



United Industries Company

A member of the KIPCO Group





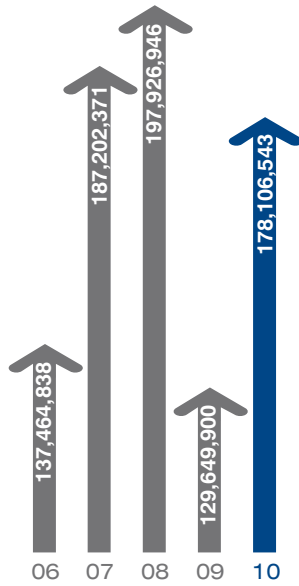
H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait



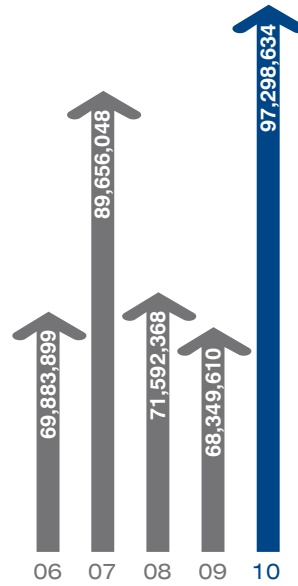
H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait



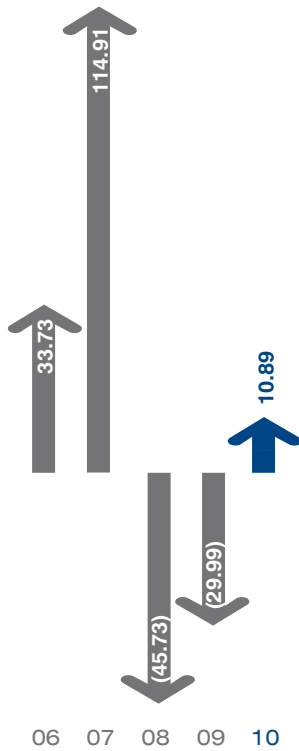
Financial Highlights



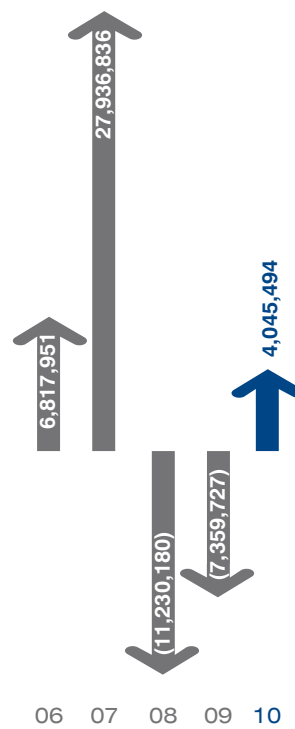
Assets (2006 – 2010)
Kuwaiti Dinar



Shareholders' Equity (2006 – 2010)
Kuwaiti Dinar



Earnings Per Share (2006 – 2010)
Fils



Net Profit (2006 – 2010)
Kuwaiti Dinar

	2006	2007	2008	2009	2010
Income Statement Highlights (KD Million)					
Operating Income	1.84	13.07	3.98	1.19	6.52
Income from divestment of long term investments	3.31	3.15	0.08	(2.59)	0.76
Gain arising on an associate becoming a subsidiary	-	-	-	-	2.42
Operating expenses	(4.90)	(8.06)	(8.21)	(6.20)	(5.62)
Relating to discontinued operations (net of related expense)	11.28	19.37	(11.68)	(0.60)	-
Net profit (loss) for the year	11.52	27.53	(15.83)	(8.21)	4.07
Minority Interest	4.70	(0.40)	(4.60)	(0.85)	0.03
Net profit (loss) attributable to equity holders of parent company	6.82	27.94	(11.23)	(7.36)	4.05
Dividend	30% cash	35% cash 5% stock	-	-	-

Financial Statement Highlights (KD Million)					
Total assets	137	187	198	130	178
Investments	91	173	189	95	173
Term loans	35	74	108	55	70
Group equity	95	103	80	71	103

Profitability					
Earnings per share (fils)-Restated	34	115	(46)	(30)	11
Return on average assets	9.2%	17.0%	-8.2%	-5.0%	2.6%
Return on average equity	13.8%	27.9%	-17.3%	-10.9%	4.7%

Capital					
Group equity / Total assets	69.1%	54.8%	40.4%	54.3%	57.7%
Debt / Group equity	37.4%	72.0%	134.6%	78.0%	68.1%

Liquidity & Bussiness Indicators					
Investments / Total assets	66.7%	92.4%	95.3%	73.0%	96.9%
Liquid assets / Total assets	24.3%	13.5%	4.4%	4.5%	3.2%

Introduction →

United Industries Company is a member of the KIPCO Group - one of the largest diversified holding companies in the Middle East and North Africa. KIPCO has significant ownership interests in a portfolio of over 60 companies operating across 26 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 the industrial, real estate, education and the management & advisory sectors.

KIPCO's financial services interests include holdings in commercial and investment banking, asset management and insurance companies. The Group's core operating companies in this sector include Burgan Bank, United Gulf Bank and Gulf Insurance Company. In the media sector, the Group has a presence through the Orbit Showtime Network, the leading pay-TV operator in the region.

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Mission & Vision 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.

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

About United Industries Company →

United Industries Company (UIC) Established in 1979 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 49,546,875 (USD 175,232,000).

UIC's Major Investments include:

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



Board of Directors →

Mr. Essa Khalid Al Essa
Board Chairman and CEO

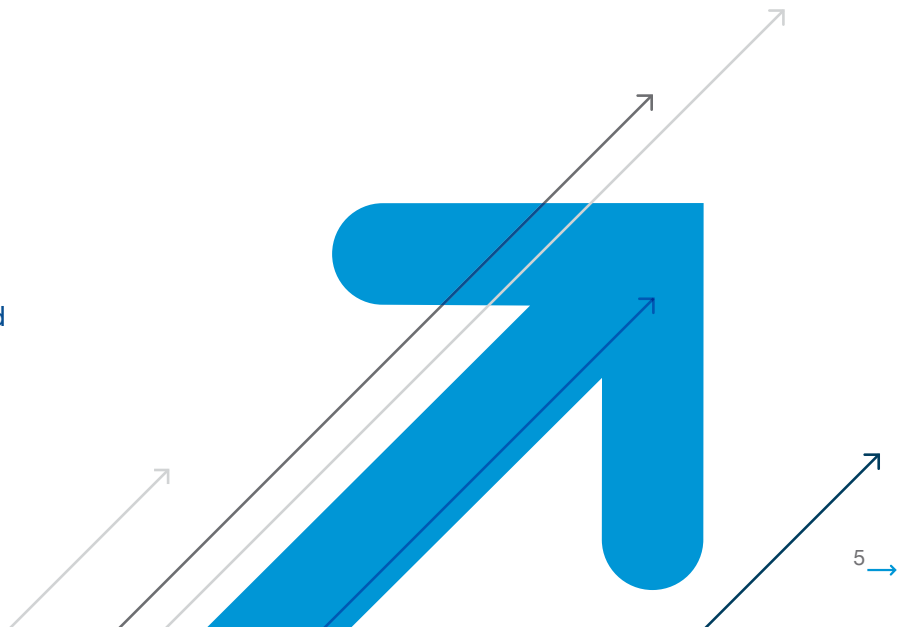
Sheikh Khalifa Al Abdulla Al-Jaber Al-Sabah
Vice Chairman



Mr. Waleed Ahmed Al Sharhan
Board Member

Mr. Shahab Waheed Abdul Waheed
Board Member

Mr. Khaled Sulaiman Al Sanae
Board Member





Executive Management →



Essa Khalid Al-Essa
Chairman & CEO

Mr. Essa Khaled Al-Essa received his new post as Chairman of the Board of United Industries Company following his election by the Board of Directors in May 2010. Mr. Al-Essa joined UIC 2002 as Managing Director & CEO, and in 2007 he became Vice Chairman and CEO for the company.

Mr. Al-Essa is also Vice Chairman of Al-Qurain Petrochemical Industries Co. since 2005, Board Member of Saudi Dairy and Foodstuff Company, (SADAFCO) since 2003. Prior to joining UIC, he was General Manager at Al-Ahlia Investment Co. from 1993 till 2002, and Chairman & Managing Director at Shuaiba Paper Products Co. from 1996 till 2002.

Mr. Al-Essa was Director – Board of Trustees at the Center of Excellence, Kuwait University from 2000 till 2008. He became Board Chairman at Kuwait Industrial Union in 1999 till 2001. Mr. Al Essa graduated from University of Portland, Oregon - USA - holding a Bachelor's Degree in Industrial Engineering/Marketing.



Ahmad Al-Mastaqi
Senior Investment
Manager-
Acting Group HR
& Administration
Manager

Mr. Ahmad AlMasqati joined United Industries Company as Senior Investment Manager 2006. His responsibilities include projects evaluation, feasibility studies and accounting for different projects in Business Development Department. Mr. Masqati combined expertise is attributed to his years of experience in the domain. Prior to joining UIC; Mr. Masqati was Investment Manager -Industrial Sector at Gulf Investment, Industries Manager-Projects Evaluation at The Public Authority of Industry, General Manager at Middle East Communications, and Production Manager at Carpets Industries.

Mr. Masqati holds Bachelor of Industrial Engineering degree from Oklahoma University-USA. Currently he is assigned with acting HR & Administration responsibilities for the Group in addition to his work as Senior Investment Manager.



Mickey Zacharia
Head of Business
Development

Mr. Zacharia joined UIC in 2005. He is responsible for managing Direct Investments. He was previously the Head of Finance at United Fisheries of Kuwait and has held positions with Alghanim Industries and ICI India. He is a graduate of Calcutta University, an Associate member of the Institute of Chartered Accountants of India and is a Certified Management Accountant.



Mathew Thomas
Senior Executive
Manager – Finance
& Accounts

Mr. Mathew joined United Industries Company in 2003. He manages the finance and accounting functions of UIC and its subsidiaries. He has more than 25 years experience in Financial Management and Reporting. He previously worked for Al-Kout Industrial Projects Co., Ahlia Chemical Company in Kuwait and The Rubber Board in India. He is a Fellow Member of Institute of Chartered Accountants of India. He holds a Bachelor's Degree in Science from Kerala University, India.



Ammar Ghassan Al-Omeiri
Group Internal Audit
Manager

Mr. Omeiri joined United Industries Company 2004. He has a wealth of experience in financial and accounting management, auditing and sales strategies, management and corporate governance.

Mr. Omeiri is the Vice Chairman of Amaken United Real Estate Company, Board Member of Arab Livestock Company. Prior to joining UIC, Mr. Omeiri worked in several local and international companies. Mr. Omeiri holds Bachelor degree in Business Management & Economy from American International University – Major in Financial Management & Accounting- London 1986.



Chairman & CEO's Statement →



Dear Shareholders,

It is my pleasure to present to you the 32nd Annual Report of the UIC for the fiscal year ended December 31, 2010, and to review major developments and events during the year in review and the financial statements.

In the wake of the global financial crisis which struck towards the end of 2008, many corporations- if not all- operating across sectors were affected; as the crisis had an adverse effect on the performance of many of these corporations, including UIC; and the adverse effects continued to present itself in the results of 2009.

The management of UIC, consulting and coordinating with parent company, Kuwait Projects Company (Holding) – the largest shareholder in the company- implemented a medium-range strategy and an ambitious practical action plan that is applicable in the current circumstances, and one that positively reflects on the future and the status of UIC in addition to realizing some of the results we are striving for.

During the year, the management monitored the performance of its operating investments, both in Kuwait and abroad, with the aim of developing these investments on one side and to mitigate the challenges that may hinder the progress of others in view of current circumstances. These efforts have paid off where significant improvements was achieved in a number of these investments, as operational capacity have increased recording positive gains in the financial statements of UIC, as seen in the Group performance. As for our other contributions, work is in progress to determine the best means to bring matters back on track.

Following are several significant achievements for the year under review:

Following the restructuring of the Board of Directors in Q1, I was assigned with the duties of the Chairman of the Board in addition to my duties as CEO, taking over from Sheikh Khalifa Abdullah Al Jaber Al Sabah, who

became the Vice Chairman.

In Q1, SADAFCO sold one of its investments, which reflected positively on the financial statements of UIC recording a profit of KD 3.3 million.

In Q2, UIC successfully increased its capital by 100%, from KD 24.8 million to KD 49.6 million. The decision to increase the capital came after a comprehensive feasibility study and a thorough review of the best options that would best support and enhance the company's future activities, as well as covering financial commitments/ short-term loans. This increase was followed by increasing Kuwait Projects Company (Holding) contribution in UIC from 43.54% to 71.76%.

To complete the implementation of the action plan and strategy, in Q2 UIC made a significant acquisition of Kuwait National Industrial Projects Company – the holder of 18.46% shares of Al Qurain Petrochemical Industrial Company. Following the acquisition and restructuring of the company, KNIPC became UIC subsidiary.

The actions taken and the implementation of the aforementioned steps, as well as the performance results of our strategic investments, have had a direct impact on our financial statements and our performance results for the year in review, as follows:

Total borrowings were reduced from KD 97.45 million to KD 69.95 million, after paying 28% (KD 27.5 million) of the total loans highlighted in the consolidated financial statements, including repayment of bonds of KD 15 million paid back during Q1 for the year under review. Also the company has finalized the negotiation and agreed with bank to reschedule a loan

of KD 22.5 million

Share of income from associates increased by 140% to KD 4.997 million during 2010, compared to KD 2.09 million for 2009. Total revenue KD 9.7 million, compared to KD 1.404 million recorded in losses in 2009 – recording an increase of 791%. Operating profit KD 4.263 million after deducting expenses, compared to a loss of KD 8.207 million recorded in 2009 – an increase of 152%.

Net profit KD 4.045 million, compared to KD 7.36 million in losses recorded in 2009, bringing earnings per share to 10.89 Fils – noting that the earning per share is calculated on the basis of current capital of UIC which is KD 49.6 million – compared to 29.9 Fils losses last year – representing an increase of 155%.

Consolidated investments increased by 82% (KD 77.7 million) to reach KD 172.6 million, while assets increased to KD 178.1 million from KD 130 million in 2009 – representing an increase of 37%. Finally, shareholders equity increased by 42% to 97.3 million for the year ended in 31 December 2010 from 68.3 million in 2009.

A word of Gratitude and Appreciation

I would like to conclude by expressing my sincere gratitude to all of the Members of the Board for their trust and their continuous support. I would like to extend my gratitude to Sheikh Khalifa Abdullah Al Jaber Al Sabah, the Vice Chairman, for his efforts and distinguished contributions for seven years as Chairman of the Board of Directors.

We pray to God Almighty to grant us success in our future endeavors, and that our efforts be rewarded.

Essa Khaled Al-Essa

Chairman and CEO





Management Report →

Following the sharp decline in the region's economic situation, on the wake of the global economic crisis in 2009, the management of UIC during 2010, had to review and face head on a number of challenges that have negatively impacted the performance of various investments. The management continued to implement the ambitious plan which was put in action in the beginning of 2009 to enhance the company's financial position and serve the interests of our shareholders through several aspects, to achieve the following goals:

- Focus on cash generation to provide the required liquidity to fulfill the company's financial commitments and working in its interest
- Restructure the company's investments to divest non-strategic investments and capitalizing on opportunities to strengthen our position
- Enhance and develop the performance of operating investments to the maximum in order to eliminate the impact of the financial crisis, and thus gradually returning to realizing preferable profits.
- Continue to cut costs and reorganize supporting departments.



Amidst the challenges, the management achieved significant improvements in the year under review as follows:

Fulfilling/Rescheduling Financial Commitments

In line with the framework of rescheduling the company's loans, the management paid 28% (KD 27.5 million) of UIC's total loans/financial commitments including bonds of KD 15 million in Q1. The management is currently conducting a feasibility study to issue new bonds, to utilize financial revenues to support and develop the company's main stream activities.

Also the company has finalized negotiations and agreed with bank to reschedule a loan of KD 22.5 million for Kuwait National Industrial Projects Company over a period of three years. Total loans dropped from KD 97.45 million to KD 69.95 million for the year under review

Capital increase

During Q2, UIC successfully finalized its capital increase project; increasing the capital by 100%, from KD 24.8 million to KD 49.6 million. The decision to increase the capital was taken following a broad feasibility study and detailed research to determine the best options that would support and develop the future activities of the company, as well as generate cash to fulfill financial commitments/short-term loans. This increase was followed by increasing Kuwait Projects Company (Holding) stake in UIC, from 43.54% to 71.76%. Capital increase was followed by ownership restructuring for shareholders where UIC became a subsidiary of Kuwait Projects Company (Holding).

Divesting and Acquisitions

UIC's management completed divesting from several of non-strategic private assets and realized agreeable revenues that are considered suitable given the current circumstances. In Q1, Saudi Dairy and Foodstuff Company (SADAFCO) – an associate company – completed selling its share in the Saudi New Zealand Dairy Products Co. Ltd. UIC's share of profit from this deal was KD 3.3 million. The company also divested from other marginal/non-strategic investments and utilized the revenues to finance the company's investment activities.

During Q2, UIC completed the acquisition of a significant stake in Kuwait National Industrial Projects Company – which holds an 18.46% stake in Al Qurain Petrochemical Industries Company. Following the acquisition and restructuring of the company, KNIPC became UIC subsidiary.

Developing the Performance of Operating Investments

The management continued to monitor the performance of its operating investments in Kuwait and abroad with the aim of developing these investments, to mitigate any challenges that may hinder its development and to secure the maximum possible revenues given the prevailing circumstances. As a result of these efforts the situation in several investments improved significantly where operational capabilities was increased and positive results were





Management Report - Continued →

reflected on the company's financial statements as seen clearly in the Group performance during the year under review. As for other investments, work is in progress to determine the best means to bring matters back on track.

Reducing Expenses and Restructuring Supporting Departments

Group expenses were reduced by 12% compared to expenses in 2009, and in line with the company strategy to adapt to current economic situation; the management implemented its restructuring plan for supporting departments such as Admin, HR, IT and other in subsidiaries and associate companies.

The measures taken during the year have reflected positively on the company's financial statements, as shown below:

- Value of the company's consolidated assets increased 37% (KD 48.5 million) to KD 178.1 million
- Volume of consolidated investments increased 82% (KD 77.7 million) to KD 172.6 million
- Shareholder equity increased 42% (KD 29 million) to KD 97.3 million.

- All of which underline the success of the ambitious strategy adopted by the management since the beginning of 2009, and pave the way for a gradual return to making excellent profits.

Financial Performance Consolidated Income Statement

The company recorded net profit of KD 4.045 million or 10.89 fils per share, recording an increase of 155% compared to losses registered in the previous year of KD 7.36 million or 29.99 fils per share.

Total revenue for the year increased 791% to KD 9.695 million compared to loss of KD 1.404 million for the previous year. The improvement in year's results is attributed to the results of associate companies as well as divesting from several investments with significant profits.

Share of profits from associate companies increased 140% to KD 4.997 million. Profit from sale of investments in associate also increased 121% to KD 0.59 million, and profits of KD 2.4 million was made from reclassification of one associate company into a subsidiary. A further profit of KD 0.13 million was from



Management Report - Continued →

investments available for sale. The fair evaluation of real estate investments increased 109% to KD 0.21 million. Other income increased 81% to KD 0.608 million.

Group expenses reduced 12% to KD 5.4 million compared to the previous year's KD 6.2 million due to reduced administrative spending, as well as 100% reduction in the allocations for the depreciation in the value of investments available for sale.

Consolidated Balance Sheet

The total assets as on 31 December 2010 KD 178.1 million, increased by 37% (KD 48.5 million) compared to KD 129.6 million on 31 December 2009. The increase in total assets is attributed to the increase in long-term investments.

Assets available for sale increased 10% (KD 0.8 million) to KD 9.1 million compared to KD 8.2 million for the previous year, due to the reclassification of investment in United Oil Projects from "investments in associate company" to "investments available for sale" after a partial exit from the company.

Investments in associate companies increased 101% (KD 77.1 million) to KD 153.6 million, compared to

KD 76.5 million the previous year. The increase is mainly attributed to acquisition of additional stake of KNIP and the consolidation of investment in QPIC as KNIP became subsidiary.

Company Capital was increased 100% (KD 24.8 million) to KD 49.6 million with the aim of fulfilling some due financial commitments and the acquisition of additional stake of Kuwait National Industrial Projects Company (KNIP).

The UIC Group paid KD 27.5 million during the year, including mature bonds worth KD 15 million and another KD 12.5 million in bank loans.

Total liabilities increased 28% to KD 75.4 million due to the consolidation of the liabilities of Kuwait National Industrial Projects Company, worth KD 39.95 million.

Performance Highlights of Group Companies

The management continued to monitor the performance of its operating investments in Kuwait and abroad to detect and mitigate obstacles which may rise from unstable markets and to ensure that



Management Report - Continued →

appropriate decisions will be implemented in view of current circumstances to realize growth and achieve maximum returns possible as per the following:

Saudi Dairy and Foodstuff Company (SADAFCO)

The Saudi Dairy and Foodstuff Company (SADAFCO) – an associate of UIC with 40.13% – is one of the most important companies in UIC's investment portfolio. SADAFCO was established in 1976 and started production in 1977 in Jeddah, Saudi Arabia.

SADAFCO is a pioneer in the dairy and foodstuff industry, especially in long-life milk, and is a leader in the regional market. The products that the company introduced in 2009 were well-received by consumers, and in 2010 the company introduced a number of other products such as butter and fortified children's milk. This came following the adoption of its promise to consumers to "develop, produce and market a series of nutritious products to consumers of all ages, and to create a greater added value in the interest of its shareholders and through the work of its team" pledging to make "Saudia" the favorite trademark. SADAFCO has earned the trust of consumers of different ages and nationalities through long history, "Saudia" trademark and competitive prices.

Throughout 2010, SADAFCO encountered many activities and positive changes, starting with the feasibility study to unify the infrastructure of the company's production lines and related activities under one roof. The feasibility study comprised the evaluation of several locations in the Kingdom, including King Abdullah Economic City, out of the company's desire to increase production efficiency levels and the capacity to accommodate future consumer demands.

Production operations during the year was focused on enhancing the performance of plants and production lines through the following ; improving customer service and providing products, enhancing quality value and the performance of equipment and employees. The year also witnessed the revamping of company's fleet, which effectively contributed to delivering products to distribution points which consequently increased storage capacity in the Kingdom of Saudi Arabia. The logistics in the company successfully managed the supplies by providing raw materials to accommodate the production capacity for the year, which in turn met the consumer demand for products.

In line with SADAFCO's corporate culture that manpower is the main element in the successful development of operations, many new employees were hired by the company to support its growth and development plans. The company maintains the percentage of Saudi employees at around 30%, which indicates continuous growth and will positively reflect on the financial results in the coming years.

Financial Highlights

SADAFCO's financial results improved both in sales and net profit in the first nine months ended December 31,2010. Net sales increased 8% to reach SR 840 million, compared to SR 775 million for the same period in 2009. Operating profit also increased 8% to SR 94.7 million compared to SR 87.5 million for the same period in 2009.

Operating profit also increased 8% to SR 94.7 million compared to SR 87.5 million for the same period in 2009.

This growth is attributed to the effective implementation of product promotion projects, encouraging customers to minimize the impact of price increase, which in turn led to a drop in quantity. This is besides the introduction of new products.

Revenues from investments increased 33% to SR 11.1million, including SR 10 million from the company's investment portfolios during the stated period. Net profit in the first nine months increase 14% to reach SR 97 million, compared to SR 85 million for the same period in 2009.

SADAFCO's complete stake in the Saudi New Zealand Dairy Products Co. Ltd. was sold for SR 135.2 million equal KD 10.3 million, realizing total profit of SR 109 million equal KD 8.3 million.

Al Qurain Petrochemical Industries Company

UIC's strategy is based on diversifying investments in promising industrial sectors, locally and regionally. The company constantly develops available operational investment opportunities in line with UIC's long-term investment plan. Al Qurain Petrochemical Industries Company is a pioneer in the petrochemical industry, and is one of UIC's most important investments. Al Qurain also enjoys liquidity and a solid solvency base, as well as other competitive factors that qualify the company for future opportunities in this sector.

Al Qurain's investment base is focused on a series

Management Report - Continued →

of premium investments, whether those that have commenced commercial operation or the ones emerging and waiting to start operation. Al Qurain holds 6% stake in EQUATE Petrochemical Company, which is a one of the leading companies in the Middle East. EQUATE commenced commercial production in 1997 and has made astounding results year after year. Al Qurain also holds 6% percent stake in Kuwait Olefins Company, which is another promising company in the petrochemical sector that commenced commercial production in 2009 and has made significant profits. Furthermore, Al Qurain holds 20% stake in Kuwait Aromatics Company, which in turn holds 57.5% of Kuwait Styrene Company and 100% of Kuwait Paraxylene Production Company. Al Qurain also holds a 42.5% stake in the Algerian Methanol Company

in cooperation with Sonatrach, the Algerian Oil Company. All indications point to good prospects for Al Qurain's projects in the upcoming period.

Project management efforts throughout the year focused on monitoring existing investments, especially Kuwait Aromatics Company. Commercial operation for this project commenced in early 2010, and recorded negative results that Al Qurain had to bear a percentage of. The management also continued to seek and evaluate available investment opportunities in line with the company's long-term investment strategy, taking into account the importance of diversifying investments across several petrochemical sectors in order to cover a larger area and to benefit from geographic expansion opportunities. During the year, the management reviewed many investment opportunities in the Gulf





Management Report - Continued →

Foodstuff



and North Africa, where gas and other crude materials essential for petrochemical industry are available. The management reviewed opportunities in China and East Asia, where there is a growing demand for different types of petrochemical products.

The price of polyethylene witnessed price increase in 2010, which reflected positively on the financial results of EQUATE and Kuwait Olefins Company. This is expected to have a positive impact on Al Qurain's results in the coming year.

Financial Highlights

Al Qurain's results for the year recorded a loss of KD 1.9 million compared to a profit of KD 7.1 million the previous year. Cash dividends received from EQUATE dropped 35% to KD 7.5 million due to the reduction in the company's revenues during the year. Al Qurain's share of losses from associate companies increased 72% to KD 9 million. This drop is mainly attributed to operational startup costs that subsidiaries such as Kuwait Aromatics Company had to bear because of the increase in cost of raw materials (fodder) from Kuwait National Petroleum Company and the international drop in the price of paraxylene, which

Industry



created a gap between them. This is besides the cost of constructing a paraxylene plant, which reflected negatively on the company's results.

United Oil Projects Company

Activities of the United Oil Projects Company (UOP) include the production of chemical materials – through the company's industrial sector – and drilling oil wells – through its subsidiary, United Precision Drilling Company (UPDC), in which UOP holds a 47.5% stake, in addition to the sale and maintenance of oil drilling equipment – through its subsidiary, Al Khorayef Company for Sale, Maintenance and Repair of Oil Production Equipment, in which UOP holds a 25% stake.

The company's management succeeded in winning a special tender for the GC 16 project with Kuwait Oil Company, through Al Khorayef Company – one of UOP's investments – and in collaboration with Al-Qurain Petrochemical Industries Company – UOP's main shareholder. The project is worth approximately KD 87.6 million and includes the construction, operation and maintenance of an early production plant for a period of seven years. The project is

Management Report - Continued →

Oil & Gas



expected to significantly increase the profit of the subsidiary, which would reflect positively on the company's future results.

The company increased its production of specialized material in 2010, underlining the stability of its financial position and the continuous improvement of its production activities in view of the current economic challenges; whether in the oil and gas sector or in the economy in general. The company also succeeded in finding a cost effective alternatives to several raw materials used in the production processes of resins that are mainly used in the paint industry – which was imported at a high cost – and introduced them in the local market at competitive prices. These efforts proved fruitful and reflected positively on the company's financial results, increasing total profit by 34%, as seen in the financial statements of the company.

Financial Highlights

The company maintained a stable financial performance throughout the year, recording net profit of KD 327,548 compared to KD 333,747 for the previous year. The management aspires to double efforts in the near future to achieve better results,

Real Estate



provided positive developments are seen in the market.

The company's total investment in associates during the year is KD 414,000.

Amaken United Real Estate Company

Amaken United Real Estate Company was established in 2005 as a closed Kuwaiti shareholding company with a capital of KD 3.5 million and is one of UIC subsidiaries, as UIC holds 75.62% stake in Amaken, who strives to become one of the leading companies in the industrial real estate sector.

Amaken owns a diverse number of land plots in strategic locations, covering most of the industrial areas in Kuwait. These projects are of specialized nature and are distinctly marketable, as they cater to services, industrial, commercial and administrative activities. During the year, the company rented available areas in several land plots, which reflected positively on its financial results. The rest of the plots are either being marketed for leasing or for divesting.

Financial Highlights

The company recorded KD 0.38 million profits, compared to KD 2.29 million losses incurred in 2009.



Management Report - Continued →

The company's realized revenue from leasing KD 0.28 million, compared to no revenues from this activity in 2009. The company also exited from one of its properties, realizing a profit of KD 0.032 million. Profits generated from the revaluation of a property KD 0.21 million, compared to losses of KD 2.38 million for the same period in 2009.

Liabilities dropped 47% to KD 0.58 million for the year under review, compared to KD 1.1 million in 2009.

Al Atoun Steel Industries Company

In the beginning of 2008, UIC invested KD 12.5 million in Al Atoun Steel Industries Company, thus holding a 24.05% stake in the company. Al Atoun intends to construct a new steel plant in the industrial city of Yanbu, Saudi Arabia. This project will be carried out in three phases at a cost of SR 4 billion. The project is to be financed through loans and public placement.

During 2010 the project was delayed, and the management is currently assessing the situation to find the best available alternatives.

General Activities

The year 2010 witnessed some positive initiatives and contributions made by UIC, subsidiaries and associates. The aim of these initiatives was to underline the significant role of the Group in the community social responsibility (CSR) in Kuwait, as well as to boost Group relations through enhancing communication channels between the management and employees. As part of sponsoring charity events, the company hosted a "Girgee'an" celebration at Kuwait Down Syndrome Society.

As for social activities that underline the Group's keenness for preserving the local heritage, UIC – in cooperation with Al Qurain – hosted a Ramadan "Ghabka" for Group management and employees. "Girgee'an" gifts were also distributed to the employees' children.

Future Outlook

Although positive results were achieved in 2010, the management continues to aspire to achieve even more in the coming few years, given the tremendous capabilities and the human resources that is available to the company and its Group. The management is also working hard to reach the best solutions and available alternatives to move forward its operating investments that are still facing challenges. Resolving the hindering challenges will improve the circumstances and will pave the way to achieve better results and gain excellent revenues.

Consolidated Financial Statements

31 December 2010

United Industries Company K.S.C (closed) and Subsidiaries



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Independent Auditors' Report →

To the Shareholders of United Industries Company K.S.C. (Closed)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Industries Company K.S.C. (Closed) (the "parent company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate 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 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements where the Group's ability to continue as a going concern has been summarised.

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 2010 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

6 February 2011
Kuwait

Consolidated Income Statement →

For the year ended 31 December 2010

	Notes	2010 KD	2009 KD
Continuing operations:			
Share of results from associates	11	4,997,014	2,085,494
Gain (loss) on partial sale of investment in associates	9,11	591,530	(2,857,252)
Gain arising as a result of an associate becoming a subsidiary	9,4	2,415,718	-
Realised gain on sale of financial assets at fair value through profit or loss		52,159	-
Unrealised gain (loss) on financial assets at fair value through profit or loss		54,725	(239,400)
Realised gain (loss) on sale of financial assets available for sale		134,835	(42,492)
Change in fair value of investment properties	12	210,000	(2,384,793)
Gain on sale of investment properties		31,737	307,500
Dividend income		69,100	153,792
Interest income		530,442	1,237,841
Other income		608,307	335,238
Income		9,695,567	(1,404,072)
General and administrative expenses		1,350,662	1,489,970
Impairment of financial assets available for sale	10	-	712,084
Finance charges		4,081,837	3,996,261
Expenses		5,432,499	6,198,315
Profit (loss) for the year from continuing operations		4,263,068	(7,602,387)
Discontinued operations			
Loss for the year from discontinued operations		-	(604,842)
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		4,263,068	(8,207,229)
KFAS		(35,008)	-
NLST		(104,308)	-
Zakat		(37,754)	-
Directors' fees		(15,000)	-
Profit (LOSS) FOR THE YEAR	5	4,070,998	(8,207,229)
Attributable to:			
Shareholders of the parent company		4,045,494	(7,359,727)
Non-controlling interests		25,504	(847,502)
		4,070,998	(8,207,229)
Earnings (loss) per share			
Basic and diluted earnings (loss) per share attributable to shareholders of the parent company	6	10.89 fils	(29.99) fils
Earnings (loss) per share from continuing operations			
Basic and diluted earnings (loss) per share from continuing operations attributable to shareholders of the parent company	6	10.89 fils	(28.76) fils

The attached notes 1 to 26 form part of these consolidated financial statements.



Consolidated Statement of Comprehensive Income →

For the year ended 31 December 2010

	Note	2010 KD	2009 KD
Profit (loss) for the year		4,070,998	(8,207,229)
Other comprehensive income			
Net (gain) loss on sale/impairment of financial assets available for sale		(134,835)	754,576
Effect of changes in fair value of financial assets available for sale		1,030,655	(450,419)
Share of other comprehensive income of associates	11	2,003,816	2,865,029
Effect of an associate becoming a subsidiary	4	(2,415,718)	-
Effect of an associate becoming financial assets available for sale		192,142	-
Share of other comprehensive income from discontinued operations		-	1,776,336
Other comprehensive income		676,060	4,945,522
Total comprehensive income for the year		4,747,058	(3,261,707)
Attributable to:			
Shareholders of the parent company		3,034,064	(3,270,406)
Non-controlling interests		1,712,994	8,699
		4,747,058	(3,261,707)

The attached notes 1 to 26 form part of these consolidated financial statements.

Consolidated Statement of Financial Position →

At 31 December 2010

	Notes	2010 KD	2009 KD
ASSETS			
Current assets:			
Bank balances and short term deposits	7	5,294,700	5,249,324
Other receivables and prepayments	8	119,727	10,622,073
Due from related parties	9	8,738	10,366
Financial assets at fair value through profit or loss - designated	10	328,351	548,626
Total current assets		5,751,516	16,430,389
Non-current assets:			
Due from related parties	9		18,745,345
Financial assets available for sale	10	9,050,619	8,241,666
Investment in associates	11	153,626,188	76,476,624
Investment properties	12	9,593,027	9,638,152
Property and equipment		41,236	73,767
Goodwill		43,957	43,957
Total non-current assets		172,355,027	113,219,511
TOTAL ASSETS		178,106,543	129,649,900
LIABILITIES AND EQUITY			
Current liabilities:			
Due to related parties	9	322,989	24,730
Interest bearing loans	13	44,950,000	10,000,000
Bonds	14	-	15,000,000
Accounts payable and accruals	15	4,317,253	3,174,874
Total current liabilities		49,590,242	28,199,604
Non-current liabilities:			
Interest bearing loans	13	25,000,000	30,000,000
Other payables		817,226	911,171
Total non-current liabilities		25,817,226	30,911,171
Total liabilities		75,407,468	59,110,775
Equity:			
Share capital	16	49,546,875	24,773,438
Share premium	17	7,591,193	7,591,193
Treasury shares	18	(639,796)	(639,796)
Statutory reserve	19	10,059,635	9,635,879
Voluntary reserve	20	10,059,635	9,635,879
Treasury shares reserve		1,929,152	1,929,152
Employees' share options reserve		144,484	144,484
Cumulative changes in fair values		1,584,677	2,479,970
Foreign currency translation reserve		737,446	853,583
Other reserve		1,141,523	-
Retained earnings		15,143,810	11,945,828
Equity attributable to the shareholders of the parent company		97,298,634	68,349,610
Non-controlling interests		5,400,441	2,189,515
Total equity		102,699,075	70,539,125
TOTAL LIABILITIES AND EQUITY		178,106,543	129,649,900

Essa Khalid Al-Essa
Chairman and CEO

The attached notes 1 to 26 form part of these consolidated financial statements.



Consolidated Cash Flow Statement →

For the year ended 31 December 2010

	Notes	2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit (loss) for the year from continuing operations		4,263,068	(7,602,387)
Loss for the year from discontinued operations		-	(604,842)
Adjustments for:			
Share of results from associates	11	(4,997,014)	(2,085,494)
(Gain) loss on partial sale of investment in associates	11	(591,530)	2,857,252
Gain arising as a result of an associate becoming a subsidiary	4	(2,415,718)	-
Realised gain on sale of financial assets at fair value through profit or loss		(52,159)	-
Unrealised (gain) loss on financial assets at fair value through profit or loss		(54,725)	239,400
Realised (gain) loss on sale of financial assets available for sale		(134,835)	42,492
Change in fair value of investment properties	12	(210,000)	2,384,793
Gain on sale of investment properties		(31,737)	(307,500)
Dividend income		(69,100)	(153,792)
Interest income		(530,442)	(1,237,841)
Provision for employees' end of service indemnity		(53,944)	123,269
Provision for employees' share based payment		-	27,648
Impairment of financial assets available for sale	10	-	712,084
Depreciation	5	35,870	28,837
Finance charges		4,081,837	3,996,261
		(760,429)	(1,579,820)
Change in operating assets and liabilities:			
Other receivables and prepayments		10,962,552	1,258,215
Related party balances		2,600,755	(3,713,125)
Accounts payable and accruals		(3,816,369)	1,349,322
Net movement relating to discontinued operations		-	1,274,966
Cash from (used in) operations		8,986,509	(1,410,442)
Employees' end of service benefits paid		(43,383)	(28,400)

The attached notes 1 to 26 form part of these consolidated financial statements.

Consolidated Cash Flow Statement - (Continued) →

For the year ended 31 December 2010

	Notes	2010 KD	2009 KD
Net cash from (used in) operating activities		8,943,126	(1,438,842)
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,648)	(807)
Additions to investment properties	12	(63,138)	(411,744)
Addition of a subsidiary, net of cash acquired	4	(8,220,212)	-
Purchase of shares in an associate		(196,100)	-
Proceeds from partial sale of investment in associates	11	2,107,740	1,806,060
Proceeds from sale of financial assets at fair value through profit or loss		327,159	-
Proceeds from sale of financial assets available for sale		881,963	10,263,645
Proceeds from sale of investment properties		350,000	1,728,730
Dividends received from an associate	11	2,878,447	275,405
Dividends received from others		69,100	153,792
Interest received		70,420	46,759
Net cash (used in) from investing activities		(1,796,269)	13,861,840
FINANCING ACTIVITIES			
Proceeds from issue of share capital	16	24,773,437	-
Repayment of interest bearing loans	13	(12,500,000)	(9,460,583)
Repayment of bonds	14	(15,000,000)	-
Dividends paid		(16,623)	(28,687)
Finance charges paid		(4,358,295)	(3,843,776)
Net movement in restricted bank accounts		27,115	50,772
Cash used in financing activities related to discontinued operations		-	(2,650,739)
Net cash used in financing activities		(7,074,366)	(15,933,013)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		-	42,583
Cash and cash equivalents at 1 January		4,967,087	8,434,519
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	5,039,578	4,967,087

The attached notes 1 to 26 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity →

For the year ended 31 December 2010

	Attributable to Equity Holders of the Parent Company													
	Share Capital	Share Premium	Treasury Shares	Statutory Reserve	Voluntary Reserve	Treasury Shares Reserve	Employees' Share Options Reserve	Cumulative Changes In Fair Values	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Sub Total	Non Controlling Interests	Total Equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2009	24,773,438	7,591,193	(639,796)	9,635,879	9,635,879	1,929,152	144,484	2,479,970	853,583	-	11,945,828	68,349,610	2,189,515	70,539,125
Profit for the year	-	-	-	-	-	-	-	-	-	-	4,045,494	4,045,494	25,504	4,070,998
Other comprehensive income	-	-	-	-	-	-	-	(895,293)	(116,137)	-	-	(1,011,430)	1,687,490	676,060
Total comprehensive income for the year	-	-	-	-	-	-	-	(895,293)	(116,137)	-	4,045,494	3,034,064	1,712,994	4,747,058
Issue of share capital (note 16)	24,773,437	-	-	-	-	-	-	-	-	-	-	24,773,437	-	24,773,437
Transfer to reserves	-	-	-	423,756	423,756	-	-	-	-	-	(847,512)	-	-	-
Effect of dilution of shares in a subsidiary (note 4)	-	-	-	-	-	-	-	-	-	1,141,523	-	1,141,523	-	1,141,523
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,497,932	1,497,932
Balance at 31 December 2010	49,546,875	7,591,193	(639,796)	10,059,635	10,059,635	1,929,152	144,484	1,584,677	737,446	1,141,523	15,143,810	97,298,634	5,400,441	102,699,075

The attached notes 1 to 26 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity - (Continued) →

For the year ended 31 December 2010

	Attributable to equity holders of the parent company													
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Treasury shares reserve	Employees' share options reserve	Cumulative changes in fair values	Foreign currency translation reserve	Other reserve	Retained earnings	Sub total	Non controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2009	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
Loss for the year	-	-	-	-	-	-	-	-	-	-	(7,359,727)	(7,359,727)	(847,502)	(8,207,229)
Other comprehensive income	-	-	-	-	-	-	-	3,155,039	934,282	-	-	4,089,321	856,201	4,945,522
Total comprehensive income for the year	-	-	-	-	-	-	-	3,155,039	934,282	-	(7,359,727)	(3,270,406)	8,699	(3,261,707)
Employees share' based payment (Note 21)	-	-	-	-	-	-	27,648	-	-	-	-	27,648	-	27,648
Arising on a subsidiary becoming an associate	-	-	-	-	-	-	-	-	-	-	-	-	(5,605,842)	(5,605,842)
Arising on acquisition of non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(807,268)	(807,268)
Balance at 31 December 2009	24,773,438	7,591,193	(639,796)	9,635,879	9,635,879	1,929,152	144,484	2,479,970	853,583	-	11,945,828	68,349,610	2,189,515	70,539,125

The attached notes 1 to 26 form part of these consolidated financial statements.



Notes to the Consolidated Financial Statements →

At 31 December 2010

1. CORPORATE INFORMATION

The consolidated financial statements of United Industries Company K.S.C. (Closed) ("UIC" or the "parent company") and its subsidiaries (together the "Group") were authorised for issue by the Board of Directors on 6 February 2011. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance. 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 ultimate parent company is Kuwait Projects Company Holding K.S.C. which is listed on the Kuwait Stock Exchange and the other major equity holder of the parent company is KIPCO Asset Management Company K.S.C. (Closed).

2. FUNDAMENTAL ACCOUNTING CONCEPT

As of 31 December 2010, the Group's current liabilities exceeded its current assets by KD 43,838,726 (2009: KD 11,769,215). For further details on the maturity of assets and liabilities, please refer to note 22. This indicates the existence of a material uncertainty.

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), shareholders and the ability of the Group to improve profitability and cash flows. Management is in the process of negotiating the terms of the settlement of some of the interest bearing loans amounting to KD 52,500,000 (note 13) with a related party bank. The management is confident that they will be able to renegotiate the terms of these interest bearing loans as contemplated at this stage.

If the matters specified above are not remedied, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance

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

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 during the year:

IFRS 3: Business Combinations (Revised) (IFRS 3R)

IFRS 3R introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of non controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages.

IAS 27: Consolidated and separate financial statements (Revised) (IAS 27R)

IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The adoption of the above mentioned new and amended IASB Standards resulted in the following changes to the Group's accounting policies:

Basis of consolidation

The consolidated financial statement includes the accounts of the parent company and its subsidiaries as at 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies as followed by the parent company. 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 Group. 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.



Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Change in accounting policies and disclosures (Continued)

The Group has adopted the following new applicable and amended IFRS during the year: (continued)

Basis of consolidation (continued)

Non controlling interest represents the portion of profit and loss and net assets not held by the Group and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from equity attributable to the equity holders of the parent company.

Losses are attributed to the non controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non controlling interest;
- Derecognises the cumulative foreign currency translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent company's share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 - Financial Instruments: Recognition and Measurement either in consolidated income statement or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's share of the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Change in accounting policies and disclosures (Continued)

The Group has adopted the following new applicable and amended IFRS during the year: (continued)

Business combinations (Continued)

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

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

Had the Group not adopted the abovementioned IASB Standards and changes in accounting policies, profit for the year ended 31 December 2010 would have been lower by KD 2,415,718 (note 4).

The adoption of the following new and amended IASB Standards resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group:

IFRS 2: Share-based payment: group cash-settlement share-based payment transactions

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010.

IFRS 5: Non-current assets held for sale and discontinued operations

The IASB issued an amendment to IFRS 5 that clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non controlling interest after the sale transaction. Further, the amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8: Operating segments

The IASB issued an amendment to IFRS 8 that clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 25.

IAS 7: Statement of cash flows

The amendment clarifies that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.



Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Change in accounting policies and disclosures (Continued)

The Group has adopted the following new applicable and amended IFRS during the year: (continued)

IAS 36: Impairment of assets

The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

IAS 39 Financial instruments: recognition and measurement – eligible hedged items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

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

- IFRS 9: Financial Instruments: Classification and Measurement (*effective 1 January 2013*)
- IAS 24: Related party disclosures (*effective 1 January 2011*)
- IAS 32: Financial instruments: presentation – classification of rights issues (Amendment) (*effective 1 February 2010*)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 will replace IAS 32 and IAS 39 upon its effective date. The application of IFRS 9 will result in amendments to the classification and measurement of financial assets and liabilities of the consolidated financial statements of the Group.

IAS 24 Related party disclosures

The revised standard was issued in November 2009. An entity shall apply this standard retrospectively for annual periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government – related entities.

IAS 32: Financial instruments: presentation – classification of rights issues (Amendment) (effective 1 February 2010)

The amendment has revised the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment will have no impact on the Group after initial application.

Adoption of other IASB Standards and IFRIC Interpretations will not have material effect on the financial performance, position or the consolidated financial statements of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards and Interpretations become effective.

Notes to the Consolidated Financial Statements →

At 31 December 2010

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 income or expense is recorded using the effective interest rate (EIR), and rental income is 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.

Taxation

National Labour Support Tax (NLST)

The parent company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the 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.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The parent company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that 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.

Zakat

The Group calculates Zakat is calculated at 1% of the profit of the parent company in accordance with the requirements of Law No. 46 of 2006.

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.



Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial assets and liabilities (Continued)

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 receivables 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 profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. 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 are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Interest earned or incurred is accrued as interest income or interest expense, respectively, according to the terms of the contract, while dividend income is recorded in 'investment income' when the right to the payment has been established. Derivative instruments are categorised as held for trading unless they are designated as hedging instruments.

After initial recognition financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value recognised in the consolidated income statement.

Financial assets available for sale

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

After initial recognition, financial assets available for sale are measured at fair value with gains and losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in other comprehensive income is recognised in the consolidated income statement. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position 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:

- (a) 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;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial assets and liabilities (Continued)

Impairment and uncollectibility of financial assets (Continued)

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 other comprehensive income and recognised in the consolidated 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 other comprehensive income.

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 statement of financial position 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.



Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial assets and liabilities (Continued)

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.

Investment in associates

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

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

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the consolidated income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

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

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

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

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.

Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investment properties (Continued)

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.

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 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.

Employees' end of service benefits

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts and applicable law in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the statement of financial position 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.



Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 statement of financial position 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 translation

The financial statements are presented in Kuwaiti Dinars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kuwait Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

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

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 other comprehensive income until disposal at which time they are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position 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.

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.

Revaluation of Investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in consolidated income statement. The Group engaged independent valuation specialists to determine fair value as at 31 December 2010.



Notes to the Consolidated Financial Statements →

At 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Significant accounting judgements and estimates (Continued)

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position 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.

With respect to Sadafco, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. The rate used to discount the forecast cash flows is 8.8% (2009: 10.3%).

With respect to Qurain, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by the management for the next five years and based on this extrapolated cash flows for the following five years. The rate used to discount the forecast cash flows is 7.7% (2009: 8.29%).

The recoverable amount calculated based on the above assumptions did not result in any impairment of the associates (2009: KD nil).

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.

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 statement of financial position 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.

Notes to the Consolidated Financial Statements →

At 31 December 2010

4. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Country of incorporation	Effective equity interest as at 31 December	
		2010	2009
Direct:			
Kuwait National Industrial Projects Company K.S.C. (Closed) (KNIP)	Kuwait	92.58%	-
Amaken United Real Estate Company K.S.C. (Closed) (Amaken)	Kuwait	75.62%	75.62%
United Cement Company K.S.C. (Closed)	Kuwait	100%	100%
United Industrial Gas Company K.S.C. (Closed)	Kuwait	100%	100%
North Gulf Cement & Building Materials K.S.C (Closed)	Kuwait	100%	100%
Badael Energy Company K.S.C. (Closed)	Kuwait	100%	100%
Western Projects General Trading Company W.L.L.	Kuwait	100%	100%
United Gulf Industries Company W.L.L.	Saudi Arabia	100%	100%

Certain shares in Amaken are pledged as security in favour of a local bank against certain interest bearing loans.

On 29 June 2010, the Group acquired an additional equity interest of 50.07% in Kuwait National Industrial Projects Company K.S.C (Closed) (KNIP) (previously classified as "investment in associate" with equity interest of 49.92%). As a result, the parent company's equity interest in KNIP increased to 100%. Therefore, KNIP became a subsidiary of the parent company and has been consolidated from the date of exercise of control. Subsequent to 29 June 2010, the shareholding decreased to 92.58% (see note below).

This acquisition has been accounted for in accordance with the IFRS 3R. As the business combination was achieved in stages, the Group re-measured its previously held equity interest in KNIP at the acquisition-date fair value. Furthermore, in accordance with IFRS 3R, other comprehensive income of KD 2,415,718 relating to KNIP is recycled to the consolidated income statement.



Notes to the Consolidated Financial Statements →

At 31 December 2010

4. INVESTMENT IN SUBSIDIARIES - (Continued)

The consideration paid and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date are summarised as follows:

	KD
Assets:	
Bank balances	31,618
Investment in an associate (see note below)	34,917,955
Other assets	1,954
	34,951,527
Liabilities:	
Interest bearing loans	42,450,000
Accounts payable and accruals	5,059,758
Other liabilities	20,599,459
	68,109,217
Net liabilities	(33,157,690)
	KD
Consideration settled in cash	8,251,830
Fair value of acquirer's previously held equity interest	8,448,829
Total consideration	16,700,659
Goodwill included in the carrying value of associates (note 11)	49,858,349
Consideration settled in cash	8,251,830
Cash and cash equivalents in subsidiary acquired	(31,618)
Cash outflow on acquisition	8,220,212

On 30 November 2010, KNIP, a subsidiary of the parent company, issued right shares amounting to KD 26,000,000. The parent company did not subscribe to all the right shares allocated to them. As a result, the parent company's holding in KNIP decreased from 100% to 92.58% as at 31 December 2010. In accordance with IAS 27R, Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As a result of change in ownership, an amount of KD 1,141,523 has been recognised directly in equity.

Notes to the Consolidated Financial Statements →

At 31 December 2010

5. PROFIT (LOSS) FOR THE YEAR

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

	2010	2009
	KD	KD
Staff costs:		
Salaries (including bonus)	646,317	633,506
Other benefits	92,486	308,337
	738,803	941,843
Depreciation	35,870	28,837

6. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the year attributable to share holders of the parent company by the weighted average number of shares outstanding, less treasury shares, during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) attributable to shareholders 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.

	2010	2009
	KD	KD
Profit (loss) for the year attributable to shareholders of the parent company	4,045,494	(7,359,727)
	Shares	Shares
Weighted average number of shares outstanding	373,977,098	247,734,375
Weighted average number of treasury shares	(2,324,428)	(2,324,428)
Weighted average number of shares	371,652,670	245,409,947
Basic and diluted earnings (loss) per share	10.89 fils	(29.99) fils



Notes to the Consolidated Financial Statements →

At 31 December 2010

6. EARNINGS (LOSS) PER SHARE - (Continued)

Earnings (loss) per share from continuing operations

	2010 KD	2009 KD
Profit (loss) for the year from continuing operations attributable to shareholders of the parent company	4,045,494	(7,057,306)
	Shares	Shares
Weighted average number of shares outstanding	373,977,098	247,734,375
Weighted average number of treasury shares	(2,324,428)	(2,324,428)
Weighted average number of shares	371,652,670	245,409,947
Basic and diluted earnings (loss) per share	10.89 fils	(28.76) fils

The effect of outstanding share options have not been considered in the computation of diluted earnings (loss) per share as the result is anti-dilutive.

7. CASH AND CASH EQUIVALENTS

	2010 KD	2009 KD
Cash in hand and at banks	1,795,655	1,242,523
Cash in portfolios of local financial institutions	36,883	14,787
Bank deposits maturing within three months from placement date	3,462,162	3,992,014
Bank balances and short term deposits	5,294,700	5,249,324
Less: balances in restricted bank accounts	(255,122)	(282,237)
Cash and cash equivalents in the consolidated cash flow statement	5,039,578	4,967,087

Bank deposits are placed with local banks and are denominated in Kuwaiti Dinars, with an average interest rate of 1.75% (2009: 2%) per annum. Bank deposits are placed for varying periods ranging between one and three months, depending on the liquidity management of the Group.

Notes to the Consolidated Financial Statements →

At 31 December 2010

8. OTHER RECEIVABLES AND PREPAYMENTS

	2010 KD	2009 KD
Other receivables	35,500	10,577,891
Prepayments	26,846	14,935
Advances	57,381	29,247
	119,727	10,622,073

During the year, the Parent Company received an amount of KD 10,485,790 representing the proceeds from sale of the parent company's equity interest in certain associates which were sold during 2009.

9. 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. Related party transactions and balances consist of the following:

	Associates KD	Other related parties KD	Total 2010 KD	Total 2009 KD
Interest income	436,709	59,464	496,173	1,204,183
Finance charges	-	2,799,639	2,799,639	3,385,355
Gain on partial sale of investment in associates (note 11)	591,530	-	591,530	417,260
Realised gain on sale of financial assets available for sale	-	-	-	268,532
Gain arising as a result of an associate becoming a subsidiary (note 11)	-	2,415,718	2,415,718	-
Management fee (included in other income)	187,233	-	187,233	99,000



Notes to the Consolidated Financial Statements →

At 31 December 2010

9. RELATED PARTY DISCLOSURES - (Continued)

b) Balances:

	Major shareholders KD	Associates KD	Other related parties KD	Total 2010 KD	Total 2009 KD
Cash and cash equivalents	22,972	-	4,840,641	4,863,613	5,187,539
Interest bearing loans (Note 13)	-	-	52,500,000	52,500,000	40,000,000
Due from related parties	-	8,738	-	8,738	18,755,711
Due to related parties	316,272	-	6,717	322,989	24,730
Management fees payable (included in accounts payable and accruals)	-	-	-	-	7,992

Other than interest bearing loans, outstanding balances at the year end are interest free and repayable on demand.

Included in the comparative financial information for the year ended 31 December 2009 are certain amounts pertaining to the discontinued operations.

c) Key management compensation:

	2010 KD	2009 KD
Salaries and other short-term benefits	341,533	292,053
Employees end of service indemnity	(81,101)	57,945
Share based payments	-	12,784
	260,432	362,782

Notes to the Consolidated Financial Statements →

At 31 December 2010

10. FINANCIAL ASSETS

	2010 KD	2009 KD
Financial assets at fair value through income statement:		
Designated:		
Quoted equity securities	328,351	548,626
Financial assets available for sale:		
Quoted equity securities	1,963,180	3,081,583
Unquoted equity securities	6,968,087	4,986,087
Money market funds	119,352	173,996
	9,050,619	8,241,666

For financial assets available for sale, the Group assesses at each statement of financial position date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. Based on this criteria, no impairment loss (2009: Impairment loss of KD 712,084) has been recorded in the consolidated income statement.

Unquoted equity securities are carried at cost due to the non-availability of reliable measures of their fair values. The management is not aware of any circumstances that would indicate impairment in the value of these investments as at 31 December 2010.

Financial assets amounting to KD 3,931,000 (2009: KD 5,603,620) are pledged as security in favour of local banks against loans granted to the Group (note 13).

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: Quoted prices in active market for the same instrument.
- Level 2: Quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Notes to the Consolidated Financial Statements →

At 31 December 2010

10. FINANCIAL ASSETS - (Continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2010	Level: 1 KD	Level: 2 KD	Total fair value KD
Financial assets at fair value through income statement:			
Designated:			
Quoted equity securities	328,351	-	328,351
Financial assets available for sale:			
Quoted equity securities	1,963,180	-	1,963,180
Money market funds	-	119,352	119,352
	1,963,180	119,352	2,082,532

During the year 2010, there were no transfers between level 1 and level 2 fair value measurements. There were no financial investments classified as level 3.

2009	Level: 1 KD	Level: 2 KD	Total fair value KD
Financial assets at fair value through income statement:			
Designated:			
Quoted equity securities	548,626	-	548,626
Financial assets available for sale:			
Quoted equity securities	3,081,583	-	3,081,583
Money market funds	-	173,996	173,996
	3,081,583	173,996	3,255,579

During the year 2009, there were no transfers between level 1 and level 2 fair value measurements. There were no financial investments classified as level 3.

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11. INVESTMENT IN ASSOCIATES

	Country of incorporation	Percentage of ownership		Principal activities
		2010	2009	
Saudi Dairy and Foodstuff Company S.S.C. ("Sadafco")	KSA	40.13%	40.13%	Production of foodstuffs and dairy products.
Al Atoun Steel Industries SSC (Closed) ("Al Atoun Steel")	KSA	24.05%	24.05%	Business activities relating to steel industry.
Qurain Petrochemical Industries Company K.S.C. ("Qurain")	Kuwait	18.46%	-	Business activities relating to chemical, petrochemical and other derivative materials.
United Petrochemical Industries Company K.S.C. (Closed) ("UPI")	Kuwait	49.00%	-	Company has not yet started its commercial operations.
Kuwait National Industrial Projects Company K.S.C. (Closed) ("KNIP")	Kuwait	-	49.92%	Engaged in the investment, trade, management of funds and finance relating to industrial projects.
United Oil Projects Company K.S.C. ("UOP")	Kuwait	-	29.06%	Manufacture and supply of chemicals for petrochemical industries.

During the year, the parent company partially sold its equity interest of 14.8% in United Oil Projects Co. K.S.C. (UOP) to Qurain Petrochemical Industries Company K.S.C. for a cash consideration of KD 2,107,740. As a result of this transaction a gain of KD 591,530 is recorded in the consolidated income statement. As a result of the partial disposal, the parent company ceases to have significant influence over UOP, and therefore the remaining stake (14.26%) in UOP has been classified to financial assets available for sale and accounted for in accordance with IAS 39.

As a result of KNIP becoming a subsidiary (note 4) of the parent company, Qurain became an associate of the Group as 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").

During the year, the parent company subscribed for 49% equity interest in a newly set up company United Petrochemical Industries Company K.S.C. (Closed) (UPI), a company registered in Kuwait, for a cash consideration of KD 196,000. Certain percentage of these shares are held by Qurain as nominee for the beneficial interest of the parent company. This company has not yet started its commercial operations.

Shares in certain associates are pledged as security in favour of local banks against certain interest bearing loans.



Notes to the Consolidated Financial Statements →

At 31 December 2010

11. INVESTMENT IN ASSOCIATES - (Continued)

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

	2010 KD	2009 KD
At 1 January	76,476,624	156,082,453
Additions	84,974,041	3,000,000
Disposals	(1,516,210)	(27,792,445)
Share of other comprehensive income	2,003,816	2,865,029
Share of results	4,997,014	2,085,494
Dividends received	(2,878,447)	(275,405)
Transfer to financial assets available for sale	(1,981,821)	-
Reclassification from an associate to a subsidiary (note 4)	(8,448,829)	-
Reclassification from a subsidiary to an associate	-	5,596,458
Adjustment for downstream transaction	-	(146,240)
Related to discontinued operation	-	(64,938,720)
At 31 December	153,626,188	76,476,624

The carrying value of each individual associates is as follows:

	2010 KD	2009 KD
Sadafco	55,208,685	51,533,838
Al Atoun Steel	12,482,732	12,487,707
Qurain	85,738,771	-
United Petrochemical Industries	196,000	-
KNIP	-	9,196,410
UOP	-	3,258,669
	153,626,188	76,476,624

Notes to the Consolidated Financial Statements →

At 31 December 2010

11. INVESTMENT IN ASSOCIATES - (Continued)

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

	2010	2009
	KD	KD
Sadafco	27,165,587	27,165,587
Al Atoun Steel	4,262,318	4,232,053
Qurain (note 4)	49,858,349	-
As at 31 December	81,286,254	31,397,640

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

	2010	2009
	KD	KD
Share of the associates' statement of financial position:		
Current assets	37,967,893	22,463,192
Non-current assets	44,960,188	57,843,054
Current liabilities	(8,430,893)	(17,350,567)
Non-current liabilities	(2,157,254)	(17,876,695)
Net assets	72,339,934	45,078,984
Goodwill included in the carrying value of associates	81,286,254	31,397,640
	153,626,188	76,476,624

Share of the associates' revenue and results:

Revenue	56,090,975	41,141,588
Results	4,997,014	2,085,494

Market value of quoted associates

Sadafco	40,637,192	41,628,344
Qurain	38,166,137	-

The contingent liabilities and capital commitments of certain associates amounted to KD 2 million (2009: KD 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 associates 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 associates 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 associates and from their ultimate disposal. As a result, no impairment (2009: Nil) was considered necessary in the consolidated income statement.



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At 31 December 2010

12. INVESTMENT PROPERTIES

	2010 KD	2009 KD
As at 1 January	9,638,152	10,100,000
Reclassification from land under development on adoption of IAS 40 (amended)	-	2,931,201
Additions	63,138	411,744
Changes in fair value	210,000	(2,384,793)
Disposal	(318,263)	(1,420,000)
At 31 December	9,593,027	9,638,152
Developed properties	6,560,000	6,350,000
Land under development	3,033,027	3,288,152
At 31 December	9,593,027	9,638,152

Land under development is carried at cost since management cannot determine a reliable fair value.

13. INTEREST BEARING LOANS

	2010 KD	2009 KD
The short-term loans borrowed by the parent company were converted into a medium term loan, which will be repaid in annual installments starting from July 2010. The medium term loan from a local related party bank carries an interest rate of 3.5% over the Central Bank of Kuwait discount rate. It is secured by certain 'financial assets available for sale' and a portion of shares in an associate.	30,000,000	40,000,000
The medium term loan borrowed by a subsidiary of the parent company carries an interest rate of 3.5% over the Central Bank of Kuwait discount rate. This loan will be repaid in annual installments starting from July 2010*. It is secured by a portion of shares in associates.	22,500,000	-
The short-term loan borrowed by a subsidiary of the parent company carries a profit rate of 7.25% per annum. This loan is due in one year from the date of disbursement, which is secured by a pledge on the shares of an associate.	17,450,000	-
	69,950,000	40,000,000

Notes to the Consolidated Financial Statements →

At 31 December 2010

13. INTEREST BEARING LOANS - (Continued)

*Included in interest-bearing loans is an amount of KD 2,500,000 that has matured but not yet settled by the Group. The management is in the process of negotiating the terms of settlement with the bank and is of the opinion that they will be able to renegotiate the terms as contemplated at this stage.

Certain shares in a subsidiary of the parent company are pledged as security in favour of a local related party bank against loans granted to Group.

Interest bearing loans are classified as follows:

	2010	2009
	KD	KD
Current liabilities	44,950,000	10,000,000
Non-current liabilities	25,000,000	30,000,000
	69,950,000	40,000,000

14. BONDS

During the year, the Parent Company has settled the bonds which matured on 28 March 2010.

15. ACCOUNTS PAYABLE AND ACCRUALS

	2010	2009
	KD	KD
Accrued interest	1,422,388	668,504
Dividends payable	243,390	143,835
Accrued expenses	554,001	470,305
Amount payable to a former associate	1,200,000	1,355,621
Other payables	897,474	536,609
	4,317,253	3,174,874



Notes to the Consolidated Financial Statements →

At 31 December 2010

16. SHARE CAPITAL

Authorised, issued and paid-up capital consists of 495,468,750 shares (2009: 247,734,375 shares) of 100 fils per share (2009: 100 fils per share).

The shareholders at the Extraordinary General Meeting held on 3 June 2010 approved the board of directors' proposal to increase the share capital by 100% by a rights issue of 247,734,375 shares each with a nominal value of 100 fils. During the year, the rights issue was fully subscribed resulting in an increase in share capital by KD 24,773,437.

17. SHARE PREMIUM

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

18. TREASURY SHARES

	2010	2009
Number of shares	2,324,428	2,324,428
Percentage of issued shares	0.47%	0.94%
Market value (KD)	274,283	192,921
Cost (KD)	639,796	639,796

Treasury share reserve is not available for distribution.

19. 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 shareholders of the parent company before contribution to KFAS, NLST, Zakat and board of directors' remuneration has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

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

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20. 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 has been 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.

21. SHARE BASED PAYMENTS

The parent company has a stock option plan for certain employees. Share options (the "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.

No share options were granted during 2010 (2009: nil).

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

	2010		2009	
	No. of share options	Weighted average exercise price Fils	No. of share options	Weighted average exercise price Fils
Outstanding at 1 January	2,857,115	250	2,857,115	250
Forfeited	(304,463)	250	-	-
Outstanding at 31 December	2,552,652	250	2,857,115	250
Exercisable at 31 December	2,247,495	250	1,663,137	250

The fair values of the share options were calculated using the Black-Scholes option pricing model. The Group recognised an expense of KD Nil (2009: KD 27,648) 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 114 fils. The options outstanding at the end of the year have a weighted average remaining contractual life of less than one year (2009: 0.5 years). The exercise price of these share options are higher than the market price of shares as at 31 December 2010.

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At 31 December 2010

22. 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:

2010	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Assets					
Bank balances and short term deposits	5,294,700	-	-	-	5,294,700
Other receivable & prepayments	-	119,727	-	-	119,727
Due from related parties	-	8,738	-	-	8,738
Financial assets at fair value through income statement-designated	-	328,351	-	-	328,351
Financial assets available for sale	-	-	9,050,619	-	9,050,619
Investment in associates	-	-	-	153,626,188	153,626,188
Investment properties	-	-	9,593,027	-	9,593,027
Property and equipment	-	-	41,236	-	41,236
Goodwill	-	-	-	43,957	43,957
Total assets	5,294,700	456,816	18,684,882	153,670,145	178,106,543

2010	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Liabilities					
Due to related parties	-	322,989	-	-	322,989
Interest bearing loans	2,500,000	42,450,000	25,000,000	-	69,950,000
Accounts payable and accruals	-	4,317,253	-	-	4,317,253
Other payables	-	-	-	817,226	817,226
TOTAL Liabilities	2,500,000	47,090,242	25,000,000	817,226	75,407,468
Net liquidity gap	2,794,700	(46,633,426)	(6,315,118)	152,852,919	102,699,075

Notes to the Consolidated Financial Statements →

At 31 December 2010

22. MATURITY ANALYSIS OF ASSETS & LIABILITIES - (Continued)

2009	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Over five years KD	Total KD
Assets					
Bank balances and short term deposits	5,249,324	-	-	-	5,249,324
Other receivable and prepayments	10,485,790	136,283	-	-	10,622,073
Due from related parties	-	10,366	18,745,345	-	18,755,711
Financial assets at fair value through income statement-designated	-	548,626	-	-	548,626
Financial assets available for sale	-	-	8,241,666	-	8,241,666
Investment in associates	-	-	-	76,476,624	76,476,624
Investment properties	-	-	9,638,152	-	9,638,152
Property and equipment	-	-	73,767	-	73,767
Goodwill	-	-	-	43,957	43,957
Total assets	15,735,114	695,275	36,698,930	76,520,581	129,649,900
Liabilities					
Due to related parties	-	24,730	-	-	24,730
Interest bearing loans	-	10,000,000	30,000,000	-	40,000,000
Bonds	15,000,000	-	-	-	15,000,000
Accounts payable and accruals	-	3,174,874	-	-	3,174,874
Other payables	-	-	-	911,171	911,171
TOTAL LIABILITIES	15,000,000	13,199,604	30,000,000	911,171	59,110,775
Net liquidity gap	735,114	(12,504,329)	6,698,930	75,609,410	70,539,125



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23. 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, accounts payables and accruals and due to related parties. 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 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 is exposed to credit risk on cash and cash equivalent, other receivables and due from related parties. The Group is expose to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The group has policies and procedures in place to limit the amount of credit exposure to any counter party. The group attempts to control credit risk by monitoring credit exposures, limiting transactions with individual counterparties, and continually assessing the creditworthiness of counterparties.

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.

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.

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At 31 December 2010

23. RISK MANAGEMENT - (Continued)

Liquidity risk (continued)

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

Financial liabilities	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
2010						
Interest bearing loans	2,512,500		- 46,046,500	25,875,000		- 74,434,000
Accounts payables and accruals		-	- 4,317,253		-	- 4,317,253
Due to related parties		-	- 322,989		-	- 322,989
Total financial liabilities	2,512,500		- 50,686,742	25,875,000		- 79,074,242

Financial liabilities	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
2009						
Interest bearing loans		-	- 12,275,000	31,950,000		- 44,225,000
Accounts payables and accruals		-	- 3,174,874		-	- 3,174,874
Due to related parties		-	- 24,730		-	- 24,730
Bonds		- 15,195,000		-	-	- 15,195,000
Total financial liabilities		- 15,195,000	15,474,604	31,950,000		- 62,619,604

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.

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 and loans).



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At 31 December 2010

23. RISK MANAGEMENT - (Continued)

Market risk (continued)

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 loss for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2010. There is no impact on equity.

	50 basis points increase	
	<i>Effect on consolidated income statement</i>	
	2010	2009
	KD	KD
Liabilities bearing interest at floating rates	262,500	232,500

The effect of decrease in interest rates are expected to be equal and opposite to the effect of the increases shown above.

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 Group is not exposed to significant equity price risk as investment in quoted securities is not significant.

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.

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23. RISK MANAGEMENT - (Continued)

The effect on profit (loss) (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 against KD	Effect on profit KD	Effect on other comprehensive income KD
2010			
US Dollars	+5%	(48,676)	-
	Increase against KD	Effect on loss KD	Effect on other comprehensive income KD
2009			
US Dollars	+5%	524,290	8,061

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 statement of financial position date, the fair value of the Company's financial assets (except for certain financial assets available for sale whose fair values cannot be reliably determined, and as a result, are carried at cost of KD 6,968,087 (2009: KD 4,986,087) (Note 10) and financial liabilities were not materially different from their carrying values.

24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the statement of financial position date, the Group was committed and contingently liable as follows:

	2010 KD	2009 KD
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.

25. SEGMENT INFORMATION

The Group is organised into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment.

For management purposes, the Group is organised in two operating segments based on business units as follows:

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

	2010			2009		
	Energy sector KD	Basic and food industries KD	Total KD	Energy sector KD	Basic and food industries KD	Total KD
Segment revenues	1,653,230	6,903,588	8,556,818	(1,506,803)	(1,470,348)	(2,977,151)
Segment results	(202,275)	3,326,594	3,124,319	(1,506,803)	(7,668,663)	(9,175,466)
Unallocated revenue	-	-	1,138,749	-	-	1,573,079
Loss for the year from discontinued operations			-			(604,842)
Gain (loss) for the year			4,263,068			(8,207,229)

Operating assets	86,263,122	91,843,421	178,106,543	27,941,755	101,708,145	129,649,900
Operating liabilities	41,250,296	34,157,172	75,407,468	-	59,110,775	59,110,775
Investment in associates	85,934,771	67,691,417	153,626,188	9,196,410	67,280,214	76,476,624

The basic and food industries segment includes segment revenue of KD 6,457,916 (2009: KD 3,224,892) and non-current assets of KD 67,691,417 (2009: KD 64,021,546) relating to overseas operations. Non-current assets exclude financial instruments.

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26. 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 2010 and 31 December 2009.

During the year, the parent company increased its share capital by 100% by issuing rights shares of 247,734,375 at nominal value. The funds raised as a result of issue of rights shares were used to repay the interest bearing loans and acquire the remaining stake in KNIP.

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 non controlling interest.

	2010	2009
	KD	KD
Interest bearing loans and bonds	69,950,000	55,000,000
Other liabilities	5,457,468	4,110,775
Less: Bank balances and short term deposits	(5,294,700)	(5,249,324)
Net debt	70,112,768	53,861,451
Total capital	102,699,075	70,539,125
Gearing (debt to equity) ratio	68%	76%





United Industries Company

A member of the KIPCO Group

How to get a copy of our 2010 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 22466842 ext. 113 for such arrangements.

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