ANNUAL REVIEW **2015**

شركة الصناعات المتحدة
United Industries Company

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

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

The item pictured here (LNS 36 R) is a Star Kazak carpet made out of wool. It was made in the South Caucasus during the 2nd half of the 19th century CE. The image is reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

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

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

This year, the annual reports of KIPCO Group companies each feature a key ancient carpet from Dar al-Athar al-Islamiyyah - one of the world's finest collections of Islamic art. These images are reproduced with the kind permission of The Al-Sabah Collection, Dar al-Athar al-Islamiyyah.

Contents

EXECUTIVE SUMMARY

Executive Summary

United Industries Company

Established in 1979; United Industries Company (UIC) focuses on investing in the industrial and healthcare sectors, with a portfolio of investments that consists of Qurain Petrochemical Industries Company (QPIC) – one of Kuwait's largest investor in the petrochemical & industries sectors- as well as Advanced Technology Company (ATC) which pioneers in the medical supplies industry.

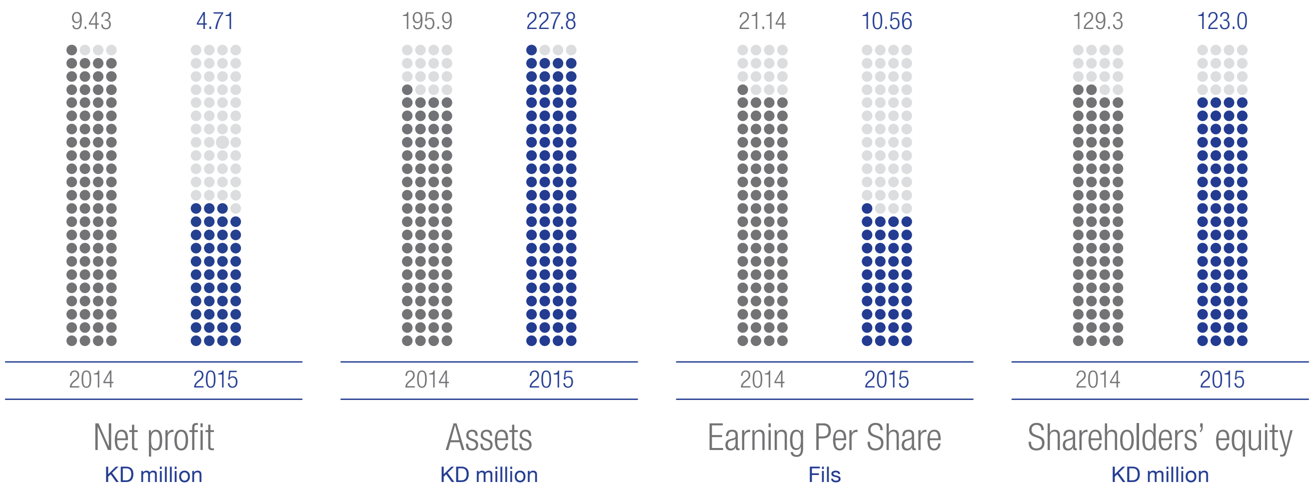
Business Highlights

Income from Associates increased by 37% due to the enhanced performance from the company associate companies, QPIC and ATC, after excluding the extra ordinary revaluation profits of the associates. Other income increased to KD 0.28 million due to increased ownership in QPIC.

Financial Highlights

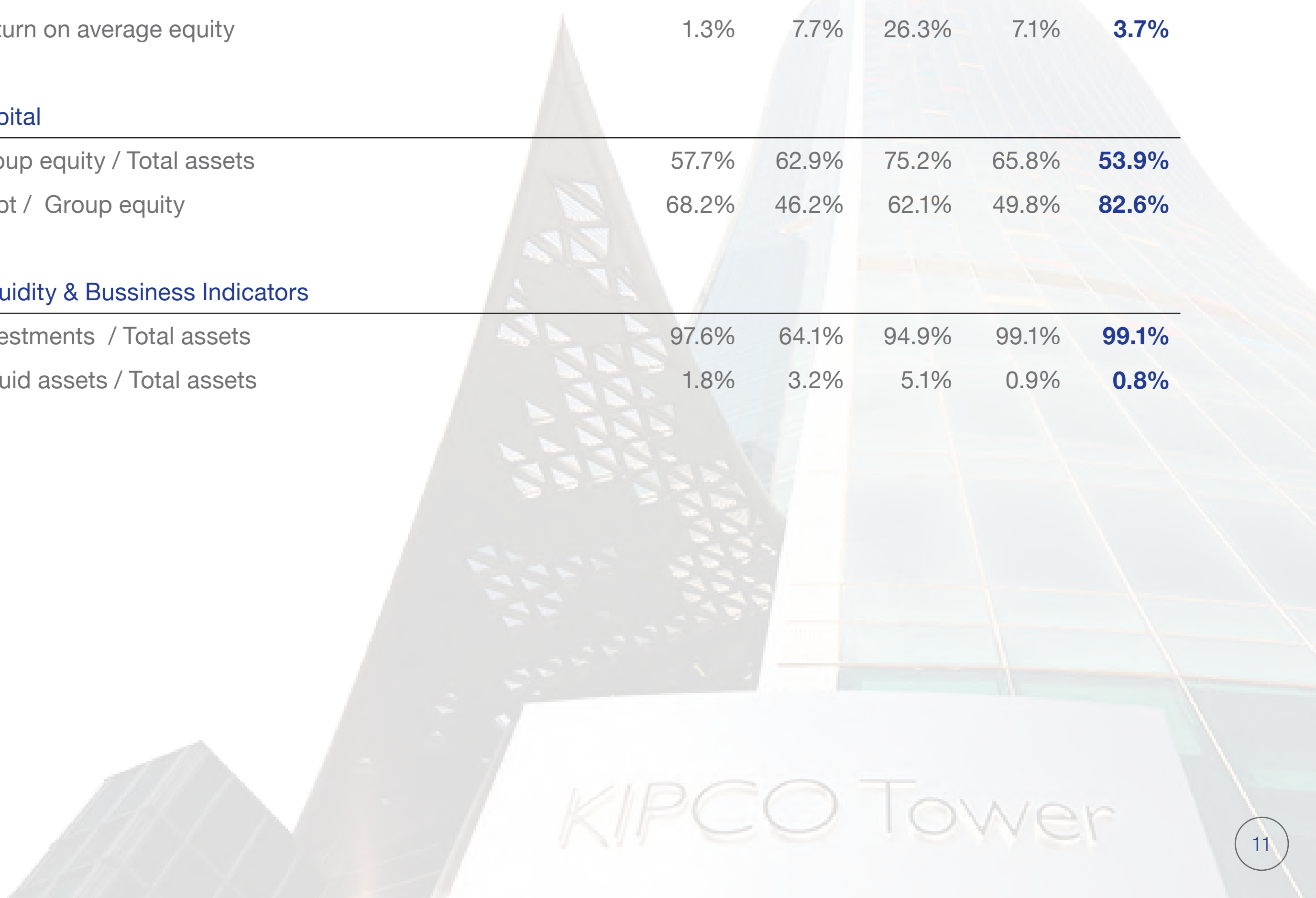
Total assets in the consolidated balance sheet increased by 16% to reach KD 228 million due to increase in long term investments during the year.

Net profits for the year at KD 4.71 (EPS 10.56 fils) increased by 20% over last year, if the net effect from the extra ordinary gain from selling one of UIC investments was excluded.



Financial Performance

United Industries Company	2011	2012	2013	2014	**2015**
Income Statement Highlights (KD Million)					
Operating Income	8.15	4.39	6.02	11.68	**10.70**
Income from divestment of long term investments	0.02	0.00	0.24	1.61	**(0.40)**
Gain airising on an associate becoming a subsidiary	-	-	-	-	**-**
Operating expenses	(6.83)	(5.50)	(10.81)	(3.85)	**(5.59)**
Relating to discontinued operations (net of related expense)	-	11.54	39.38	-	**-**
Net profit (loss) for the year	1.34	10.43	34.83	9.44	**4.71**
Minority Interest	0.13	7.09	6.75	-	**-**
Net profit (loss) attributable to equity holders of parent company	1.21	3.35	28.08	9.44	**4.71**
Financial Statement Highlights (KD Million)					
Total assets	178	217	170	196	**228**
Investments	173	139	161	194	**226**
Term loans	70	63	40	64	**102**
Group equity	103	137	128	129	**123**
Profitability					
Earnings per share (fils)-Restated	2	7	63	21	**10.56**
Return on average assets	0.8%	4.7%	18.0%	4.9%	**2.2%**
Return on average equity	1.3%	7.7%	26.3%	7.1%	**3.7%**
Capital					
Group equity / Total assets	57.7%	62.9%	75.2%	65.8%	**53.9%**
Debt / Group equity	68.2%	46.2%	62.1%	49.8%	**82.6%**
Liquidity & Bussiness Indicators					
Investments / Total assets	97.6%	64.1%	94.9%	99.1%	**99.1%**
Liquid assets / Total assets	1.8%	3.2%	5.1%	0.9%	**0.8%**



Board of Directors

Board of Directors

Sheikh Khalifa Al Abdullah Al-Jaber Al-Sabah
Chairman

Sheikh Sabah Mohammed Abdulaziz Al-Sabah
Vice Chairman & Acting CEO

Mr. Sadoun Abdullah Ali
Board Member

Mr. Abdul Salam Mohamed Ahmed Al-Bahar
Board Member

Mr. Khaled Suliman Al Sanae
Board Member

Chairman's Message

Chairman's Message

Dear Shareholders,

On behalf of myself and my fellow members of the board, it is my pleasure to present to you UIC's annual report for the fiscal year ending December 31, 2015, to review major developments, year achievements and the financial statements.

The year 2015 was in all an exceptional year; as the company once again proves an astonishing capability to withstand challenges, underpinned by its successful and conservative strategy, which lays enhancing shareholders' equity in the forefront of our efforts.

The company continued during the year to monitor the performance of all operating investments in view of the set plans, and in line with the broad strategy of the company, the nature and the prospects of our Investments, with the aim of improving operating results and increasing revenues.

During the year in review, the company posted KD 4.7 million in net profits representing an EPS of 10.56 fils versus KD 3.88 million (after excluding the extra ordinary divestment profits from last year), but were 50% below last year's KD 9.4 million.

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

Appreciation and Gratitude Note

I would like to express my appreciation and sincere gratitude to members of the board, executive management and to all our valued shareholders for their trust and support. We hope to continue to prosper and succeed with our plans.

On a personal note, I would like to assure you that the management is committed to drive growth and improve the results, which we sincerely hope will rise to your expectations.

Sincerely,

Sheikh Khalifa Al Abdullah Al-Jaber Al-Sabah
Chairman

Dear shareholder,

The sharp fall in oil price dominated the current economic scene, which have witnessed a slowdown since the second half of 2015.

In view of this scene, the decline in oil price drove growth at a global level in countries importing oil, while in some oil exporting countries its pressures burdened their economic activities.

During the year, UIC focused on the following activities below.

Improving Operational Performance

In view of the continuous improvement in the performance data from operating environment; globally and locally, 2015 was a positive year for the company underpinned by the company's successful and conservative strategy that aims to safeguard shareholders' equity. During 2015, the management continued to monitor the performance of all operating investments in view of the set plans, and in line with the strategy of our parent company, the nature and the prospects of our Investments, with the aim of improving operating results and increasing revenues. The management also continued to exert more efforts to improve financial liquidity and reduce the total value of company loans.

Continue to Drive Growth of Operating Investments

In line with our commitment to expand and increase shareholders equity, the management continued to monitor the performance of the company's operating investments, in Kuwait and abroad to assess growth opportunities and expansion plans required to improve revenues in view of the company's future plans. Management efforts and diligence have positively improved company's end of year financial results.

Company Investments

Qurain Petrochemical Industries Company (QPIC)

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

Advanced Technology Company (ATC)

A public Kuwaiti shareholding company, established in 1981 with the aim of providing world class services and products to the medical sector in Kuwait and the region; hospitals, medical staff, doctors, specialized labs, medical devices and other value added services. Pioneer in its segment; the company is one of the major supplier for 95% of the medical sector in Kuwait.

Financial Performance

Consolidated Income Statement

Net profits for year ending 31, December 2015 is KD 4,713,291 is 22% (KD 0.835 million) above last year normalized profit of KD 3,877,797 (excluding extra ordinary divestment profit from one of the investment), but 50% below last year total profit of KD 9,435,520. Earnings per share is 10.56 fils/share, versus last year EPS of 21.15 Fils/Share.

The increase in normalized operational profit for the period is due to following:

- Share of normalized profits from associates increased by 50% to KD 9.9 million versus last year, after excluding the extra ordinary revaluation profits of its associate due to the better performance of UIC associates.
- Dividend income during the year decreased by 51% to KD 0.44 million compared to last year owing to divesting SADAFCO.
- Other income increased to KD 0.28 million due to the increased equity interest in QPIC.
- Finance charges increased by 58% to KD 4.1 million compared to last year KD 2.6 million due to increased credit facilities.

Balance Sheet as on 31, December 2015

Total Assets on 31, December 2015 amounted to KD 228 million, representing a 16% increase compared to last year's KD 196 million, due to the following:

- Cash and Current Assets increased by 11% to KD 1.9 million compared to last year KD 1.7 million.
- Long term investments increased by 16% to KD 226 million compared to 194.2 million mainly due to acquisition of stake in United Tower and other available for sale investments.

Total Liabilities as on 31, December 2015 increased by 58% versus last year to KD 104.86 million, due to the following:

- Accounts payable increased by 55% to KD 3.2 million compared to KD 2.04 million mainly due to accrued expenses and interest.
- Total borrowings increased by 58% to KD 101.55 million compared to last year KD 64.25 million.

Future Outlook

The company looks forward to maintain the current level of performance in the future years to come, underpinned by the capabilities available in the company. The management will continue to drive growth, improve results and to seek the best available solutions and alternatives to move forward all its operating investments.

The management remains optimistic that all challenges hindering the progress of all business sectors will be resolved, to create a more favorable business environment, through better implementation of government development projects, increased capital spending and sound legislations which comes in line with the optimistic tune that economic activity is expected to improve further in 2016.

United Industries Company K.S.C.P.
& Subsidiaries
Consolidated Financial Statements
31 December 2015

Contents

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED INDUSTRIES COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Industries Company K.S.C.C. (the "parent company") and its subsidiaries (together the "group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements 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 controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procetdures that are appropriate in 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 parent company'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.

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working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED INDUSTRIES COMPANY K.S.C.P. (continued)

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Companies No 1 of 2016, the executive regulation of Law No 25 of 2012, and by the parent company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies No 1 of 2016, the executive regulation of Law No 25 of 2012, or of the parent company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 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
EY
AL AIBAN, AL OSAIMI & PARTNERS

14 February 2016
Kuwait

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
INCOME			
Share of results from associates	6	9,949,392	10,623,222
Realised (loss) /gain on sale of financial assets available for sale		(396,850)	1,609,833
Dividend income		443,193	907,417
Interest income		26,478	63,062
Other income		284,965	85,900
OPERATING INCOME		10,307,178	13,289,434
EXPENSES			
General and administrative expenses		1,389,171	1,026,377
Finance cost		4,103,046	2,605,009
OPERATING EXPENSES		5,492,217	3,631,386
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND DIRECTOR'S FEES		4,814,961	9,658,048
KFAS		31,215	85,913
Zakat		30,455	96,615
Directors' fees		40,000	40,000
PROFIT FOR THE YEAR		4,713,291	9,435,520

The attached notes 1 to 14 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Profit for the year		4,713,291	9,435,520
Other comprehensive income:			
Items to be reclassified to consolidated income statement in subsequent periods:			
Financial assets available for sale:			
- Net unrealised (loss)/gain	5	(3,041,084)	3,832,524
- Transfer to consolidated income statement on sale		-	(2,534,917)
Share of other comprehensive income from associates	6	882,245	1,917,736
Other comprehensive income		(2,158,839)	3,215,343
Total comprehensive income for the year		2,554,452	12,650,863

The attached notes 1 to 14 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2015

ASSETS	Notes	2015 KD	2014 KD
Current assets			
Bank balances and short-term deposits	4	1,888,559	1,713,401
Other assets and prepayments		9,830	4,366
Total current assets		1,898,389	1,717,767
Non-current assets			
Financial assets available for sale	5	37,435,984	12,948,239
Investment in associates	6	188,546,141	181,239,276
Property, plant and equipment		3,424	4,360
Total non-current assets		225,985,549	194,191,875
TOTAL ASSETS		227,883,938	195,909,642
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Due to related parties	7	3,693	48,207
Other liabilities	8	3,153,832	2,038,336
Interest bearing loans	9	61,550,000	24,250,000
Total current liabilities		64,707,525	26,336,543
Non-current liabilities			
Interest bearing loans	9	40,000,000	40,000,000
Employees' end of service benefits		156,551	183,352
Total non-current liabilities		40,156,551	40,183,352
Total liabilities		104,864,076	66,519,895
EQUITY			
Share capital	10	49,546,875	49,546,875
Share premium	10	7,591,193	7,591,193
Treasury shares	10	(5,067,052)	(5,067,052)
Statutory reserve	10	14,868,107	14,392,778
Voluntary reserve	10	14,868,107	14,392,778
Treasury shares reserve		1,929,152	1,929,152
Employees' share option reserve		144,484	144,484
Cumulative changes in fair values		9,434,326	13,237,013
Foreign currency translation reserve		2,496,341	852,493
Other reserves		719,435	719,435
Retained earnings		26,488,894	31,650,598
Total equity		123,019,862	129,389,747
TOTAL LIABILITIES AND EQUITY		227,883,938	195,909,642

Sheikh Khalifah Al Abdullah Al-Jaber Al-Sabah
Chairman

The attached notes 1 to 14 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) , Zakat and Director's fees		4,814,961	9,658,048
Profit for the year before taxation		4,814,961	9,658,048
Adjustments for:			
Share of results from associates	6	(9,949,392)	(10,623,222)
Realised loss on sale of financial assets available for sale		396,850	(1,609,833)
Dividend income		(443,193)	(907,417)
Interest income		(26,478)	(63,062)
Other income (non-cash)		(278,089)	(74,822)
Provision for employees' end of service benefits		29,223	24,099
Depreciation		1,539	10,997
Finance cost		4,103,046	2,605,009
		(1,351,533)	(980,203)
Changes in operating assets and liabilities:			
Other assets and prepayments		(5,738)	6,205
Due from / to related parties		3,297	671
Accounts payable and other liabilities		789,464	231,203
Cash used in operations		(564,510)	(742,124)
Taxation paid		(61,670)	(1,216,570)
Directors' remuneration paid		(40,000)	(40,000)
Employees' end of service benefits paid		(56,024)	-
Net cash used in operating activities		(722,204)	(1,998,694)
INVESTING ACTIVITIES			
Acquisition of investment available for sale		(39,898,017)	(7,713,551)
Purchase of property, plant and equipment		(604)	-
Acquisition of additional interest in associates	6	(96,710)	(39,885,200)
Dividends received		443,193	907,417
Dividends received from associates	6	3,899,571	3,218,230
Proceeds from sale of financial assets available for sale		11,924,802	27,209,920
Interest received		26,478	63,062
Net cash used in investing activities		(23,701,287)	(16,200,122)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		37,300,000	24,250,000
Finance cost paid		(3,603,163)	(2,114,074)
Dividends paid		(8,843,733)	(11,016,559)
Net movement in restricted bank accounts		-	275
Net cash from financing activities		24,853,104	11,119,642
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		429,613	(7,079,174)
Cash and cash equivalents at the beginning of the period		1,317,119	8,396,293
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	1,746,732	1,317,119

The attached notes 1 to 14 form part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	Total Equity											
	Share Capital KD	Share Premium KD	Treasury Shares KD	Statutory Reserve KD	Voluntary Reserve KD	Treasury Shares Reserve KD	Employees' Share Option Reserve KD	Cumulative Changes in Fair Values KD	Foreign Currency Translation Reserve KD	Other Reserve KD	Retained Earnings KD	Total KD
As at 1 January 2015	49,546,875	7,591,193	(5,067,052)	14,392,778	14,392,778	1,929,152	144,484	13,237,013	852,493	719,435	31,650,598	129,389,747
Profit for the year	-	-	-	-	-	-	-	-	-	-	4,713,291	4,713,291
Other Comprehensive Income	-	-	-	-	-	-	-	(3,902,687)	1,643,848	-	-	(2,158,839)
Total Comprehensive Income	-	-	-	-	-	-	-	(3,902,687)	1,643,848	-	4,713,291	2,554,452
Dividends (Note 10)	-	-	-	-	-	-	-	-	-	-	(8,924,337)	(8,924,337)
Transfer to reserves	-	-	-	475,329	475,329	-	-	-	-	-	(950,658)	-
As at 31 December 2015	49,546,875	7,591,193	(5,067,052)	14,868,107	14,868,107	1,929,152	144,484	9,434,326	2,496,341	719,435	26,488,894	123,019,862

	Total Equity											
	Share Capital KD	Share Premium KD	Treasury Shares KD	Statutory Reserve KD	Voluntary Reserve KD	Treasury Shares Reserve KD	Employees' Share Option Reserve KD	Cumulative Changes in Fair Values KD	Foreign Currency Translation Reserve KD	Other Reserve KD	Retained Earnings KD	Total KD
As at 1 January 2014	49,546,875	7,591,193	(5,067,052)	13,445,226	13,445,226	1,929,152	144,484	10,676,575	197,588	719,435	35,265,604	127,894,306
Profit for the year	-	-	-	-	-	-	-	-	-	-	9,435,520,	9,435,520
Other Comprehensive Income	-	-	-	-	-	-	-	2,560,438	654,905	-	-	3,215,343
Total Comprehensive Income	-	-	-	-	-	-	-	2,560,438	654,905	-	9,435,520	12,650,863
Dividends (Note 10)	-	-	-	-	-	-	-	-	-	-	(11,155,422)	(11,155,422)
Transfer to reserves	-	-	-	947,552	947,552	-	-	-	-	-	(1,895,104)	-
As at 31 December 2014	49,546,875	7,591,193	(5,067,052)	14,392,778	14,392,778	1,929,152	144,484	13,237,013	852,493	719,435	31,650,598	129,389,747

The attached notes 1 to 14 form part of these consolidated financial statements.

Notes To The Consolidated Financial Statements

1 CORPORATE INFORMATION

The consolidated financial statements of United Industries Company K.S.C.P. (the "parent company") and its subsidiaries (together, the "group") were authorised for issue by the Board of Directors on 14 February 2016. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance. The parent company was listed on the Kuwait Stock Exchange until 28 December 2014 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 parent 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 registered address of the parent company is at P.O. Box 25821, Safat 13119, State of Kuwait.
The ultimate parent company is Kuwait Projects Company Holding K.S.C.P. (the "ultimate parent company") which is listed on the Kuwait Stock Exchange.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2 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 certain financial assets available for sale. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amendments, new standards and interpretations effective as of 1 January 2015:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IFRS 3 Business Combinations (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value at each reporting date whether or not they fall within the scope of IAS 39.

IAS 24 Related Party Disclosures (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 9 'Financial Instruments':

IFRS 9 continues to be amended and the effective date is currently expected for annual periods beginning on or after 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The current transitional guidance will change once the final aspects of the standard are completed. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. Early adoption of IFRS 9 is permitted. Retrospective application is required, but comparative information is not compulsory. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in accounting policies and disclosures (Continued)

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017)

IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is not expected to have any impact on the financial position or performance of the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The standard is not expected to have any impact on the financial position or performance of the Group.

The application of these standards will be made in the consolidated financial statements when these standards become effective.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries including special purpose entities. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss 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 interests
- Derecognises the cumulative 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 consolidated statement of income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The subsidiaries of the group are as follows:

Name Of Subsidiary	Country of Incorporation	Ownership Interest as at 31 December	
		2015	2014
Directly Held			
Kuwait National Industrial Projects Company K.S.C. (Closed) ("KNIP")	Kuwait	99.95%	99.95%
United Gulf Industries Company W.L.L. ("UGI")	Saudi Arabia	95.00%	95.00%
Held through KNIP			
Eastern Projects General Trading Company W.L.L.	Kuwait	99.00%	99.00%

Business combinations and goodwill

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 interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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. In instances where the contingent consideration does not fall within the scope of IAS 39, it is remeasured in accordance with the appropriate IFRS.

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.

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

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:

Gain on sale of financial assets

Gain on sale of financial assets 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Dividend income

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

Interest income

Interest income is recorded using the effective interest rate on a time apportionment basis.

Taxation

Contribution to 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 and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax ("NLST")

The parent company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolution 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.

Zakat

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

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Financial assets and liabilities

Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, 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 profit or loss, directly attributable transaction costs.

The group classifies its financial assets as "bank balances and short-term deposits", "term deposits", "accounts receivable" and "financial assets available for sale".

The group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (CONTINUED)

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.

Bank balances and short-term deposits

Bank balances and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and short-term deposits defined above net of bank overdraft and balances in restricted bank accounts.

Accounts receivable

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

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale, or are not classified as 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 or 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 reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (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 as “due to related parties”, “interest bearing loans”, “accounts payables” and certain “other liabilities”.

Due to related parties, accounts payable and other liabilities

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

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 ‘other liabilities’.

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.

2 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.

Offsetting

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investment in an associates

The group's investment in an associate is accounted for using the equity method. Associate is an entity over which the group has significant influence.

Under the equity method, the investment in an associate 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 in other comprehensive income of the associate, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of other comprehensive income. 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 consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associates (Continued)

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 consolidated income statement.

Impairment of non-financial assets

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

Foreign currencies translation

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 prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at reporting date. All differences are taken to the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies translation (Continued)

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

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated at the parent company's presentation currency (KD) at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average rates of exchange for the foreign operation's period of operations. The resulting exchange differences are accumulated in a separate section of equity (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Fair values

The group measures financial instruments, such as financial assets available for sale at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair values (Continued)

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets available for sale, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

Involvement of external valuers is decided upon annually by the management. Selection criteria include regulatory requirements, market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, 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 these estimates. The group has used judgment and estimates principally in, but not limited to, the classification of financial assets, the determination of impairment provisions and valuation of unquoted equity investments and investment properties.

Judgments

Classification of financial assets

Management decides on acquisition of financial assets whether it should be classified as financial assets at fair value through profit or loss or financial assets available for sale. The group classifies financial assets at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making.

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

All other financial assets are classified as available for sale.

Estimates

Impairment of investment in an associate

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 reporting 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 Qurain Petrochemical Industries Company K.S.C.P., the group prepared cash flow forecasts derived from the most recent financial budgets approved by the management for the next five years. The rate used to discount the forecast cash flows is 8.38% (2014: 8.41%).

The recoverable amount calculated based on the above assumptions did not result in any impairment of associate (2014: 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates (Continued)

Impairment of other receivables

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

Fair value measurements of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2015 KD	2014 KD
Staff Cost		
Salaries (Including Bonus)	136,324	193,214
Other Benefits	16,079	19,488
	152,403	212,702
Depreciation	1,539	10,997

4 CASH AND CASH EQUIVALENTS

	2015 KD	2014 KD
Cash in hand and at banks	1,621,602	1,444,351
Cash in portfolios with local financial institutions	266,957	269,050
Bank balances and short term deposits	1,888,559	1,713,401
Less: balances in restricted bank accounts	(141,827)	(396,282)
Cash and cash equivalents in the consolidated statement of cash flows	1,746,732	1,317,119

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD	2014 KD
Quoted equity securities	22,823,165	8,453,357
Unquoted equity securities	14,612,819	4,494,882
	37,435,984	12,948,239

During the year, the Group has recorded an unrealised loss of KD 3,041,084 (2014: an unrealised gain of KD 3,832,524) against quoted equity investments in the consolidated statement of comprehensive income.

Management has performed a review of its financial assets available for sale to assess whether impairment has occurred in the value of these investments. Based on specific information, management recorded an impairment loss of KD nil. (2014: KD nil) in the consolidated income statement for the year ended 31 December 2015.

As of 31 December 2015, unquoted equity investments amounting to KD 14,612,819 (2014: KD 4,494,882) were carried at cost, due to the lack of reliable measure of their fair value.

6 INVESTMENT IN ASSOCIATES

Name of associate	Country of incoroporation	Percentage of Ownership 2015	2014	Principal Activities
Qurain Petrochemical Industries Company K.S.C.P. (QPIC)	Kuwait	31.12%	30.89%	Business activities relating to chemical, petrochemical and other derivative materials.
Advanced Technology Company K.S.C.P. (ATC)	Kuwait	29.07%	29.07%	Business activities relating to trading in medicines and medical devices.

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

	2015 KD	2014 KD
As at 1 January	181,239,276	132,650,716
Additions	96,710	39,885,200
Change in effective interest in an associate due to treasury share changes	278,089	74,822
Adjustments for downstream transaction	-	(694,190)
Share of results	9,949,392	10,623,222
Share of other comprehensive income	882,245	1,917,736
Dividends received	(3,899,571)	(3,218,230)
As at 31 December	188,546,141	181,239,276

Investment in associates amounting to KD 98,017,734 (31 December 2014: 75,239,048) are pledged against loans from a related party (note 9).

6 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	QPIC KD	ATC KD	2015 KD	2014 KD
Associates' statement of financial position:				
Current assets	70,420,360	108,628,349	179,048,709	137,468,260
Non-current assets	464,754,695	31,111,735	495,866,430	475,215,971
Current liabilities	(32,508,836)	(83,198,442)	(115,707,278)	(77,205,035)
Non-current liabilities	(74,728,494)	(13,565,459)	(88,293,953)	(91,769,908)
Total equity	427,937,725	42,976,183	470,913,908	443,709,288
Non-controlling interests	(102,431,423)	-	(102,431,423)	(96,336,702)
Net assets	325,506,302	42,976,183	368,482,485	347,372,586
Share of associates' statement of financial position	101,306,936	12,493,175	113,800,111	106,560,167
Goodwill	46,670,257	28,075,773	74,746,030	74,679,109
	147,977,193	40,568,948	188,546,141	181,239,276
Share of the associates' revenue and results:				
Associates' revenue and results:				
Income	192,273,464	86,037,720	278,311,184	158,973,437
Profit for the year	37,953,336	4,636,626	42,589,962	31,188,701
Total comprehensive income	41,896,106	5,398,473	47,294,579	37,428,812
Contingent liabilities and commitments	17,101,018	68,937,175	86,038,193	52,474,477
Group's share of the profit for the year	8,602,812	1,346,580	9,949,392	10,623,222
Dividends received during the year	3,245,496	654,075	3,899,571	3,218,230

In accordance with International Accounting Standard 36 "Impairment of assets", management has performed a detailed impairment exercise in respect of the associate to determine whether there is any objective evidence that its investment in an associate is considered impaired. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated income statement.

7 RLEATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. the ultimate parent company, major shareholders, associates, 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 group's management. Related party transactions and balances consist of the following:

	Ultimate Parent Company KD	Associates KD	Other related parties KD	Total 2015 KD	Total 2014 KD
Consolidated income statement:					
Net gain on disposal of Sadafco	-	-	-	-	1,577,375
Interest Income	8,158		15,293	23,451	63,062
Management fee expense (included in general and administrative expenses)	-	12,000	-	12,000	(12,000)
Finance Cost	592,713	-	3,510,333	4,103,046	(2,605,009)
Consolidated statement of financial position:					
Bank balances and short term deposits	-	-	1,594,879	1,594,879	1,417,629
Financial assets available for sale	-	-	4,400,000	4,400,000	4,400,000
Due to related parties	-	3,693	-	3,693	48,207
Interest bearing loans (Note 9)	-	-	101,550,000	101,550,000	64,250,000

In accordance with International Accounting Standard 36 "Impairment of assets", management has performed a detailed impairment exercise in respect of the associate to determine whether there is any objective evidence that its investment in an associate is considered impaired. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated income statement.

Key management compensation:

Remuneration paid or accrued in relation to key management personnel was as follows:

	2015 KD	2014 KD
Salaries and other short-term benefits	32,974	32,702
Employees end of service indemnity	4,141	2,692
	37,115	35,394

Related party transactions are subject to approval in the annual general assembly of the shareholders.

8 OTHER LIABILITIES

	2015 KD	2014 KD
Accrued Interest	949,950	645,562
Dividends Payable	460,146	379,542
Accrued Expenses	199,448	280,613
Other Payables	1,544,288	732,619
	3,153,832	2,038,336

9 INTEREST BEARING LOANS

	2015 KD	2014 KD
Long term loan borrowed from a local related party bank which carried interest of 2.75% over the Central Bank of Kuwait discount rate. This loan is repayable on 15 December 2017.	40,000,000	-
Term loan borrowed from a local related party bank which carried interest of 2.5% over the Central Bank of Kuwait discount rate. This loan is repayable on 15 December 2016.	29,000,000	-
Revolving loan borrowed from a local related party bank which carried interest of 2% over the Central Bank of Kuwait discount rate. This loan is repayable on 15 December 2016	32,550,000	-
Short term loan borrowed from a local related party bank which carried interest of 2% over the Central Bank of Kuwait discount rate. This loan was settled during the year.	-	25,000,000
Long term loan borrowed from a local related party bank which carried interest of 2.75% over the Central Bank of Kuwait discount rate. This loan was settled during the year.	-	15,000,000
Term loan borrowed from a local related party bank which carried interest of 2.75% over the Central Bank of Kuwait discount rate. This loan was settled during the year.	-	15,000,000
Term loan borrowed from a local related party bank which carried interest of 2.00% over the Central Bank of Kuwait discount rate. This loan was settled during the year.	-	9,250,000
	101,550,000	64,250,000

* These loans are pledged against investment in associates (note 6).

9 INTEREST BEARING LOANS (CONTINUED)

The following table shows the current and non-current portions of the Group's loan obligations:

	2015 KD	2014 KD
Current Position	61,550,000	24,250,000
Non-current position	40,000,000	40,000,000
	101,550,000	64,250,000

10 SHARE CAPITAL RESERVES AND DIVIDENDS

a) Share capital

Authorised, issued and paid-up capital consists of 495,468,750 shares (2014: 495,468,750 shares) of 100 fils per share (2014: 100 fils per share) fully paid in cash.

b) Share premium

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

c) Treasury shares

	2015 KD	2014 KD
Number of shares	49,251,897	49,251,897
Percentage of issued shares	9.94%	9.94%
Cost (KD)	5,067,052	5,067,052

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

d) Statutory reserve

As required by the Companies law, as amended, and the parent company's articles of association, 10% of the profit of the parent company before contribution to KFAS, NLST, Zakat and directors' fees 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.

10 SHARE CAPITAL RESERVES AND DIVIDENDS (CONTINUED)

e) Voluntary reserve

As required by the parent company's articles of association, 10% of the profit for the year of the parent company before contribution to KFAS, NLST, Zakat and directors' fees 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.

f) Dividends

On 6 March 2016, the board of directors of the parent company recommended a cash dividend of 5 fils per share in respect of the year ended 31 December 2015 (2014: 20 fils). This proposal is subject to approval by the shareholders at the annual general assembly of the parent company. Cash dividends amounting to KD 8,924,337 (20 fils per share) for the year ended 31 December 2014 were approved on 23 April 2015 at the annual general assembly of the shareholders of the Parent Company.

g) Other Comprehensive Income

	2015			
	Cumulative Changes in fair values KD	Foreign currency translation reserve KD	Attributable to equity holders of the parent company KD	Total KD
Financial assets available for sale:				
- Net unrealised loss	(3,041,084)	-	(3,041,084)	(3,041,084)
Share of other comprehensive income from an associate	(761,603)	1,643,848	882,245	882,245
	3,802,687	1,643,848	(2,158,839)	(2,158,839)

	2014			
	Cumulative Changes in fair values KD	Foreign currency translation reserve KD	Attributable to equity holders of the parent company KD	Total KD
Financial assets available for sale:				
- Net unrealised loss	3,832,524	-	3,832,524	3,832,534
- Transfer to consolidated income statement on sale	(2,534,917)	-	(2,534,917)	(2,534,917)
Share of other comprehensive income from an associate	1,262,831	654,905	1,917,736	1,917,736
	2,560,438	654,905	3,215,543	3,215,343

11 CONTINGENT LIABILITIES

During the year, a tax authority in the GCC region issued a tax claim against the Parent Company in relation to previous years. The Parent Company believes that due to the complexity of the situation and ambiguity of the application of tax regulations, the ultimate outcome of the tax claim cannot presently be determined, and therefore no provision has been made in the consolidated financial statements for the year ended 31 December 2015.

12 RISK MANAGEMENT

Risk is inherent in the group's activities and 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 payable, other liabilities and due to related parties. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has bank balances and cash, term deposits and accounts receivable that arrive directly from its operations. The group also holds financial assets available for sale.

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

Risk management structure
The Board of Directors of the group is 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.

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:

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 bank balances and short-term deposits, term deposits and accounts receivable. The group is exposed to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

12 RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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.

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

	Within 3 Months KD	3-12 Months KD	1-5 Years KD	Total KD
2015				
Due to related parties	3,693	-	-	3,693
Other Liabilities	949,950	1,451,931	-	2,401,881
Interest Bearing Loans	1,190,219	65,120,656	42,000,000	108,310,875
Total Financial Liabilities	2,143,862	66,572,587	42,000,000	110,716,449

	Within 3 Months KD	3-12 Months KD	1-5 Years KD	Total KD
2014				
Due to related parties	48,207	-	-	48,207
Other Liabilities	645,562	1,392,774	-	2,038,336
Interest Bearing Loans	24,967,500	1,425,000	41,900,000	68,292,500
Total Financial Liabilities	25,661,269	2,817,774	41,900,000	70,379,043

12 RISK MANAGEMENT (CONTINUED)

Market Risk

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

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, 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 (term deposits, interest bearing loans due to the ultimate parent company).

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2015. There is no impact on other comprehensive income.

	50 basis point increase Effect on consolidated income statement	
	2015 **KD**	**2014** **KD**
Liabilities bearing interest at floating rates	507,750	321,250

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.

12 RISK MANAGEMENT (CONTINUED)

Market Risk (Continued)

Equity Price Risk (Continued)

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

	Change in Equity Price %	Effect on other comprehensive income KD
2015		
Kuwait Stock Exchange	-5	1,140,694
Saudi Stock Exchange	-5	464
2014		
Kuwait Stock Exchange	-5	420,348
Saudi Stock Exchange	-5	2,320

The effect of an increase in the value of equity prices will have an equal but opposite impact on the other comprehensive income.

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.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. As at the reporting date, the fair value of the Group's financial assets [except for certain financial assets available for sale carried at cost (Note 5)] and financial liabilities were not materially different from their carrying values.

Fair value hierarchy

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.

As at 31 December 2015, the fair values of the group's quoted financial assets available for sale amounting to KD 22,823,165 (2014:KD 8,453,357) are measured under Level 1 fair value hierarchy.

No financial instruments are measured under Level 2 and Level 3 fair value hierarchy as at 31 December 2015 (2014: Nil).

There were no transfers between the hierarchies during the year ended 31 December 2015 and 31 December 2014.

14 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 shareholders 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 2015 and 31 December 2014.

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 less bank balances and short-term deposits and term deposits.

	2015 KD	2014 KD
Interest bearing loans	101,550,000	64,250,000
Less: bank balances and term deposits	(1,888,559)	(1,713,401)
Net debt	99,661,441	62,536,599
Total capital	123,019,862	129,389,747
Gearing (Debt to equity) ratio	81.01%	48.33%

شركة الصناعات المتحدة
United Industries Company

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How to obtain our 2015 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 Manager, Tel. No. 22943236 Ext. 2041 for such arrangements.

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