exercise price Fils
Outstanding at 1 January	2,220,439	247	850,807	357
Granted during the year	850,000	256	1,552,850	200
Forfeited during the year	(170,681)	247	-	-
Exercised during the year	(42,643)	247	(183,218)	357
Outstanding at December 31	2,857,115	250	2,220,439	247
Exercisable at December 31	664,691	247	72,024	357

The fair values of the share options were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2008	2007
Weighted average share price (fils)	226	358
Weighted average share price on grant date (fils)	365	275
Weighted average strike price (fils)	256	200
Expected volatility (%)	36	54
Expected life of options (years)	2-4	2-4
Risk free rate (%)	5.75	6.25
Expected dividend yield (%)	27	25

Expected volatility was determined by calculating the historical volatility of the parent company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised an expense of KD 36,033 (2007: KD 69,757) related to equity-settled share-based payment transactions during the year.

The weighted average share price during the year of exercise of share options was 226 fils. The options outstanding at the end of the year have a weighted average remaining contractual life of 1.3 years (2007: 1.89 years).

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through income statement, financial assets available for sale and investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
31 December 2008					
ASSETS					
Cash and cash equivalents	8,809,219	-	-	-	8,809,219
Other receivable and prepayments	-	205,870	-	-	205,870
Due from related parties	-	51,185	-	-	51,185
Property, plant and equipment	-	-	105,466	-	105,466
Financial assets available for sale	-	-	18,809,569	-	18,809,569
Financial assets at fair value through income statement-designated	-	-	788,026	-	788,026
Investment in associated companies	-	-	-	156,082,453	156,082,453
Goodwill	-	-	43,957	-	43,957
Investment properties	-	-	10,100,000	-	10,100,000
Land under development	-	-	2,931,201	-	2,931,201
TOTAL ASSETS	8,809,219	257,055	32,778,219	156,082,453	197,926,946

	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
31 December 2008					
LIABILITIES					
Bank overdraft	41,692	-	-	-	41,692
Interest-bearing loans	71,500,000	21,218,000	-	-	92,718,000
Accounts payable and accruals	-	7,574,247	-	-	7,574,247
Due to related parties	-	1,588,927	-	-	1,588,927
Bonds	-	15,000,000	-	-	15,000,000
Employees' end of service benefits	-	-	-	817,786	817,786
TOTAL LIABILITIES	71,541,692	45,381,174	-	817,786	117,740,652
Net liquidity gap	(62,732,473)	(45,124,119)	32,778,219	155,264,667	80,186,294

The management is in the process of negotiating the terms of the settlement of some of the short term loans with the banks whereby these short term loans will be converted into medium and long term loans. The management is of the opinion that they will be able to renegotiate the terms of these short term loans as contemplated at this stage (see notes 2 & 14).

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Within 3 months	3 to 12 months	1 to 5 years	Over five years	Total
31 December 2007	KD	KD	KD	KD	KD
ASSETS					
Cash and cash equivalents	13,577,301	-	-	-	13,577,301
Other receivable and prepayments	-	633,548	-	-	633,548
Due from related parties	-	16,779	-	-	16,779
Financial assets at fair value through income statement-trading	-	11,720,812	-	-	11,720,812
Property, plant and equipment	-	-	80,798	-	80,798
Financial assets available for sale	-	-	-	86,481,429	86,481,429
Financial assets at fair value through income statement-designated	-	-	862,501	-	862,501
Investment in associated companies	-	-	-	66,931,631	66,931,631
Land under development	-	-	6,897,572	-	6,897,572
TOTAL ASSETS	13,577,301	12,371,139	7,840,871	153,413,060	187,202,371

	Within 3 months	3 to 12 months	1 to 5 years	Over five years	Total
31 December 2007	KD	KD	KD	KD	KD
LIABILITIES					
Interest-bearing loans	-	32,908,167	25,908,166	-	58,816,333
Accounts payable and accruals	-	8,905,141	-	-	8,905,141
Due to related parties	-	1,607,875	-	-	1,607,875
Bonds	-	-	15,000,000	-	15,000,000
Employees' end of service benefits	-	-	-	309,778	309,778
TOTAL LIABILITIES	-	43,421,183	40,908,166	309,778	84,639,127
Net liquidity gap	13,577,301	(31,050,044)	(33,067,295)	153,103,282	102,563,244

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

24 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group's principal financial liabilities comprise interest bearing loans and borrowings, accounts payables and accruals, due to related parties and bonds. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds financial assets available for sale and financial assets at fair value through income statement.

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

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

The board of directors of the Group are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk mitigation

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

Credit risk

Credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, other receivables and due from related parties, the Group's exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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 Group manages credit risk by setting limits for individual counter-parties, and groups of counter-parties and for geographical and industry segments. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Group obtains security where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

24 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group 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 (see notes 2 & 23).

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

	Less than 1 months KD	1 to 3 months KD	3 to 12 months KD	1 to 5 years KD	Over 5 years KD	Total KD
Financial liabilities						
31 December 2008						
Bank overdraft	41,692	-	-	-	-	41,692
Interest bearing loans	3,247,500	72,491,250	22,747,175	-	-	98,485,925
Accounts payables and accruals	-	-	7,574,247	-	-	7,574,247
Due to related parties	-	-	1,588,927	-	-	1,588,927
Bonds	-	223,438	15,670,313	-	-	15,893,751
Total financial liabilities	3,289,192	72,714,688	47,580,662	-	-	123,584,542

	Less than 1 months KD	1 to 3 months KD	3 to 12 months KD	1 to 5 years KD	Over 5 years KD	Total KD
Financial liabilities						
31 December 2007						
Interest bearing loans	-	-	35,022,509	29,192,592	-	64,215,101
Accounts payables and accruals	-	-	8,905,141	-	-	8,905,141
Due to related parties	-	-	1,607,875	-	-	1,607,875
Bonds	-	223,438	670,313	15,893,750	-	16,787,501
Total financial liabilities	-	223,438	46,205,838	45,086,342	-	91,515,618

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, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

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

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

24 RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bonds and loans).

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit before KFAS, NLST and Zakat for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2008. There is no impact on equity.

	50 basis points movement Effect on consolidated income statement	
	2008 KD	2007 KD
Liabilities bearing interest at floating rates	404,590	296,582

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the parent company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2008) and Group's profit (as a result of a change in the fair value of financial assets at fair value through income statement at 31 December 2008) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Increase (decrease)	Effect on loss KD	Effect on equity KD
Market indices			
2008			
Kuwait Stock Exchange	+5.00%	340,631	-
Others	+5.00%	7,262	-
2007			
Kuwait Stock Exchange	+5.00%	606,558	3,638,034
Others	+5.00%	21,684	-

The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increases shown above.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

24 RISK MANAGEMENT (continued)

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 Group does not hedge foreign currency exposures.

The effect on profit before KFAS, NLST and Zakat (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Increase/ (decrease) against KD	Effect on loss KD	Effect on equity KD
2008			
Saudi Riyals	+5.00%	23,347	-
US Dollars	+5.00%	(45,833)	10,092
2007			
Saudi Riyals	+5.00%	49,645	-
US Dollars	+5.00%	90,817	(10,704)

Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. As at the balance sheet date, the fair value of the Company's financial assets and financial liabilities were not materially different from their carrying values.

25 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group was committed and contingently liable as follows:

	2008 KD	2007 KD
Commitment towards financial assets available for sale	-	400,000
Commitment towards investment in a subsidiary	1,500,000	1,500,000

The amount of KD 1,500,000 represents uncalled capital of United Industrial Gas Co. K.S.C. (Closed). The liability may arise in future when the calls are made.

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

26 SEGMENT INFORMATION

The Group was organised into functional divisions to manage its various lines of business. The Group operates solely in the State of Kuwait and accordingly, does not have a secondary segment. For the purpose of primary segment reporting, the Group's management had grouped its products and services into the following business segments:

- Energy sector – Investments in oil and energy sector
- Basic industries – Investing of Group funds in Industrial, Real estate, Utilities, Services and other related sectors.

In year 2007, the following segments were disposed off and as a result ceased to be reportable operating segments.

- Food sector – Fishing and restaurant operations.

	2008			2007			
	Energy sector KD	Basic industries KD	Total KD	Energy sector KD	Basic industries KD	Food sector KD	Total KD
Segment revenues	(972,414)	3,628,492	2,656,078	(97,152)	15,136,355	-	15,039,203
Segment results	(13,340,794)	(2,919,874)	(16,260,668)	(1,057,672)	8,122,295	-	7,064,623
Unallocated revenue	-	-	431,917	-	-	-	1,180,546
Gain for the year from discontinued operations	-	-	-	-	-	20,365,099	20,365,099
(Loss) profit for the year			(15,828,751)				28,610,268
Assets and liabilities							
Segment assets	66,541,102	131,385,844	197,926,946	61,164,330	126,038,041	-	187,202,371
Segment liabilities	55,982,541	61,758,111	117,740,652	41,459,450	43,179,677	-	84,639,127

27 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, interest bearing loans, trade and other payables, less cash and cash equivalents. Total capital includes equity attributable to the equity holders of the parent company and minority interest.

	2008 KD	2007 KD
Interest bearing loans and bonds	107,718,000	73,816,333
Other liabilities	10,022,652	10,822,794
Less: Cash and cash equivalents	(8,809,219)	(13,577,301)
Net debt	108,931,433	71,061,826
Total capital	80,186,294	102,563,244
Gearing (debt to equity) ratio	135.85%	69.29%

Notes to the Consolidated Financial Statements Continued

At 31 December 2008

28 NATIONAL LABOUR SUPPORT TAX (NLST)

The parent company calculated the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST is deducted from the profit for the year. No NLST is payable as the Group has incurred a loss during the year.

29 KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES

The parent company calculated the contribution to Kuwait Foundation for the Advancement of Sciences in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve and Zakat should be excluded from profit for the year when determining the contribution. No KFAS is payable as the Group has incurred a loss during the year.

30 ZAKAT

Effective from 10 December 2007, the Group has to provide for Zakat in accordance with the requirements of Law No. 46 of 2006. No zakat is payable as the Group has incurred a loss during the year.



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How to get a copy of our 2008 financial statements:

- A hard copy of the financial statements will be handed over to the shareholders who attend the General Meeting for their approval.
- Shareholders may request a soft copy to be sent to them by e-mail. To have this arranged, please request the same by e-mail addressing to nabil@uickw.com.
- Shareholders who wish to have a hard copy of the financial statements may contact Mr. Nabil Fahmi Fayed, administrative affairs coordinator, tel. no 2246 6842 ext. 113 for such arrangements.