بسم الله الرحمن الرحيم

وَقُلِ اعْمَلُوا فَسَيَرَى اللَّهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُون

صدق اللّه العظيم

سورة التوربة (أية 105)

His Highness
Sheikh / Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh / Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Princ of the State of Kuwait

His Highness
Sheikh / Nasser Mohammad Al-Ahmad Al-Sabah
The Prime Minister of the State of Kuwait

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Board of Directors

Maha Mulla Husain
Chairman & Managing Director

Anwar Saeed Ben Salama
Vice President

Sheikah / Shatha Al-Sabah
Board Member

Hosnia Hashim
Board Member

Dr. Mohammed Al-Ramadan

Board Member

Mohammed Ghazi Al-Mutairi

Board Member

Abdul Hadi Al-Awad

Board Member

Message from the Chairman and Managing Director

In my capacity as Chairman and Managing Director and on behalf of my fellow Board Members, Deputy Managing Directors and all the employees in the company, it gives me pleasure to introduce for you the twenty-eighth annual report of Petrochemical Industries Company for the fiscal year 2007/2008 ended on 31 March 2008. Whereas, we brief the most important actions that have been carried out according to KPC's strategic directions for the petrochemicals sector which have been approved by the Supreme Petroleum Council. Considering the future expansion of petrochemical industry, the ambition of the company to be one of the leading international player, the importance of this growing industry and to be competitive, the company has concentrated on the petrochemical products with higher growth rates such as olefins and aromatics. In addition, we have considered involvement of the private sector in this industry and to capture benefits of Refinery-Petrochemicals integration with KPC operations inside and outside the State of Kuwait. The big projects of the company and its new participation have happened as a result of the success that has been achieved by the company through its different ventures, which are represented by the following:

Participating companies:

1- The Kuwait Aromatic Company (TKAC)

2- The Kuwait Olefins Company (TKOC)

3- The Kuwait Styrene Company (TKSC)

4- EQUATE Petrochemicals Company

5- Gulf Petrochemical Industry Co. in Kingdom of Bahrain

6- Equipolymers (Headquarter in Switzerland)

7- PIC Canada

8- MEGlobal Canada Inc.

9- MEGlobal B.V. (Headquarter in Dubai)

10- Al-Qurain Petrochemicals Industries Company

The future expansions outside Kuwait:

The future expansion consists of a project for setting up a refinery and petrochemicals complex in China. We have finished the study of the Chinese and international markets, conducted by an international marketing consultant. Further, we have finished the feasibility study for the project which has been conducted by the Chinese engineering companies and we are working to present the final results from the study. Another expansion opportunity consists of an international joint venture for olefins. For this we have signed a Memorandum of Understanding on 13/12/2007 with DOW Chemical Company for setting up an international joint venture in olefins which will be a market leader in the manufacturing and marketing of polyethylene, Ethylene Amines, Ethanolamines, polypropylene and polycarbonates.

- The net profit of the company is KD 226 million during the fiscal year 2007/2008. During the fiscal year 2007/2008, production of ammonia was 603,000 metric tons, production of urea was 935,000 metric tons and production of polypropylene was 105,000 metric tons.

- To support our interest in integration between the refinery and petrochemical operations, we have completed a specialist consultant study for establishing a system and mechanism for determining future opportunities in this field. The Study was conducted jointly with KPC and our associate companies.

- In the field of safety, health and environment, the company has continued its efforts by carrying out many purposeful projects such as implementing a project for separation of waste paper in the company and reducing the solid wastes by more than 30%. The numbers of environmental accidents have been reduced by more than 30%. We have achieved 8 million safe work hours till the end of March 2008.

- Efforts have been continued in the field of information technology, by carrying out several improvements in the services introduced to support the different activities of the company and to eliminate any obstacles in achieving these objectives.

- Considering the future direction of our business expansion in petrochemicals, through local and international ventures, it was decide to adopt the product based organization structure for Head Office. The transition to the new structure was made in November 2007 for the Planning, Financial and Administrative Affairs Sectors and new SBUs created for Olefins, Aromatics and Fertilizer Sectors.

- The company has continued its efforts to complete some important internal projects such as the Enterprise Risk Management System. Formation of risk assessment service has been completed for the new organizational structure of the company. The risk catalogue is prepared, containing all the risks that may be faced by the company and giving its available solutions. Business Process Improvement (Six Sigma Project) is considered as one of the important projects which has lead to increasing the company profits, reducing the cost, achieving job satisfaction for the employees and improving the services introduced for them.

- With regard to manpower development, the training participation for the year 2007/2008 has a noticeable increase as the number of training participants was 1671 in 435 training programs. This participation is 13% higher than the 1477 planned. As a result of reorganizing in the company the number of actual manpower has become 614 employees, including 464 Kuwaiti employees comprising 75.6% of total manpower. The company is following with great attention the plan of replacement and 10 jobs have been replaced during this year.

    - The company has continued its media awareness campaign about petrochemicals industry development inside Kuwait through participation in special exhibitions inside and outside Kuwait, as well as the periodical publishing of Kemya magazine.

    - At the end of this report, I and my fellow Board Members, Deputy Managing Directors and all the employees in the company convey their great appreciation and thanks to

His Highness The Amir of the State of Kuwait,

and to

His Highness The Crown Prince of the State of Kuwait,

and to

His Highness The Prime Minister.

for their continuous support to the company as well as we thank and appreciate Minister of Oil, Chairman of Kuwait Petroleum Corporation and the Associate Companies, and we thank all the ministers, authorities, private and governmental corporations for their support to the company on all occasions. We hope that this support will be continue so that we achieve what is profitable to the national industry in our great country.

Maha Abdul Rahman Mulla Husain
Chairman and Managing Director

During the fiscal year 2007/2008, the company has continued to execute its strategy plan of increasing petrochemical industry participation inside and outside Kuwait. We present herein a brief about the company's activities and achievements during the year.

First — Local participating companies:

1 The Kuwait Aromatic Company (TKAC)

- PIC has a 40% shareholding in Kuwait Aromatics Company, same as Kuwait National Petroleum Company. The balance 20% shareholding is owned by Kuwaiti Private Sector represented by Al-Qurain Petrochemical Industries Co.
- The Kuwait Aromatics Company owns The Kuwait Paraxylene Production Company (KPPC), which is implementing a project for producing:

Paraxylene with capacity	829,000 tons yearly
Benzene with capacity	393,000 tons yearly

- The project is expected to startup in the first quarter of 2009.

Work Progress:

- The total work progress of the Aromatics project relating to Engineering, procurement and construction has reached 79% till end of March 2008.
- For Engineering and procurement part of the Aromatics Project, the progress achieved is 98% till end of March 2008.
- The total work progress for building light naphtha tanks in Mina Abdullah Refinery is 93.6%.

2 The Kuwait Olefins Company (TKOC):

The Kuwait Olefins Company owns the second olefins complex in Kuwait. The shareholding in TKOC is as follows :

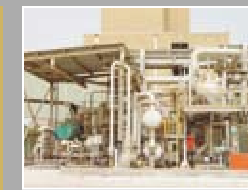
Petrochemicals Industries Co.	42.5%
DOW Chemicals Co.	42.5% (private sector)
Boubiyan Petrochemicals Co.	9% (local private sector)
Al-Qurain Petrochemicals Industries Co.	6% (local private sector)

Products of Kuwait Olefins Company:

- Ethylene with capacity to produce 850,000 tons yearly.
- Ethylene Glycol with capacity to produce 600,000 tons yearly.
- Polyethylene with capacity to produce 300,000 tons yearly. This is achieved by increasing production capacity of existing EQUATE Polyethylene plant.
- Project startup is expected in the third quarter of 2008.

Work Progress:

- **Ethylene Unit** has achieved 100% progress in engineering and 84% progress in construction.
- All the equipments have arrived and have been installed at the site.
- The two electrical substations building are completed and the control systems have been installed inside. Electrical supply is connected to these substations and 90% of the control systems have been tested.
- The construction work for Ethylene and propylene tanks is completed.



- **Ethylene Glycol Unit:** has achieved 100% progress in engineering and 87% progress in construction.
- The main equipments have arrived and installed at the site. The ethylene glycol reactor has also arrived at the site and installed on the concrete structure.
- The electrical substation building is completed and the control systems have been installed inside. Electrical supply is connected to this substation.
- Hydraulic tests for water treatment unit, nitrogen unit and tanks have been completed

Utilities: Completion progress is 100% for detailed engineering and 97.3% for construction.

Infrastructure: Completion progress is 100% for detailed engineering and 99.1% for construction.

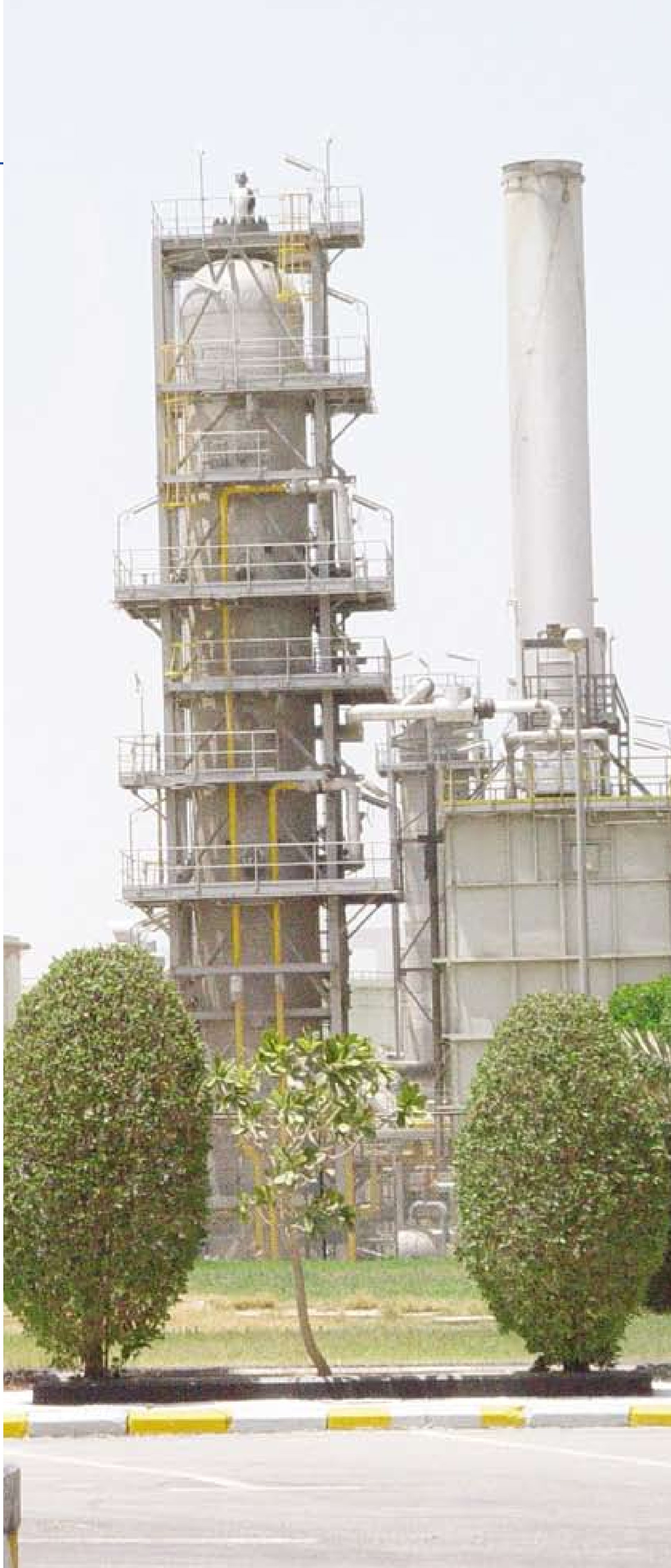
It may be noted that the infrastructure and utilities are common facilities shared among Aromatics, Olefins and Styrene companies.

- Marine Loading Quay No. 31/32 has been handed over to Kuwait National Petroleum Company.
- Marine Loading Quay No. 34/35 equipments have been installed and completion work is in progress.
- Installation works have been completed for styrene tanks, distilled water tanks, condensate tanks and sulfur loading tanks.
- The main electrical substation building and installation work is completed.
- Installation and testing of control systems have been completed for the Ethylene Unit, Ethylene Glycol Unit, Styrene Unit, Utilities and Sea Cooling Tower.

3 The Kuwait Styrene Company (TKSC):

The Kuwait Styrene Company owns a project for producing styrene. The shareholding in TKSC is as follows:

- The Kuwait Aromatic Co. - 57.5% (local private sector)
- DOW Chemicals Co. - 42.5% (private sector)
- The styrene plant has a capacity to produce 450,000 tons of styrene annually.
- The company uses as raw material benzene from Aromatics plant (357,000 tons yearly) and ethylene from TKOC (129,000 tons yearly).
- The styrene project has achieved 100% progress in engineering and 56.7% progress in construction.
- The plant start up is expected in the third quarter of 2008.



4 EQUATE Petrochemicals Company:

EQUATE Petrochemicals Company was established in 1995. The shareholding in the company is as follows:

Petrochemical Industries Co.	42.5%
DOW Chemicals Co.	42.5%
Boubyan Petrochemicals Co.	9% (local private sector)
Al-Qurain Petrochemicals Industries Co.	6% (local private sector).

- The effective role played by PIC, following its investment in EQUATE Petrochemical Company, has a clear effect on executing its manufacturing plans, improving work efficiency and increasing profits. EQUATE has achieved good profits at the end of year 2007 reaching US $ 769 million and 42.5% of this is PIC share. Also the production cost has been reduced to a good level.
- EQUATE Petrochemicals Company produces polyethylene and ethylene glycol. During 2007, the total production reached 1044 million tons of polyethylene and ethylene glycol and the total sales exceeded one million tons for the products. Also the prices of these products have recorded highest levels in the history of the company.
- In the field of health, safety and environment, EQUATE company aims to be the safest work place in Kuwait. The company has completed 8 million work hours without lost time accidents. Also EQUATE company has celebrated 10 years of operation.

Second — Regional Participating Company:

5 Gulf Petrochemicals Industries Company (GPIC) (Kingdom of Bahrain):

Gulf Petrochemicals Industry Company was established in 1979 as a partnership among some of the Gulf Cooperation Council Countries for manufacturing fertilizers and petrochemicals. It is an equal partnership between Kingdom of Bahrain, SABIC (KSA) and the Petrochemicals Industries Company (Kuwait).

Production:

Ammonia	(400,000 ton yearly)
Urea	(600,000 ton yearly)
Methanol	(400,000 ton yearly)

- In 2007 Gulf Petrochemicals Industries Company has won the international award for Occupational Health and Safety from UK's Royal Society for Prevention of Accidents (ROSPA), in consideration for its distinguished practices in adherence to safety and occupational health standards and that it has occupied a pioneering role in this field.
- The company has re-approved the certificate for Health, Safety and Environment (OHSAS 18001) in consideration of following the regulations and standards.
- The company has completed 11 million work hours without lost time accidents.
  - The Company achieved distinguished environmental performance in 2007 and has been awarded the best industrial corporation that meets the environmental standards set by the Environment and Human Affairs sector of the general secretariat of Gulf Cooperation Council.
  - The company has reserved its foremost position among the local companies, who are free from making occupational training subscriptions. It has won distinguished award in the field of training

and rehabilitation of national manpower for the private sector. In addition, the company has earned first rank for public distinguish award. All these awards are from the Ministry of Works (Kingdom of Bahrain) in consideration of faithful and prompt efforts that the company has made to develop and train Bahraini people inside and outside the company.

- Gulf Petrochemicals Industry Company has achieved profits reaching US $ 201 million in 2007 and PIC's share is 33.33% of this profit.

Third — International participating companies:

Positioning itself as a leading international player was one of the strategic objectives of the company. Accordingly the company has formed a strategic alliance with DOW Chemicals. This alliance was translated into foreign partnerships as described below:

6 Equipolymers (Headquarter- Switzerland)

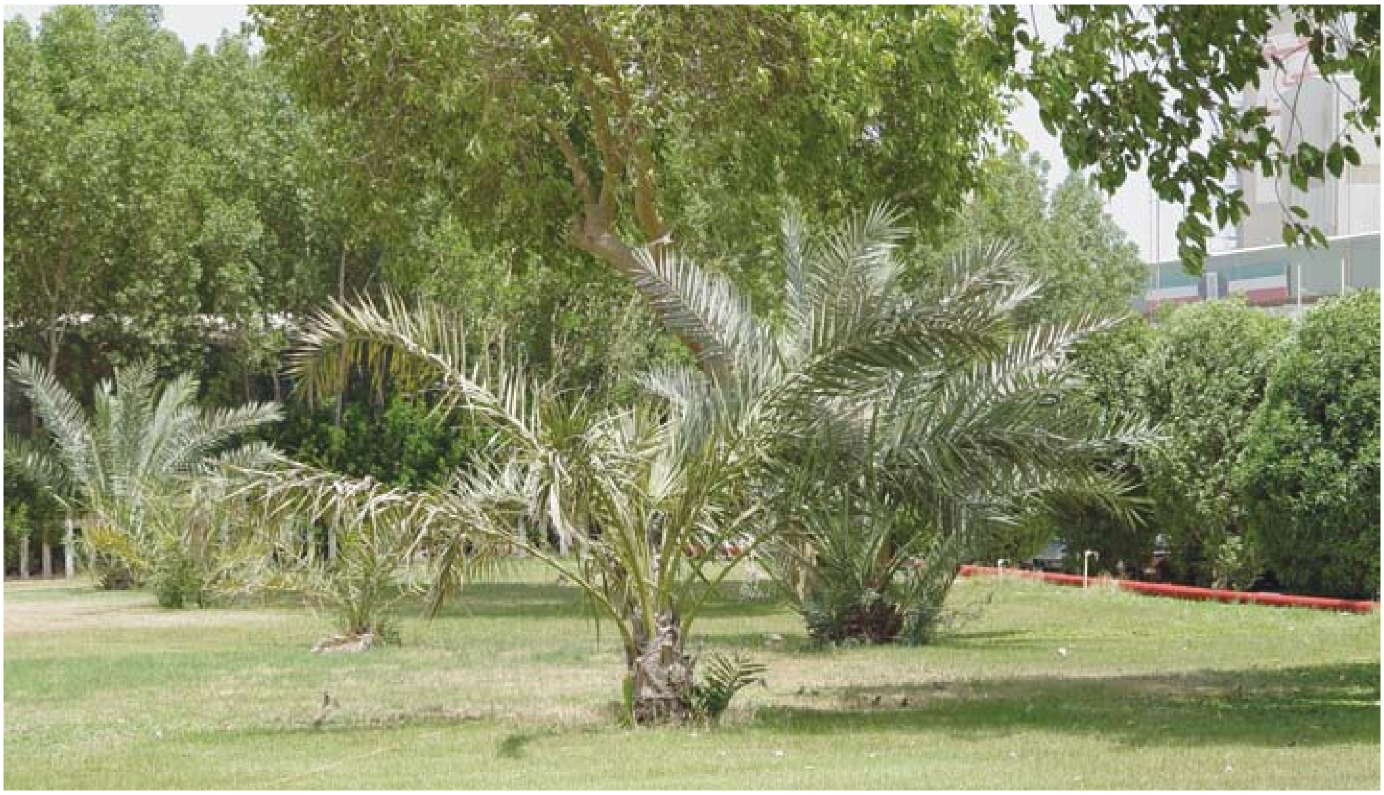
equipolymers

Equipolymers was founded in July 2004 as a 50/50 joint venture between Petrochemical Industries Co. and DOW Chemicals Co.. Equipolymers operates in the PET/PTA manufacturing industry and PET marketing. Based in Horgen (Zurich) Switzerland, the company renders its services to its customers throughout the world.

- The production facilities include PTA and PET plants in Ottana (Italy) and two PET plants in Schkopua (Germany). Purified Terephthalic Acid is a raw material used in producing PET, which is used as packaging material for mineral water, foods, and other liquids.
- Equipolymers production of PET in 2007 reached about 300,000 metric tons. It is worth mentioning that 100 % of the PET produced by Equipolymers is recyclable and used in environment friendly applications.
- Equipolymers has completed revamping the old PET plant in Ottana (Italy). The production capacity is increased to 485000 metric tons per annum by constructing multi-condensation plant for PET production. Production from revamped plant was commenced in 2007.

Field of Health, Safety and Environment

- In the field of safety, the company has achieved zero rate of injury and illness during 2007.
- The company has nil day absence without cause (DAWC).
- No severe accidents were recorded (severity)
- ISO 14001:2004 certification was renewed during 2007 for the company's plants in Germany and Italy.
- Annual turnaround maintenance was carried out for all the company's plants during November 2007, without any lost time accident nor any leakage.



7 PIC- Canada (Headquarter –Canada)

- PIC-Canada was formed in 2004 and is fully owned by Petrochemical Industries Co..
- PIC-Canada holds equal shareholding with DOW Chemicals (50/50) in ME Global.

8 MEGlobal Inc.

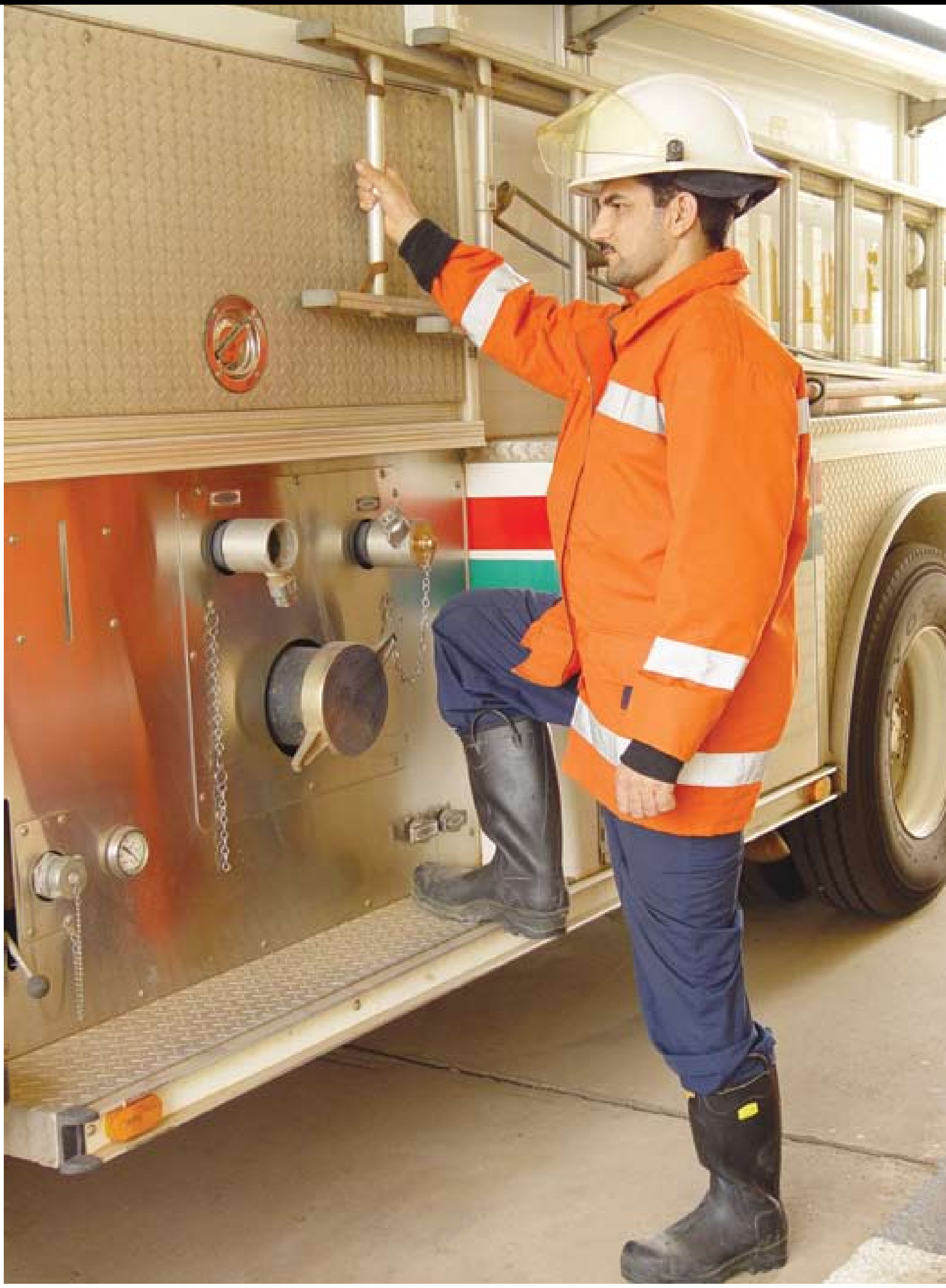
- Petrochemical Industries Co holds 50% of MEGlobal.
- MEGlobal has manufacturing plants in Canada to produce MEG and DEG. The company is a leader of this industry.
- MEGlobal production of EG reached 1.05 million tons during 2007.
- The net profits of the company during the financial year 2007 were $ 333 million and PIC's share was $166.5 million.

In the field of Health, Safety and Environment

- The company's performance in the field of safety during 2007 was outstanding with 0.22 rate of injury/ illness i.e. one accident per year. This is rated as a good performance for the year, as annual turnaround maintenance was conducted for the company's two plants in Canada.
- Since formation of the company in 2004, it continues to be process safety incident free.
- Since formation of the company in 2004, it continues to be vehicles accidents free.

- The Integrated Health, Safety and Environment system was audited during Oct, 2007. The system proved to be very effective and compliant with the audit requirements.

- Reactive Chemical & Process system in the company's EO / EG plants was audited during Oct, 2007 through process hazardous analysis and root causes analysis.



9 MEGlobal BV (Headquarter in Dubai)

- Petrochemical Industries Co holds 50% of MEGlobal BV, which markets EG products produced by Petrochemical Industries and DOW Chemicals from their Plants in Canada.

- The total sales reached 3.1 million metric ton with value of $ 3.1 billion US.

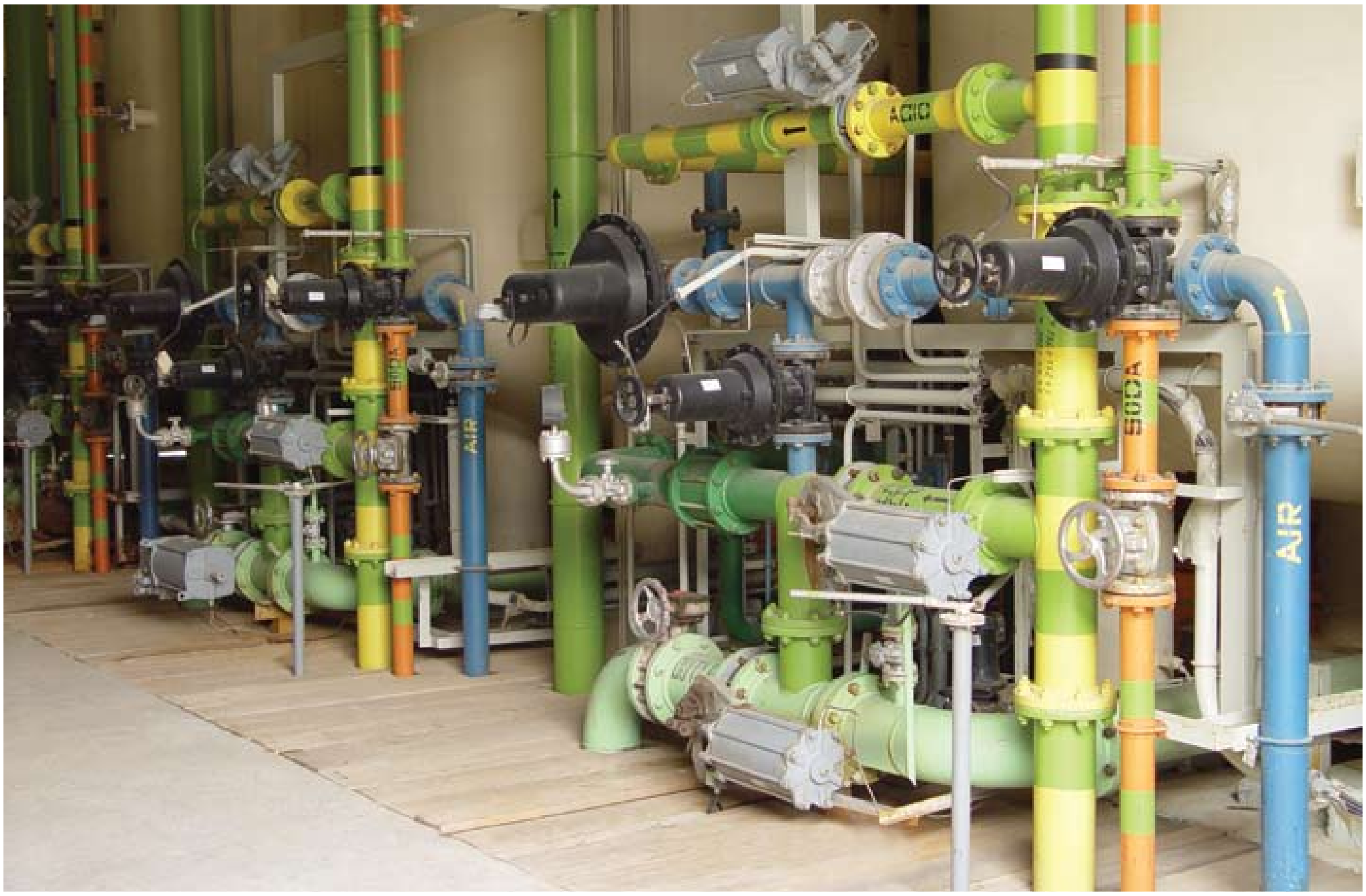
Fourth — Private Sector Partnerships

10 AlQurain Petrochemical Industries Co

- The company has founded Qurain Petrochemical Industries with capital of KD 110 million. PIC's share in this newly founded company is KD 11 million. KD 99 million was allocated for public subscription.

- AlQurain holds 6% shareholding in EQUATE Petrochemical Co, 20% shareholding in The Kuwait Aromatics Co and 6% shareholding in The Kuwait Olefins Co.

- Shares of AlQurain Petrochemical Industries Co were traded in Kuwait stock exchange market starting from July 2007, which has positive effect on the company's shareholders.



Fifth Future Expansions outside Kuwait

1 China Project

- The international marketing consultant for the project has completed his study of the international and China markets.
- The feasibility study for the project has been conducted by the Chinese engineering companies and we are working to present the final results from the study.
- The project international engineering consultant is currently reviewing the economic and technical feasibility of the project and shall provide the capital investment requirements.
- Project environmental studies have been initiated.

2 Olefins International Partnership Project

- A Memorandum of Understating was signed on 13/12/2007 with DOW Chemical Company for setting up an international joint venture in olefins which will be a market leader in the manufacturing and marketing of polyethylene, Ethylene Amines, Ethanolamines, polypropylene and polycarbonates.
- Project due diligence is in progress.

Sixth Production and Marketing of the Company's products

- According to KPC directions, to secure gas for Electricity production, fertilizers plants were partially shut down during the period from June to August 2007.
- The production and sales of Urea, Ammonia and Propylene are as follows:

1 Production and Marketing of Ammonia

- The production of Ammonia during the financial year 2007/2008 reached 603,000 metric tons, which is a 5% increase over the 576,000 metric tons production of the financial year 2006/2007.
- The exported quantities of Ammonia produced by PIC was 44,000 metric tons in the financial year 2007/2008, which is a 15000 metric tons higher than the budget for the financial year.
- The sales of Ammonia from GPIC were 80,000 metric tons.

Key factors contributing to the rise of Ammonia prices:

- The price rise in Asian and European markets is due to the increasing demand for Ammonia.
- Unplanned shut downs due to technical problems and abnormal increase in maintenance periods in East Asia/ Arabian Gulf/Iran has adversely impacted the production allocated for export.

2 Production and Marketing of Urea

- The production of Urea during the financial year 2007/2008 reached about 935,000 metric tons, which is a 3% increase over the 911,000 metric ton production of the financial year 2007/2008.
- PIC exports of Urea during the financial year 2007/2008 reached about 942,000 metric tons, which 18,000 metric tons higher than the previous financial year
- GPIC exports of Urea and methanol during 2007 about 573,000 and 364,400 metric tons respectively, which were USA, Thailand and Australia focused.

Key factors contributed to the rise of Urea prices:

- Shut down of some fertilizers plants in USA due to the rise of gas prices which led to increase of demand.
- Shut down of some fertilizers plants and the Indian market increase of demand.
- Increase of demand by Latin America Markets, especially Brazil.
- Delay in new plants start up production.

3 Producing and Marketing of Polypropylene

- The production of polypropylene plant was 104,800 metric tons, which is 91% of the targeted capacity in the financial year 2007/2008. This is due to annual turnaround conducted in KNPC’s refineries.
- Polypropylene sales reached about 102,400 metric tons.

Seventh — Refinery-Petrochemicals Integration Study.

In the process of supporting integration between the refinery and petrochemical operations, a study of Developing a system to identify potential integration opportunities between the refinery and petrochemical activities has been concluded by a specialist consultant and working team comprises of PIC, KNPC, Equate and KPC. The study has provided some recommendations which have been put in action upon the recommendation of KPC and coordination with KNPC and P IC.

Eighth Safety, Health and Environment

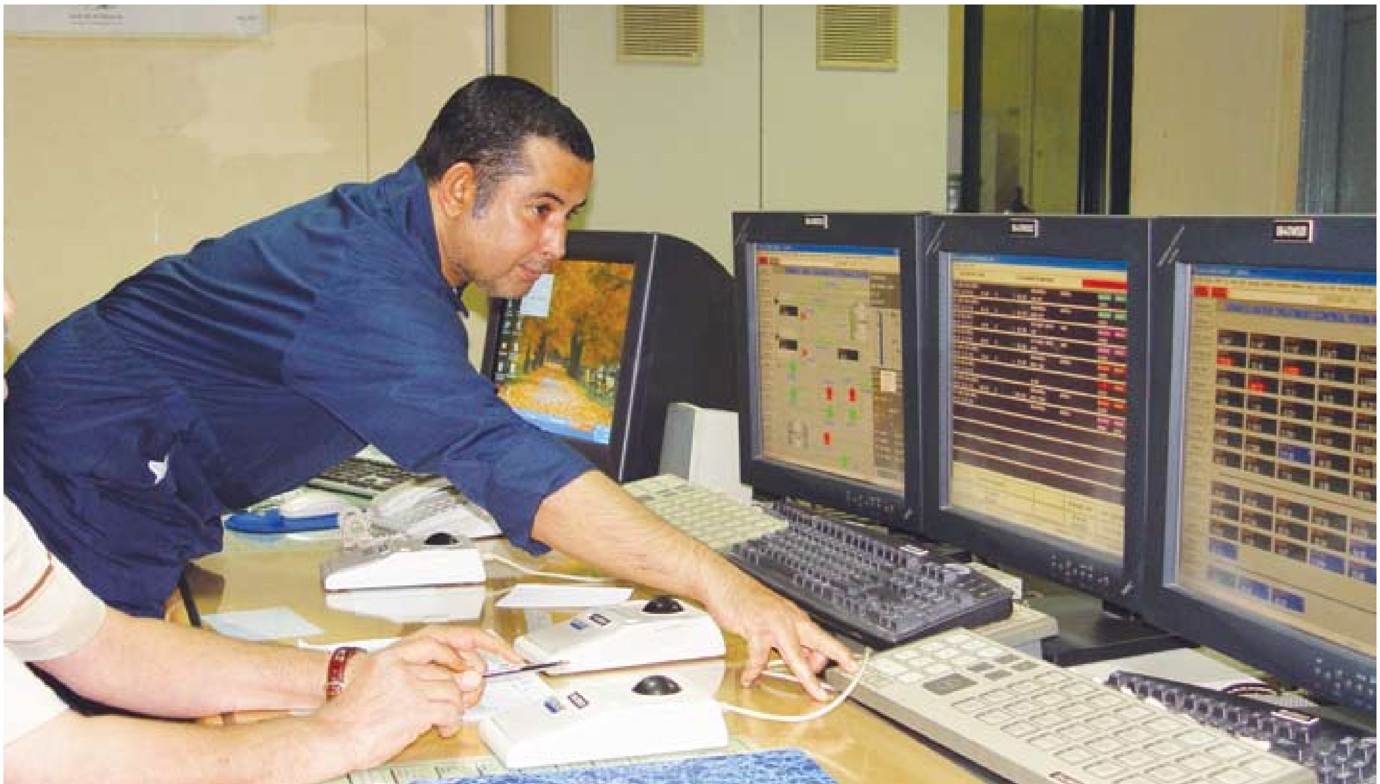
The company has continued its efforts in the field on safety, health and environment. The company's achievements during the financial year 2007/2008 as follows:

- 4th Safety Day was conducted for 2007.
- Organizing workshops and training programs for the company's employees and contractors on the usage of fire extinguishers and respiratory apparatus. Evacuation drills was conducted together with training on work permits and safety audit system.
- Issuing of safety and Occupational health policies as well as implementing the company's consultant's safety recommendations (Du Pont). Periodical medical check of personnel has been performed.
- 8 million work hours without lost time accidents have been achieved by the end of March 2008.
- Participation in training courses and preparing to obtain OHSAS 18001 certificate.
- Implementing paper waste separation project in the company to reduce wastes and reduce costs as well as solid wastes to more than 30%.
- Considering introducing BBS program which targets to correct improper conduct through advanced scientific style.
- Carrying on Zero Emission Team project.
- External auditor of Environment Quality Certification visited the company this year and found no essential defects.
- Environmental accidents were reduced to 30%.
- No professional illness case was recorded this year.
- Personal protection equipment was updated according to the international and local standards and they were distributed to employees.

Ninth — Information Technology

Efforts in the field of IT continued in order to perform various improvements to the provided services to enhance the company's activities and eliminate any obstacles that may hinder the achievement of these objectives. Hereunder outline of the company's achievements in this field:

- 24hr back up of the beneficiaries who can contact from anywhere in the world at anytime when facing any technical defect.
- Vocal inquiry system was applied by the company for inquiring about personnel's data.
- Implementing of electronic format system used in some of the company's activities.
- Developing IT Services Manuals
- Conducting IT users' satisfaction surveys which indicated 15% increasing satisfaction over the past year.
- Online document system has been completed and access is available through out the world.



Tenth Organizational Chart:

Considering the future direction of our business expansion in petrochemicals, through local and international ventures, it was decide to adopt the product based organization structure for Head Office.

- The transition to the new structure was made in November 2007 for the Planning, Financial and Administrative Affairs Sectors and new SBUs created for Olefins, Aromatics and Fertilizer Sectors.
- Corporate Engineering and Safety Department was introduced in the Planning Sector. Three strategic units were formed: Olefins Strategic Unit- Aromatic Strategic Unit and Fertilizers Strategic Unit.
- Business processes to manage these businesses were developed as the following:

    - Business Development Process

    - JV's Governance Process

Eleventh Risk Management Project:

Study of risk management project was concluded. The project aims to effectively manage risks through flexible practice reflects work environment changes and needs. Potential risks have been defined and identified. A catalogue of risks includes all those faced by the company was developed. Proper solutions have been provided and risk department at the company's new organizational was formed.

Twelfth Six Sigma Development Project

Six Sigma development project is considered a systematic scientific method to promote quality and maintain continuous improvements achieved in the company's activities in a manner increases profits, reduces costs, achieves staff job satisfaction and optimizes staff's practical experiences. Last year the company trained 25 employees in various levels and sectors to be qualifies team leaders through working in 25 various project in different domains. Completed projects have reduced costs.

Thirteenth Manpower and Vocational training and Development:

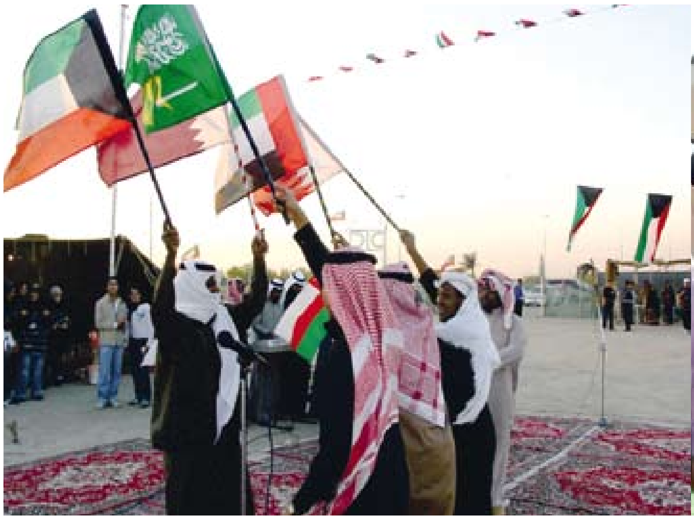
The company has achieved significant results in developing manpower detailed as follows:

- The previous training year has witnessed remarkable development in the training participations as the number of trainees reached 1671 individuals joined 435 training course with 13% increase over than the expected number (1477 trainee)
- The company continued conducting awareness program in which 1120 participants joined 50 programs.
- Based on optimizing the participation of the senior management in the leadership training programs, about 35 senior employees joined 12 leadership training programs.
- Safety, Health and Environment programs for the company's employees witnesses increasing significance. 120 participants joined 538 training program during this period.
- Based on the reorganization project outcomes, the company's employees' competences in both the technical ad administrative sectors were re-assessed. Personal Development Plan was developed for 322 employees. The plan identifies the training requirements according to the competences of different employees. The company is currently working on updating the employees' jobs assessment at the administrative sector grounding for the issuance of the sector development plan.

- The company's manpower was well-planned to meet the company's operational requirements, the actual number of manpower reached 614 employees out of them 464 are Kuwaiti employees representing about 75.6%.
- The company is diligently following the Kuwaitization plan, 10 employees were replaced by Kuwaitis last year.
- The company is keen to continue applying recruitment of national labors by contractors to meet the percentage agreed to with KPC. By the end of March 2008, the percentage of national labor recruited in the contractors' contracts reached 21.3%.

Fourteenth Communication and Public Relations:

The company has continued its efforts to spread out informative awareness of petrochemicals industries in the State of Kuwait as a part of its participation in specialized exhibitions inside and outside Kuwait along with publications and circulations of Kemya Magazine. The awareness efforts exerted by the company includes organizing field visits to the company's plants , hospitals, distribution of the companies advertising materials on public entities, ministries and companies. These efforts also include participation in social, cultural and sport activities as well as developing of Boubyan club for entertaining and serving the company's employees



إحدى شركات مؤسسة البترول الكويتية
A Subsidiary of Kuwait Petroleum Corporation

Consolidated Financial Statements
31 March 2008

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Independent Auditors' Report

To Petrochemical Industry Company KSC

We have examined the accompanying consolidated financial statements of Petrochemical Industry Company (KSC) sister Company and affiliates (the Group) consisting of the consolidated balance sheet as on 31st March 2008, income statement, cash flaws and the changes in the consolidated equity rights for the financial year then ended as well as summary of the most important accounting policies and other notes.

Responsibility of the directors for the consolidated financial statements

The director of the sister Company are responsible for preparing these consolidated financial statements and fair presentation of the same in accordance with international auditing principles of the financial reports. This responsibility includes laying out internal control tools, applying and implementing the same with respect to preparing the consolidated financial statements and fair presentation of the same, to make sure that these consolidated financial statements are free from any mistakes, either due to fraudulence or omission, to select and implement the appropriate accounting policies, to conduct accounting estimates that fairly conform to the circumstances.

Responsibility of auditors

Our responsibility is to give opinion regarding these consolidated financial statements pursuant to auditing works we have already carried out in accordance with international auditing criteria that require us to observe the ethical requirements, to plan and implement auditing works to have reasonable confirmation that the consolidated financial statements are free from any material mistakes.

The auditing includes carrying out procedures to have auditing evidences regarding the amounts and disclosures included in the consolidated financial statements. The selected procedures are made to the discretion of the auditors, including evaluation of material mistakes risks in the consolidated financial statements, either due to fraudulence or omission. Upon assessment of these risks the auditors take into account internal control tool pertaining to preparation of the consolidated financial statements and fair presentation of the same in order to layout auditing procedure suitable for all circumstances, rather than giving an opinion regarding the efficiency of the internal control tool of the group. The auditing also includes evaluating the suitability of the applied accounting policies, the validity of the important accounting estimates carried out by the management as well as assessment of the overall presentation of the consolidated financial statements.

We believe that auditing tools we have already obtained are suffice and suitable to give a basis that can enable us to give an auditing opinion.

Opinion

In our opinion the consolidated financial statements fairly reflect, from all material aspects, the financial possession of the group as of 31st March 2008, its financial performance and cash flows for the year then ended in accordance with the international criteria of the financial reports.

Report on the legal and other control requirements

In my opinion the sister Company maintained regular accounting books and the consolidated financial statements as well as the statements set forth in the report of the sister Company Board of Directors pertaining to the consolidated financial statements conforms to the contents of these books. We have obtained all information and notes which we deemed necessary for auditing purposes. Further the consolidated financial statements include all information required by Commercial Companies Law for 1960 and subsequent amendments thereto as well as the Company's Articles of Association. The stock taking was made in accordance with the generally accepted principles. As far as we know and believe no violations have been committed during the financial year ended on 31st March 2008 to the Commercial Companies Law of 1960 and subsequent amendments thereto or to the Articles of Association in a manner that materially affect the business of the sister Company or its financial position.

Waleed Abdullah Al-Osaimi
Auditor no. 68 – A, Kuwait
Al-Obeiyan & Al-Osaimi & Company
Member of Earnest & Young

Kuwait 24 April 2008

CONSOLIDATED INCOME STATEMENT Year ended 31 March 2008

	Notes	2008 KD	2007 KD
Sales		**644,578,975**	521,374,022
Cost of sale		**(514,034,891)**	(458,091,365)
Total profit		**130,544,084**	63,282,657
Share in the results of affiliates	9	**109,454,761**	86,882,737
Distribution, general and administrative expenses		**(20,052,151)**	(21,459,390)
Interest revenues		**7,677,269**	6,971,060
Other revenues		**4,985,548**	3,508,069
Other expenses		**(727,514)**	(726,703)
Finance costs	3	**(4,543,596)**	(5,486,320)
Net loss of foreign currency exchange		**(5,561,826)**	(3,175,158)
Claims for compensation	4	**22,729,187**	8,412,518
Profit before income tax provision		**244,505,762**	138,209,470
Income tax provision	5	**(16,864,824)**	(2,410,652)
Directors remuneration	25	**(45,000)**	(42,000)
Year profit		**227,595,938**	135,756,818
Relating to :			
Parent Company shareholder		**226,596,466**	135,030,718
Minority rights		**999,472**	726,100
		227,595,938	135,756,818

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

CONSOLIDATED BALANCE SHEET At 31 March 2008

	Notes	2008 KD	2007 KD
Assets			
Fixed assets			
Properties, machinery & equipment	6	**230,471,130**	199,542,113
Goodwill	7	**116,346,745**	123,408,305
Intangible assets	8	**6,777,901**	10,268,172
Investments in affiliates	9	**191,698,248**	202,007,222
Investments available for sale	10	**42,350,000**	11,000,000
Renewable loans with concerned parties	11	**9,932,226**	29,961,837
Due from sister Company	12	**61,400,364**	48,123,838
Spare parts	13	**14,426,580**	10,733,352
Other assets	14	**43,318,175**	57,200,603
		716,721,369	692,245,442
Current assets			
Stock	15	**40,983,557**	36,876,718
Debtors & payments in advance	16	**116,955,098**	81,067,458
Due from concerned parties	17	**10,328,239**	85,331,525
Cash and cash equivalence	18	**234,460,906**	61,261,687
		402,727,800	264,537,388
Total assets		**1,119,449,169**	956,782,830
Equity rights & liabilities			
Equity rights			
Capital	19	**600,000,000**	600,000,000
Legal reserve fund	20	**84,064,511**	61,400,364
Foreign currency exchange reserve fund		**(36,453,167)**	(5,255,121)
Accumulated changes in fair value		**31,350,000**	-
Equity rights of sister Company shareholder		**678,961,344**	656,145,243
Minority rights		**3,988,500**	4,198,475
Total equity rights		**682,949,844**	660,343,718

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

CONSOLIDATED BALANCE SHEET At 31 March 2008 (continued)

	Notes	2008 KD	2007 KD
Fixed liabilities			
Long term loans	21	**46,851,580**	4,661,755
Obligation as per finance lease contracts	22	**14,863,810**	16,070,025
Staff end-of-service indemnity	23	**10,686,926**	9,623,941
Other liabilities	24	**27,268,045**	23,685,190
		99,670,361	54,040,911
Current liabilities			
Creditors and accrued expenses	25	**73,980,610**	56,102,340
Short-term loans & current portion of long-term loans	21	**16,738,405**	32,125,573
Obligation under finance lease contracts	22	**850,880**	1,042,380
Distributions of accrued profits	26	**203,932,319**	121,754,192
Due to concerned parties	17	**41,326,750**	31,373,716
		336,828,964	242,398,201
Total liabilities		**436,499,325**	296,439,112
Total equity rights & liabilities		**1,119,449,169**	956,782,830

Chairman

Director

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2008

	Notes	2008 KD	2007 KD
Operation activities			
Profit before tax & directors' remuneration		244,505,762	138,209,470
Modifications to :			
Depreciation, depletion and amortization		22,886,732	20,726,974
Deletion of property, machinery & equipment		490,239	598,891
Share in the results of affiliates		(109,454,761)	(86,882,737)
Doubtful debts collection provision		188,447	215,776
Sale profit of investments available for sale		-	(130,666)
Sluggish & obsolete spare parts provision		234,100	(37,635)
Sluggish & obsolete goods provision		145,491	245,401
Staff end-of-service indemnity		2,410,556	1,488,368
Interest revenues		(7,677,269)	(6,971,060)
Net loss of foreign current exchange		5,561,826	3,175,158
Finance costs		4,543,596	5,486,320
		163,834,719	76,124,260
Working capital changes :			
Renewable loans with concerned party		20,029,611	(29,961,837)
Spare parts		(3,927,329)	(632,375)
Other assets		5,683,135	1,243,965
Stock		(4,252,330)	(5,180,098)
Debtors & payments in advance		(40,943,486)	9,093,456
Net amounts due from / payable to related parties		84,956,320	48,109,368
Creditors & accrued expenses		13,010,872	(42,877,453)
Other liabilities		6,246,735	90,617
Cash resulting from operations		244,638,247	56,009,903
Received interests		7,677,269	6,971,060
Paid finance costs		(4,543,596)	(5,486,320)
Taxes paid abroad		(11,329,411)	(3,006,289)
Already paid directors remuneration		(42,000)	-
Already paid staff end-of-service indemnity		(1,363,679)	(1,453,973)
Net cash resulting from operation activities		235,036,830	53,034,381

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2008 (continued)

	Notes	KD	2007 KD
Investment activities			
Purchase of property, machinery & equipment		**(49,594,662)**	(29,873,750)
Expenses of intangible assets		**(101,334)**	(548,290)
Additions to investments in affiliates		**-**	(20,000,000)
Collected amounts from sale of an investment in affiliates		**-**	40,000,000
Collected amounts from sale of investments available for sale		**-**	1,618,841
Due from sister Company		**(13,276,526)**	(14,545,996)
Distributions of received profits		**98,693,608**	-
Net cash (used in) resulting from investment activities		**35,721,086**	(23,349,195)
Finance activities			
Retained cash		**(1,064,000)**	-
Net turn-over of minority rights		**(1,209,447)**	(36,605)
Collected loans to term		**42,189,825**	1,400,000
Payment of loans to term		**(15,387,168)**	(2,933,658)
Obligations under finance lease contracts		**(1,397,715)**	-
Distributions of paid profits		**(121,754,192)**	(128,606,510)
Net cash employed in finance activities		**(98,622,697)**	(130,176,773)
Increase (decrease) in cash and cash equivalent		**172,135,219**	(100,491,587)
Cash and cash equivalence at the beginning of the year		**61,261,687**	161,753,274
Cash and cash equivalence at the end of the year	18	**233,396,906**	61,261,687

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Year ended 31 March 2008

	Attributable to equity holder of the parent						
	Share capital	statutory reserve	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
	KD	KD	KD	KD	KD	KD	KD
Balance as on 1 April 2006	600,000,000	48,123,838	(11,402,628)	-	636,721,210	16,291,180	653,012,390
Amendments to foreign currency exchange	-	-	6,147,507	-	6,147,507	-	6,147,507
Total revenues of the year directly recorded under equity rights	-	-	6,147,507	-	6,147,507	-	6,147,507
Profit of the year	-	-	-	135,030,718	135,030,718	726,100	135,756,818
Total revenues of the year	-	-	6,147,507	135,030,718	141,178,225	726,100	141,904,325
Transferred to legal reserve fund	-	13,276,526	-	(13,276,526)	-	-	-
Dividend distributions (note 26)	-	-	-	(121,754,192)	(121,754,192)	-	(121,754,192)
Net turn over of minority rights	-	-	-	-	-	(12,818,805)	(12,818,805)
Balance as of 31 March 2007	600,000,000	61,400,364	(5,255,121)	-	656,145,243	4,198,475	660,343,718

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Year ended 31 March 2008 (continued)

	Attributable to equity holder of the parent							
	Share capital	statutory reserve	Foreign currency translation reserve	Cumulative change in fair values	Retained earnings	Total	Minority interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
Balance as of 1 April 2007	**600,000,000**	61,400,364	(5,255,121)	-	-	656,145,243	4,198,475	660,343,718
Amendments of foreign currency exchange	-	-	(31,198,046)	-	-	(31,198,046)	-	(31,198,046)
Unrealized profits from investments available for sale	-	-	-	31,350,000	-	31,350,000	-	31,350,000
Total revenues and expenses of the year directly recorded In equity rights	-	-	(31,198,046)	31,350,000	-	151,954	-	151,954
Year profit	-	-	-	-	226,596,466	226,596,466	999,472	227,595,938
Total revenues & expenses of the year	-	-	(31,198,046)	31,350,000	226,596,466	226,748,420	999,472	227,747,892
Amounts transferred to legal reserve fund	-	22,664,147	-	-	(22,664,147)	-	-	-
Dividend distribution (note 26)	-	-	-	-	(203,932,319)	(203,932,319)	-	(203,932,319)
Net turn-over of minority rights	-	-	-	-	-	-	(1,209,447)	(1,209,447)
Balance as of 31 March 2008	**600,000,000**	**84,064,511**	**(36,453,167)**	**31,350,000**	**-**	**678,961,344**	**3,988,500**	**682,949,844**

The accompanying notes from 45 to 82 constitutes an integral part of these consolidated financial statement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2008

1- Activities

It has been authorized to publish the consolidated financial statements of Petrochemical Industry Company KSC (Sister Company) and affiliates (the Group) in accordance with the decision of the Board of Directors dated 24 April 2008.

Petrochemical Industry Company KSC (Sister Company) is a Kuwaiti Shareholding Company that has been incorporated in Kuwait in 1963 to produce and market petrochemical products. Further it carries out investments in companies that are practicing the same activities. The address of the Company's head office is P.O. Box 1084 Safat, 13011 Kuwait. The group is mainly practicing business in Kuwait, Europe & Canada.

The Sister Company is wholly affiliated and possessed by Kuwait Petroleum Corporation (KPC) which a state is owned Company.

2- The important accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the international criteria of financial reports.

The consolidated financial statements have been presented in Kuwaiti Dinar.

The consolidated financial statements have been prepared in accordance with adjusted historical cost basis to include measuring the investments available for sale and derive financial instruments in accordance with fair value.

The accounting policies already adopted for preparation of the consolidated financial statements are similar to those used to prepare the consolidated financial statements of the previous year except the following:

The group has adopted international criteria of new financial reports and adjusted ones during the year. The adoption of these adjusted criteria does not have any material impact on the consolidated financial statements of the group. However it has resulted in adding some additional notes.

- The international criterion of financial reports 7
- financial instruments, disclosures.
- International accounting criterion 1
- amendments – method of exhibiting the financial statements.

The international criterion of financial reports 7: financial instruments, disclosures.

The international criterion of financial reports 7: disclosures have been prepared by international accounting criteria board on August 2007 and it is applicable to the annual periods commencing on or after 1st Jan 2007. This criterion requires additional disclosures to enable the users of the consolidated financial statements to evaluate the importance of the financial instruments of the group, the nature and extent of the risks resulting therefrom.

International accounting criterion 1: method of exhibiting the financial statements (adjusted)

The amendments to international accounting criterion 1: method of exhibiting the financial statements has been issued by international accounting criterion board as disclosures of the capital as of August 2005. The group should implement these amendments to the period commencing on or after 1st Jan. 2007. This amendment requires the group to add additional disclosures so that the users of the consolidated financial statements would be able to evaluate the objectives and policies of the group and its capital management procedures.

Criteria and explanations issued by international accounting criteria board but it was not implemented

The following criteria and explanations have been issued by international accounting criteria board and it is applicable on the group. However it is not obligatory and it has not been applied by the group yet:

International accounting criterion 1: method of exhibiting the financial statements (adjusted)

The adoption of international accounting criterion 1: (adjusted) is applicable on the financial periods commencing on or after 1st Jan. 2009 will impact the method of exhibiting the consolidated financial statements to increase the benefit from the available information.

International accounting criterion 23 "loan costs" (adjusted)

The adoption of international accounting criterion 23: (adjusted) is applicable on the financial periods commencing on or after 1st Jan. 2009 requires the organization to capitalize loan costs related to possession, construction or production of an asset that is qualified as part of this asset and to exclude the option of crediting loan costs as expenses in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Sister Company and affiliates (the group). The financial statements of affiliates for the year ended on 31st Dec. are prepared based on similar accounting policies. However adjustments are made to reflect the impact of any essential event or transaction that may be concluded in the months subsequent to the end of the financial year of the affiliate and 31st Dec.

The consolidated financial statements of the affiliate include the following:

Company's name	Country of registration	**Actual share in equity rights as of 31st March 2008**	Actual share in equity rights as of 31st March 2007
Piccan Holding Inc. ("Piccan")	Canada	**100 %**	**100 %**

Piccan Company is a Canadian Federal Firm that has been incorporated as of 14th June 2004. It holds "ME Global Canada, Inc." Company as Joint Venture Company with Dow Chemical Canada Inc (DCCI). Each party has 50% shareholding share. ME Global Canada, Inc. is active in the production and marketing of Mono-ethylene Glycol (MEG) and Di-ethylene Glycol (DEG) worldwide.

The affiliates are those controlled by the Sister Company. The control exerts whenever the Sister Company has the ability to control, either directly or indirectly, the financial and operational policies of the affiliate to benefit from its activities. The consolidated financial statements include the financial statements of all affiliates as from the date of actual control till the expiry of such control actually. Upon consolidation important balances and transactions between the companies of the group are excluded, including any realized profits or any unrealized profits and losses. The consolidated financial statements are prepared by unified accounting policies of the other transactions and events that may occur in similar circumstances.

Financial statements of affiliates are accumulated on the basis of each item separately through adding similar items, including assets, liabilities, revenues and expenses.

Accounting for affiliates is made by accounting purchase method that include distribution of business consolidation post to fair value of assets already acquired, emergent liabilities and obligation already sustained as of the date of acquire.

Minority rights represent one portion of profits and losses as well as net assets which are not intend by the group, but it is exhibited in better way within income statement and it is presented in the consolidated balance sheet under equity rights as separate item away from equity rights of Sister Company shareholder.

Shares in Joint Venture Companies

The Joint Venture Companies are contractual arrangements where two parties or more conclude and economic activity that is subject to the common control. The Company that will be under the control is the Company that include the incorporation of separate Company where each party will have a share

Accounting for shares in Joint Venture Companies is made by means of relative consolidation method in order to observe the accounting policies of the Sister Company of the group. The Company links its share in each item of the assets, liabilities, revenues and expenses of Joint Venture Companies with similar items of the consolidated financial statements based on each item separately. The financial statements of the Joint Venture Companies as of 31st Dec. have been prepared and accordingly adjustments have been made to reflect the impact of any essential event for the transactions that may occur in the subsequent months after the expiry of the financial year of the Joint Venture Companies and after 31st March.

Adjustments are made to audited financial statements of Joint Venture Companies so that it conforms to the accounting policies of the group, whenever possible.

Joint Venture Companies are consolidated on relative basis as from the date of acquiring a Joint Venture till the expiry of controlling the Joint Venture by the group. All transactions and balances related to the share of the group in Joint Venture Companies are excluded.

The share of assets, liabilities, revenues and expenses in Joint Venture Companies (are as under) for the period of two years as followS:

	2008	2007
	KD	KD
Current assets	**150,173,673**	122,856,065
Fixed assets	**148,907,065**	256,005,633
Current liabilities	**(59,868,058)**	(114,082,700)
Fixed liabilities	**(34,197,935)**	(53,450,930)
Net assets	**205,014,745**	211,328,068
Revenues	**510,701,459**	520,294,216
Expenses	**(474,856,138)**	(508,531,396)
Profit	**35,845,321**	11,762,820

The consolidated financial statements of Joint Venture Companies include the following:

Company's name	Country of registration	**Effective equity interest as at 31 March 2008**	Effective equity interest as at 31 March 2007
MEGlobal B.V. and subsidiaries	Holland	**50 %**	50 %
Equipolymers B.V. and subsidiaries	Holland	**50 %**	50 %
MEGlobal Canada Inc. (owned through PICCAN) and subsidiaries	Canada	**50 %**	50 %

ME Global BV is a Company with Limited Liability incorporated in Holland. It has been incorporated in 2004 representing Joint Venture between the Company and Dow Europe Holding BV. Each party has 50% share. The Company is active in marketing Mono-ethylene Glycol (MEG) and Di-ethylene Glycol (DEG) worldwide.

EquiPolymers BV has been incorporated on 6th May 2004 in Holland. It is a Joint Venture Company between the Sister Company and Dow Chemical Company (DOW) each party has 50% share. The Company is active in the production of pure tri-phthalate acid, the production and marketing of polyethylene tri-phthalate (PET) in Europe.

ME Global Canada has been acquired via Piccan Holding, Inc. (Piccan) its an affiliate and wholly owned by the Sister Company and it has been incorporated in 2004. In general its products, i.e. MEG & DEG are commonly called EG. The Company has an affiliate that is mentioned in the consolidated financial statements, namely Alberta & Oriental Glycol Limited (A&O) which has one of the above mentioned factories.

Whenever the group contributes or sells assets to Joint Venture Companies, one portion of the profits and losses of the transaction is recorded pursuant to the nature of the transaction. Whenever the group purchases assets from Joint Venture Companies, the group does not record its share from the profits of Joint Venture Companies resulting from the transaction until it sells the assets to an independent third party.

Attainment of revenues

Revenues from sales are recorded upon delivery, i.e. whenever risks and major privileges of goods ownership are transferred to the buyer. The amount of revenues may be measured in proved manner. Sale revenues are recorded at net value after applicable discounts and taxes.

Interest revenues are realized based on due entitlement

Dividend distribution revenues are attained whenever the right to receive such distributions is established.

Finance costs

Finance costs that are directly related the pre-qualification of an asset that its preparation requires long period of time to be ready for the intended use, are not capitalized as part of the cost of such asset. Loan costs capitalization is suspended whenever all necessary activities to supply the asset for the intended use are completed. Other finance costs are calculated and recorded on relative basis taking into account the credit balance due and the applicable interest rate.

Income tax

Some affiliates and Joint Venture Companies are subject to income tax as per taxation laws of the countries where they operate.

Deferred income tax provision is calculated based on commitment method on all temporary differences as of the date of the balance sheet between the basis of taxation of assets, liabilities and their book value. Deferred income tax of assets and liabilities is measured in accordance with the expected applicable taxation rates of the period, should the asset is sold and the commitment is settled pursuant to the applicable laws as of the date of the balance sheet.

Deferred income tax assets of all deductible temporary differences are recorded and undue tax assets and tax losses are carried forward to the extent for which taxable profit is available for which temporary deductible differences may be used and unemployed tax assets as well as unemployed tax losses may be carried forward. Book value of deferred income tax assets is refute as of the date of each balance sheet and it is reduced in the manner that the taxable profit will not be possibly use all deferred income tax assets or part thereof.

Property, machinery and equipment

Property, machinery and equipment are recorded at cost less accumulated depreciation and devaluation provision. However land is not depreciated. Depreciation is calculated by straight line basis, except catalyst, over the estimated productive ages of assets as follows:

Water passages development	over 10 – 25 years
Buildings	over 20 – 25 years
Machinery, tools & equipment	over 4 – 20 years
Furniture, equipment & installation	over 6 – 7 years
Vehicles	over 4 years
Computer systems	over 5 years

The depletion of compound catalysts is calculated based on its use. It is determined at the amount of the natural gas that is used in the manufacturing process after installation.

Sustain costs for the replacement of any item of the property , machinery and equipment and which accounting for the same is made in detail is capitalized and the book value of the item already replaced will be deleted. Other subsequent costs are capitalized when it is greater than the future economic benefits of the relevant property, machinery and equipment. All other expenses are recorded under consolidated income statement as expenses ones it is sustained.

InBook value of the property, machinery and equipment are reviewed regarding the devaluation whenever events or changes of circumstances indicate that the book value may not be recovered. Should these amounts are recorded greater than of its recoverable amounts; assets will be reduced to the possible recoverable value.

Goodwill

Registration of goodwill as an asset.

Initial upon acquiring, the goodwill is measured at cost. It represents the increase in the cost of amalgamating business above the benefit of the buyer to the fair net value of assets and liabilities as well as emergent obligations. After initial verification the goodwill will be measured at cost less any devaluation losses of the accumulated value. Goodwill has not been amortized upon acquire after 31st March 2004. However the goodwill is checked regarding devaluation on annual or repeated basis whenever events or changes of circumstances indicate book value devaluation.

For the purposes of testing the devaluation, any goodwill that may be acquired due to amalgamating each unit or set of units of cash in the group and which is expected to benefit from the amalgamation of business, will be distributed as from the date of acquire, regardless whether the other assets or liabilities of the group have been allocated for these units or set of unit or not.

The recoverable amount of cash production unit will be less than the book value. Devaluation losses will be recorded whenever the goodwill constitutes one portion of cash production unit and one portion of operation activities in this unit already excluded. The goodwill related to the excluded operation will be recorded in the book value of the operation whenever the profit or loss is determined from process exclusion. Excluded goodwill will be measured under these circumstances based on the relative value of the excluded process and the portion of the retained cash production unit.

Negative goodwill

Negative goodwill is measured upon acquiring the same at the increase occurred in the share of the Sister's Company in the fair value of assets, liabilities and emergent obligations already determined for purchased Company above business amalgamation cost. Negative goodwill is promptly recorded in the consolidated income statement.

Intangible assets

Intangible assets consist of applications of software, intellectual property and other agreements. Intangible assets already purchased will be recorded separately at cost. The cost of intangible assets already purchased to amalgamate business is the fair value as of the date of purchase. After initial recording, intangible assets are recorded at cost less any accumulated depreciation and any devaluation losses of the accumulated value. Intangible assets that are internally created are not capitalized, except the costs of development already capitalized. However expenses are added to the profits of the year during which costs were sustained. All intangible assets have unlimited ages and it is amortized by straight line basis over the productive economic ages. Devaluation is estimated whenever there is an indicator reflecting the devaluation of intangible assets.

Amortization is calculated as follows:

Applications of software	over 5 years
Intellectual property	over 6 years
Supply of catalysts & other agreements	over 6 years
License fees	over 5 – 20 years
Retention right fees	over 20 years

The period and the method of amortizing the intangible assets that has fixed productive age is reviewed at least ones by the end of each financial year. Amortization expenses are recorded under intangible assets that have productive ages already determined under consolidated income statement.

Investments in affiliates

Accounting for the investments of the group in affiliates is made by accounting equity rights

The affiliated Company is the Company over which the group has great impact, but it is not an affiliate or Joint Venture Company. According to property rights, investments in affiliate are recorded in the consolidated balance sheet at cost + changes after possessing the share of the group in the net assets of the affiliate.

The accumulated income statement reflects the share in the results of the operations of the companies wherein investments are made. However the group records its share in any changes and discloses these changes, whenever appropriate, within the consolidated equity rights changes statement whenever there are ascertained changes in the equity rights of the affiliate. Profits and losses resulting from transactions between the group and affiliates are excluded proportionate with the share of the group in the affiliate. Distributions received from an affiliate reduce the book value of the investment.

Evaluation of investment in affiliate is made when there is an indicator of asset devaluation or the losses resulting from the devaluation already suffered during previous years are no more.

Investments available for sale

Investments available for sale are verified and cancelled based on trading date whenever the group becomes or no more a party to the contractual provisions of the financial instruments.

Investments already classified as investments available for sale are initially recorded at cost and consequently it is measured by fair value unless accurate measurement is not possible. In this case it will be recorded at cost less devaluation losses. Changes in the fair value are recorded as separate item under equity rights. Upon cancellation of verification or devaluation, all accumulated profits and losses already recorded as accumulated changes in the fair value of equity rights will be recorded under consolidated income statement of the year.

Spare parts

Spare parts are recorded at average cost after calculating sluggish and obsolete goods provision. Purchase cost includes purchase price, duties, transportation and handling charges as well as other direct costs.

Stock

Finished products are recorded at cost or attainable net value, whichever is less. It includes the costs of direct material, direct labor, fixed and valuable expenses pertaining to manufacturing and which totally represent purchase cost, exchange cost and other costs sustained till stock reaches destination.

Urea, ammonia, polypropylene costs are determined based on average probable cost. The cost of other finished products is determined by first coming first disposed.

Net attainable value represents the estimated sale price of the natural course of business less estimated costs till completion and sale.

Packaging materials and stock catalysts are recorded at average cost after sluggish and obsolete stock provision.

Debtors

Debtors are recorded at the original invoice amount less provision for doubtful debts. However doubtful collectable amounts are estimated whenever the collection of the amounts in full is not possible. Bad debts will be deleted ones it is not possible to refund the same.

The management will determine the sufficiency of the provision pursuant to the cheque made by individual clients and according to current economic circumstances and previous experience and other related factors.

Devaluation of financial assets and impossibility of collecting the same

As of the date of each balance sheet an estimation is made whether there is a positive indication that a financial asset already determined will be devaluated or not. Ones this indication is available, any devaluation losses will be recorded under consolidated income statement. The devaluation will be determined as follows:

(a) With respect to assets already recorded at fair value, the devaluation will represent the difference between cost and fair value less any devaluation loss already recorded under consolidated income statement.

(b) With respect to assets recorded at cost, the devaluation will represent the difference between cost and the current value of the future cash flows deducted at the average of the current market of any similar financial asset.

(c) With respect to assets recorded at amortized cost, the devaluation will represent the difference between the book value and the current value of future cash flows deducted at the original actual interest rate.

Regarding investments available for sale, the devaluation losses already previously recorded, if any, will not be registered in the consolidated income statement. However it will be registered as increase in the accumulated changes of the fair value.

Devaluation of non-financial assets

The value of any asset is devaluated should its book value is greater than the estimated recoverable value. The recoverable value of any asset is the net sale value of the asset or the value that is currently used, whichever is greater. Net sale value is the amount that may be obtained from the sale of any asset under a commercial and transaction. The value under that is current used is the current value of estimated future cash flows that may arise from continuous use of the asset and sale of the same at the end of its productive age.

An estimation is made as of the date of each balance sheet to dete

rmine whether there is objective evidence that the value of the asset has be devaluated or not. Should this evidence is available the devaluation loss has been established, the devaluation will be recorded under consolidated income statement.

Realization and non-attainment of financial assets and liabilities.

The financial asset or financial obligation is realized whenever the group becomes party to the contractual provisions of the instrument. However no financial asset is totally or partially attain unless the group transfers all risks and privileges of ownership or whenever it does not transfer or maintain all risks and privileges of ownership, but it has no longer control on the asset or part thereof. No financial obligation will be achieved upon exemption from the obligation already determined under the contract or expiry or cancellation of the same.

Cash and cash equivalence

Cash and cash equivalence consists of cash in hand and with banks, short-term deposits of three months maturity dates or less.

Fixed term loans

All loans are initially recorded at fair value of the collected consideration less costs directly related to the transaction. Following initial verification, loans with interests are subsequently measured at amortized cost using actual interest rate method. Profits and losses are attained under consolidated income statement are attained should liabilities are not suffered via amortization process.

Lease contracts

Determination whether the contract includes a lease depending on the essence of the contract and requires assessment whether the completion of the contract depends on the use of specific asset(s) and transfer of the right to use the asset under the contract.

Lease contracts when the group is Lessee

Finance lease contracts that transfers all risks and privileges to the group which are similar to the ownership of the leased item are capitalized at the beginning of the lease contract at fair value of the leased asset. Should it is less; it will be capitalized at current value of the minimum lease payments. Lease payments are distributed among finance expenses and reduction of lease obligation so that it will achieve fixed rate of the interest on the remaining balance of the obligation. Finance expenses are directly recorded under revenues.

Capitalized leased assets are depreciated over the productive age of the asset or lease term, whichever is less, should there is not reasonable confirmations that the group will collect the ownership at the end of lease. The lease contracts under which the Lessor maintains all risks and privileges of asset ownership are classified as operational lease contracts. Payments under operational lease contracts will be recorded at expenses under consolidated income statement by straight line basis over the period of lease.

Staff end-of-service indemnity

The Company calculates staff end-of-service indemnity. This indemnity, however, is based on the last salary of the employee and the length of his/her period of service and the completion of specific service period as a minimum. The expected costs of these indemnities are recorded as accrued expenses over the term of service.

With respect to Kuwaiti employees the Company will submit contributions in the government welfare scheme and it will be calculated as percentage of staff salaries in accordance with the legislative requirements of the State of Kuwait.

Creditor

Liabilities for amounts payable in the future in consideration of goods or services already received will be entered, whether the supplier has issued invoices of the same or not.

Provisions

Provisions are recorded when the group has (legal or inductive) obligations resulting from an event occurred before. Further the costs of obligations settlement are probable and it may be accurately measured.

Trading dates and payment dates accounting

All purchases and sales that are made by ordinary means of the financial assets are recorded based on trading date, i.e. on the date when the group commits to purchase or sell the asset. The purchases or sales made by ordinary means are purchases or sales of the financial assets that require delivery of assets within specific time scale to be generally determined based on the prevailing market customs or traditions.

Foreign currencies

Consolidated financial statements are exhibited in the Kuwaiti Dinar which is the main currency of the group. However transactions completed in foreign currencies are initially recorded in the main currency in accordance with the prevailing exchange rates as of the date of these transactions. Cash assets and liabilities in foreign currencies as of the date of the balance sheet are exchanged into the main currency in accordance with the prevailing exchange rates as of this date. All differences resulting from exchanging foreign currencies are recorded under consolidated income statement.

With regard to non-cash items in foreign currency measurable at historical cost, it is converted into Kuwaiti Dinar in accordance with exchange rates prevailing at the initial transaction date. However non-cash items are measured in accordance with the fair value of a foreign currency are converted in accordance with the prevailing exchange rates as of the date of determining its fair value.

The investments of the group in foreign affiliates and joint venture affiliates are converted into Kuwaiti Dinar in accordance with exchange rates as of the end of the year. The results of affiliates, associates and Joint Venture Companies are converted into Kuwaiti Dinar at average exchange rates of the year. All adjustments to foreign currency exchange are carried forward to foreign currency exchange provision until sale. During such time these adjustments are recorded within consolidated income statement.

Important accounting opinions & estimates

The preparation of consolidated financial statements in accordance with the international criteria of the financial reports requires the management to layout opinions, estimates and propositions that may affect the amounts already stated for assets and liabilities, the disclosure of emergent assets and liabilities as of the date of the consolidated financial statements and the amounts of revenues and expenses during the financial year. Actual results may defer from such estimates. The group has used these opinions and estimates, including but not limited to, to determine devaluation provision, deferred tax assets devaluation provision, investment classification and un-price shares evaluation as hereunder described.

Goodwill devaluation:

The group determines whether there is any decrease in the goodwill provision, particular ones per year. This entails assessment of the value during employment of cash production units to which the goodwill has been distributed. The estimation of the value during employment requires the group to make an assessment of the expected future cash flows from cash production unit and the selection of appropriate deduction rate to calculate the current value of such cash flows.

With respect to Equipolymers Company, the group prepares expected cash flows from the recent balance sheets approved by the management for the next five years. Cash flows of the next five years are estimated pursuant to 2% average growth rate per year (2% annually for 2007). This average does not exceed average long term loan revenues. The average used to deduct expectation is 7.32% (6.91% for 2007).

The recoverable amount calculated according to the above mentioned presumptions exceeds the share of the group in the book value of the goodwill by KD 6,000,000 (equivalent to US $22,000,000).

The change in the main presumptions along with maintaining the stability of all other presumptions entails the following:

a) The increase in the deduction rate at 1% will result in the decrease of the share of the group in the book value of the goodwill at KD 7,000,000 (equivalent to US $28,000,000). Should there is decrease in discount rate by 1%, the share of the group in the book value of the goodwill will exceed the book value by US $25,000,000 (equivalent to US $95,000,000).

b) Should it is proposed that average margin growth after the five year planned period (along with the stability of other presumptions) is zero, then the share of the group in the book value of the goodwill will decrease by KD 11,000,000 (equivalent to US $42,000,000).

c) Should it is proposed that utilization rate is 3.7%, less than the value used with 2010 and thereafter (while other presumptions are stable), then the share of the group in the book value of the goodwill will exceed the book value by KD 0.3 millions (equivalent to US $1,000,000)

Deferred tax assets

One Joint Venture Companies of the group has tax losses expired on 2009, 2010, 2011 and 2012. There are unattained taxable privileges from brought forward the tax loss that expired in 2007. The expected revenues of the Joint Venture Company will not be sufficed during the year to benefit from the tax loss. The management believes that tax losses that will expire in 2009, 2010 and 2011 will not be benefited from. The original tax amount which was not entered in 2007 is KD 4.76 millions (KD 0.2 millions for 2007)

Goods and spare parts devaluation provision

Goods are recorded at cost or net attainable value, whichever is less. Spare parts are recorded at average cost less sluggish and obsolete goods provision. Ones the stock and spare parts become old or obsolete, its net attainable value will be assessed. This assessment is made for each amount of the essential amounts on individual basis. Un-essential amounts are assessed separately but on old or obsolete basis at consolidated manner. A provision will be applied according to the type of goods, spare parts, degree of obsolescence pursuant to the previous expertise.

As of the date of the balance sheet total amount of goods and spare parts was KD 41,447,553 (KD 37,195,223 for 2007) and KD 14,676,580 (KD 10,749,252 for 2007) respectively. The provisions related to old and obsolete items are amounting to KD 463,996 (KD 318,505 for 2007) and KD 250,000 (KD 15,900 for 2007) respectively. Any differences between amounts actually attain in the future period and the amounts expected to be attain under consolidated income statement will be recorded.

Debtors devaluation provision

An assessment of the attainable amounts is made whenever it is not possible to collect the amount in full. This assessment will be made for each essential amount on individual basis. With respect to each amount of the essential amounts this assessment will be made on individual basis. Un-essential amounts which their maturity date is passed due without being collected will be made on accumulative basis. Provision shall be made for the same in accordance with the period of delay based on historical refund rates.

Total debit commercial assets as of the date of balance sheet is KD 86,978,894 (KD 69,801,671 for 2007). Further doubtful debts provision is KD 1,202,357 (KD 1,013,910 for 2007). Any differences between the actually collectable amounts in the future and the expected amounts are recorded in the consolidated income statement.

Devaluation of investment available for sale

The group treats investments available for sale in shares as devaluated investments should there is major decrease or continuous decrease of the fair value at less than its cost or when there is another positive indication of devaluation. The determination, however, of major or continuous decrease requires fundamental decisions.

With respect to investment available for sale the losses of devaluation previously recorded under consolidated income statement will not be registered, rather it will be recorded as increase in the changes in the accumulated fair value. This will not affect, by any means, the figure of comparison due to non-existence of such adverse consequences.

Investment classification

The management should take a decision concerning possession of a specific investment, either it must be classified as retained investment until maturity date or as investment recorded at fair value via income statement or an investment available for sale.

The management classifies the financial assets as “recorded at fair value in the income statement” should these assets are acquired basically for the purpose of achieving profit on the short-term. However the fair value may be accurately determined.

The classification of investments has recorded by fair value in the income statement depends on how to control the performance of these investments should these investments are not classified as retained until maturity date, but it has available fair value and the changes of the fair value are recorded as part of the profit or loss within the accounts of the management, then it will be classified as recorded at fair value within income statement.

All investments are evaluated as investments available for sale.

Evaluation of un-priced investments

The evaluation of un-priced investments normally is based on one of the following:

- Recent transactions in the market at absolute commercial terms.
- Current fair value of another similar investment.
- Expected cash flows discounted at current rates applicable on the terms having same conditions and similar risks or
- Other evaluation forms
- The determination of cash flows and deduction factors of un-priced investments require essential estimates.

Offset

Offset is made between assets and financial liabilities only. The net amount set forth in the consolidated balance sheet reflects whether there are executable legal rights to offset the recognized amount. The group, however, intense either to pay the net amount or to verify assets item and pay the liabilities item at the same time.

Financial Instruments

Financial Instruments consists of financial assets and financial liabilities. Financial assets consist of cash, cash equivalence, debtors and investments. Financial liabilities consist of term loans, creditors and accrued expenses.

The accounting policies regarding verification and measuring these items have been disclosed in the relevant accounting policies.

The fair value of the financial instruments does not essentially differ from its book value except that the renewable loans with concerned parties and the amount due from the sister company (see notes 11 & 12).

Financial instruments derivates

The group uses financial instruments (mainly credit foreign currency exchange contracts) to cover its risks pertaining to foreign currency fluctuations related to the assets and liabilities of the group and some liabilities in foreign currency result in interest rate risks due to the obligations under finance lease contracts. The company depends on interest rate risk management policy based on unifying fixed and variable rates pursuant to market indicators and economic indexes prevailing or expected at that time. The group classifies such derivatives to cover interest rate risks.

The use of financial derivatives is subject to the policies of the group approved by the respective Board of Directors of the company who execute such transaction and who submit written rules on how to use financial derivatives. These rules represent risk management strategy of the group. The group does not use financial instrument derivatives for speculation purposes.

Financial instrument derivatives are measured by the fair value as of the date of the contract. However, it is re-measured by fair value as of the dates of the subsequent reports.

The changes in the fair value of financial instrument derivatives have already been classified and it is valid to cover future cash flows that will be directly recorded under equity rights. The invalid part will be recorded under consolidated income statement promptly. The policy of the group relating to foreign currency risks coverage is that they are classified as coverage of cash flows. When the coverage of cash flows resulting from company’s obligation or expected transactions result in attainment of an asset or obligation, profits or losses related to and already to recorded under equity rights will be registered within the initial evaluation of the asset or obligation. With respect to the coverage that does not result in recording the asset or obligation, all deferred amounts under equity rights will be recorded under consolidated income statement for the same period affected by coverage under consolidated income statement.

The changes in the fair value of the financial instrument derivatives which are not qualified for coverage accounting are recorded under consolidated income statement once it arises.

Coverage accounting is ceased whenever the validity of the coverage tool expires or whenever it is sold or its term elapse or whenever it is no longer fulfilling the conditions of accountancy as coverage transaction. With respect to the expected transactions, at present profit or losses are maintained on accumulated bases under coverage instruments already recorded under equity rights pending the occurrence of such expected transactions. Whenever it is not expected that coverage transaction will take place, net accumulated profits or losses already recorded under equity rights will be transferred to the consolidated income statement of the year.

Fair value

With respect to investments traded in active markets, the fair value is determined based on the prices of the last offered purchase orders.

With respect to investments in un-priced shares, the fair value is fixed based on market value of similar investment or pursuant to expected cash flows.

Fair value of the items having interest are assessed pursuant to cash flows using interest rates of items having similar conditions and risks.

Fair value of credit foreign currency exchange contracts is calculated based on the current rates of foreign currency exchange that have the same maturity date.

Investments that do not have reliable measurements of its fair value and for which no information can be obtained regarding its fair value are recorded at initial cost less devaluation.

Other financial assets and liabilities

With respect to other financial assets and liabilities, the fair value is determined pursuant to expected future cash flows and management assessments of the amount against which the cash asset can be exchanged based on absolute commercial basis or the obligation may be paid until satisfying the creditors.

3 - Finance costs

	2008	2007
	KD	KD
Interests of long term loans	**3,901,086**	4,629,522
Interests of obligations under finance lease contracts	**1,028,016**	1,060,106
Less : amounts included within asset qualification costs	**(385,506)**	(203,308)
	4,543,596	5,486,320

The costs of the loans already included within the qualification of assets are calculated based on actual capitalist interest rates ranging between 3% and 5% annually (3% and 5.1% for 2007) on the expenses of these assets.

4- Claims for compensation

With respect to the losses suffered due to the Iraqi invasion and occupation of Kuwait in 1990, the United Nations Compensation Commission has approved KD 18,338,742 (KD 8,418,518 for 2007). This amount was collected by the sister company during the year. Further, the sister company has received the sum of KD 4,390,445 (nothing for 2007) representing the compensations already paid by the sister company to the major sister company relating to the delay for supply of gas to major sister company during the year.

5 - Income Tax

	2008 KD	2007 KD
Consolidated income statement		
Current year	**11,219,345**	1,640,986
Deferred Tax expenses	**5,645,479**	769,666
	16,864,824	2,410,652
Consolidated balance sheet		
Deferred tax assets (note 14)	**11,938,910**	20,138,203
Deferred tax liabilities (note 24)	**(16,880,745)**	(19,544,625)
	(4,941,835)	593,578
Net deferred tax assets (liabilities)		
As of 1st April	**593,578**	248,553
Turn over of the year	**(5,535,413)**	345,025
As of 31st March	**(4,941,835)**	593,578

6- Property, machinery and equipment

	Land and water passage evelopments KD	Buildings KD	Machinery, tools & equipmen KD	Furniture, equipment and fixtures KD	Vehicles KD	Computer systems KD	Compound catalyst KD	Capitalist on progress works KD	Total KD
Cost:									
As of 1 April 2007	1,821,481	36,533,766	264,397,021	2,098,918	1,202,359	2,999,234	11,143,407	29,025,820	349,222,006
Additions	-	970,915	12,069,364	28,556	-	-	-	36,525,827	49,594,662
Transfers	-	645,566	16,360,904	62,834	-	213,697	-	(17,283,001)	-
Asset deletion	-	(687,213)	(537,019)	-	(25,184)	(321,137)	-	-	(1,570,553)
Foreign currency exchange adjustments	(52,669)	1,179,299	3,680,923	(217)	-	-	-	(781,340)	4,025,996
As of 31 March 2008	1,768,812	38,642,333	295,971,193	2,190,091	1,177,175	2,891,794	11,143,407	47,487,306	401,272,111
Depreciation and amortization									
As of 1 April 2007	202,686	13,110,509	124,378,750	1,113,476	1,158,842	1,966,450	7,749,180	-	149,679,893
Transferred to the year	14,278	1,224,819	17,348,136	203,032	15,355	314,289	540,792	-	19,660,701
Related to deleted assets	-	(356,954)	(537,019)	-	(25,184)	(161,157)	-	-	(1,080,314)
Foreign currency exchange adjustments	(150,489)	190,634	2,498,259	2,297	-	-	-	-	2,540,701
As of 31 March 2008	66,475	14,169,008	143,688,126	1,318,805	1,149,013	2,119,582	8,289,972	-	170,800,981
Net book value									
As of 31 March 2008	**1,702,337**	**24,473,325**	**152,283,067**	**871,286**	**28,162**	**772,212**	**2,853,435**	**47,487,306**	**230,471,130**

6- Property, machinery and equipment (continued)

	Land and water passage developments	Buildings	Machinery, tools & equipment	Furniture, equipment and fixtures	Vehicles	Computer systems	Compound catalyst	Capitalist on progress works	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Cost:									
As of 1 April 2006	1,760,696	35,938,329	255,865,662	1,884,670	1,202,359	2,440,860	10,547,109	29,212,055	338,851,740
Additions	-		1,737,300	144,775	-	-	596,298	27,395,377	29,873,750
Transfers	-	74,460	5,763,181	66,946		666,023	-	(6,570,610)	-
Transfers related to investment sale in affiliate (note 2)	-	-	-	-	-	-	-	(21,668,677)	(21,668,677)
Asset deletion	-	(231,640)	(4,197,302)	(36,895)	-	(107,649)	-	-	(4,573,486)
Foreign currency exchange adjustments	60,785	752,617	5,228,180	39,422	-	-	-	657,675	6,738,679
As of 31st March 2007	1,821,481	36,533,766	264,397,021	2,098,918	1,202,359	2,999,234	11,143,407	29,025,820	349,222,006
Depreciation and amortization:									
As of 1 April 2006	43,433	11,821,116	110,869,000	891,372	1,143,487	1,825,425	7,255,594	-	133,849,427
Transferred to the year	159,253	1,268,441	15,038,519	207,953	15,355	224,510	493,586	-	17,407,617
Related to deleted assets	-	(101,343)	(3,789,869)	102	-	(83,485)	-	-	(3,974,595)
Foreign currency exchange adjustments	-	122,295	2,261,100	14,049	-	-	-	-	2,397,444
As of 31 March 2007	202,686	13,110,509	124,378,750	1,113,476	1,158,842	1,966,450	7,749,180	-	149,679,893
Net book value :									
As of 31 March 2007	1,618,795	23,423,257	140,018,271	985,442	43,517	1,032,784	3,394,227	29,025,820	199,542,113

The book value of the machinery, tools and equipment of the group include the sum of KD 26,643,180 (KD 18,718,408 for 2007) relating to assets already retained as per finance lease contracts and the sum of KD 7,153,361 (KD 1,230,588 for 2007) related to government grants. The company's head office and part of the machinery, and equipment are constructed on land already leased from the government of the State of Kuwait for a period of 25 years renewable.

One portion of the property, machinery & equipment of the joint venture company have been mortgaged as guarantee for bank loan (note 21)

6- Property, machinery and equipment (continued)

The expenses of depreciation and amortization have been distributed under consolidated income statement as follows:

	2008	2007
	KD	KD
Cost of sales	**9,917,212**	7,885,175
General and administrative expenses	**9,743,489**	9,522,442
	19,660,701	17,407,617

7- Goodwill

	2008	2007
	KD	KD
As of 1st April	**123,408,305**	118,844,923
Transfer differences	**(7,061,560)**	4,563,382
As of 31st March	**116,346,745**	123,408,305

Goodwill related to the following companies

	2008	2007
	KD	KD
MEGlobal Canada Inc	**87,616,091**	95,408,948
Aco Palmers BV	**28,730,654**	27,999,357
	116,346,745	123,408,305

The management has concluded that the goodwill did not suffer any devaluation as of the date of the balance sheet (See note 2)

8-Intangible Assets

	Applied software KD	Intellectual property KD	Catalyst and other material supply agreement KD	License fees KD	Total KD
Cost					
As of 1st April 2007	7,224,528	5,116,913	4,532,123	1,269,879	18,143,443
Additions	97,135	-	-	4,199	101,334
Asset deletion	(33,554)	-	-	-	(33,554)
Foreign currency exchange adjustments	(290,143)	(520,687)	(450,122)	-	(1,260,952)
As of 31st March 2008	**6,997,966**	**4,596,226**	**4,082,001**	**1,274,078**	**16,950,271**
Amortization:					
As of 1st April 2007	3,138,866	2,184,488	1,892,083	659,834	7,875,271
Transferred to the year	1,544,167	856,690	571,127	254,047	3,226,031
Related to deleted assets	(33,554)	-	-	-	(33,554)
Foreign currency exchange adjustments	(175,632)	(380,102)	(339,644)	-	(895,378)
As of 31st March 2008	**4,473,847**	**2,661,076**	**2,123,566**	**913,881**	**10,172,370**
Net book value:					
As of 31st March 2008	**2,524,119**	**1,935,150**	**1,958,435**	**360,197**	**6,777,901**
As of 31st March 2007	4,085,662	2,932,425	2,640,040	610,045	10,268,172

9 - Investments in affiliates

The group have the following investments in affiliates

Company's name	Country of registration	Ownership Percentage 2008	Ownership Percentage 2007	2008 KD	2007 KD
Equate Petrochemical Co. KSCC	Kuwaiti	**42.5 %**	42.5 %	**111,547,388**	114,428,413
Gulf Petrochemical Industry Co. BSC	Bahrain	**33.33 %**	33.33 %	**29,409,181**	32,570,918
Equate Marketing Company	Bahrain	**49.9 %**	49.9 %	**75,896**	80,867
Kuwait Aramotics Company KSCC	Kuwaiti	**40 %**	40 %	**39,496,800**	41,232,800
Kuwait Olefins Co. KSCC	Kuwaiti	**42.5 %**	42.5 %	**11,168,983**	13,694,224
				191,698,248	202,007,222

The actual turnover of the investment book value in affiliates during the year is as follows:

	2008	2007
	KD	KD
As of 1st April	**202,007,222**	154,827,499
Transferred related to sale of investments in affiliate (note 2	**-**	40,566,800
Dividend distribution	**(98,693,608)**	(78,284,655)
Share in the results of affiliates	**109,454,761**	86,882,737
Exchange adjustments	**(21,070,127)**	(1,985,159)
As of 31st March	**191,698,248**	202,007,222

The following table reflects the brief financial information of affiliates of the group:

	2008	2007
	KD	KD
Share in the balance sheets of the affiliates		
Current assets	**37,117,266**	16,057,914
Fixed assets	**647,656,743**	450,431,235
Current liability	**(40,152,560)**	(37,149,507)
Fixed liabilities	**(452,923,201)**	(227,332,420)
Net assets	**191,698,248**	202,007,222
Share in the revenues & profits of affiliates		
Revenues	**188,375,155**	156,399,452
Profits	**109,454,761**	86,882,737

10 - Investments available for sale

	2008	2007
	KD	KD
Qurain Petrochemical Industry Company KSC	**42,350,000**	11,000,000

Investments available for sale The sister company has 10% share with Qurain Petrochemical Industry Company (KSC). The profit of re-evaluation resulting from this investment amounting to KD 31,350,000 has been registered under accumulated changes of the fair value under equity rights.

11- Renewable loans with concerned parties

This item represents the renewable loans provided by the sister company to concerned parties. These loans are matured within a period of not more than one year from the date of the balance sheet. Average interest rate related to these loans range between 3.1% to 5.1% annually (5.2% to 5.6% annually for 2007).

12- Due from major sister company

In accordance with the Articles of Association of the sister company, an amount equivalent the legal reserve fund will be transferred to the major sister company. This increase in the legal reserve fund during the current year will be transferred to the major sister company after approval of these consolidated financial statements by the general assembly. These amounts do not bear any interest and it is matured upon request. These amounts are classified as fixed assets, simply because the management does not intend to claim for payment of the same during the next year.

13 - Spare parts

	2008	2007
	KD	KD
Spare parts	**14,676,580**	10,749,252
Sluggish and obsolete spare parts provision	**(250,000)**	(15,900)
	14,426,580	10,733,352

14 - Other assets

	2008	2007
	KD	KD
Deferred tax assets from foreign companies and joint ventures companies (note 5)	**11,938,910**	20,138,203
Deferred expenses and other assets	**31,379,265**	37,062,400
	43,318,175	57,200,603

Other assets represent net fair value of the agreement for supply of ethylene and off take agreements (between Dow Canada, Inc and ME Global Canada Inc) for KD 31 Millions (KD 37 Millions for 2007). The group amortizes the fair value of ethylene supply at US $ 242 Millions over a period of 20 years and off take agreements (us $ 38 milion) over the contractual age of these agreements (2014).

15 - Stock

	2008 KD	2007 KD
Finished products	**36,747,510**	30,153,942
Catalyst and Chemical substances	**1,911,054**	5,565,752
Packaging material	**1,552,554**	737,177
On progress works	**1,236,435**	738,352
	41,447,553	37,195,223
Sluggish and obsolete finished products provision	**(463,996)**	(318,505)
	40,983,557	36,876,718

One portion of the stock of an affiliate has been mortgaged as guarantee for bank loans (note 21)

16 - Debtors and prepaid payments

	2008 KD	2007 KD
Commercial debtors	**86,978,894**	69,801,671
Notes payable	**16,219,900**	1,592,775
Prepaid payments	**797,393**	1,547,401
Other Debtors	**14,161,268**	9,139,521
	118,157,455	82,081,368
Doubtful debts provision	**(1,202,357)**	(1,013,910)
	116,955,098	81,067,458

One portion of debit commercial balances relating to an affiliate as guarantee for bank loans (note no.21)

17 - Related parties

It represents such transactions made with related parties, i.e. major sister company, affiliates, joint venture companies, directors, the staff or the supreme management of the group and with companies subject to control or where they are practicing joint control or considerable influence upon the same. Pricing policies and conditions of such transactions are approved by the management of the group.

The group has concluded different transactions with the abovementioned related parties. More specifically the group has essential transactions with Equate Company and Gulf Petrochemical Industry Company BSC – Bahrain. These transactions are carried out on absolute commercial basis in accordance with the terms of management agreement. Equate Company manages and operates the operations of polypropylene factory on behalf of the sister company. However, the sister company purchases raw materials representing gas and propylene from the major sister company.

ME Global BV purchases surplus ethylene glycol from DOW Chemicals Company as per marketing agreement at fixed amount from this product for the period of 240 months commencing from 1st July, 2004.

ME Global BV Canada, Inc. Undertakes to provide contractual quantity of ethylene as per ethylene provision agreement for 240 months commencing from 24 July 2004 in accordance with predetermined contractual price.

17- Related parties (continued)

MV Global BV and ME Global BV Canada, Inc. Represent the host who receives the delegated employees of Petrochemical Industry Company and affiliates of DOW chemicals. These employees have remuneration from their companies. MV Global BV and ME Global BV Canada Inc. reimburse affiliates in consideration of the sustained costs.

The basic transactions with related parties already included within consolidated income statement are as follows:

	Major sister company	Joint Venture Co.	Affiliates	Other related parties	**Total 2008**	Total 2007
	KD	KD	KD	KD	**KD**	KD
Sales	-	-	38,298	3,724,000	**3,762,298**	26,835,204
Purchases	25,710,189	-	60,470,636	195,111,000	**281,291,825**	400,120,463
Cost of production	-	-	7,564,676	-	**7,564,676**	4,986,245
Collected marketing charges	-	-	1,330,354	-	**1,330,354**	1,392,636
Finance costs	-	525,153	-	-	**525,153**	76,774
Foreign currencies coverage loss in US Dollar / Euro	-	-	-	2,300,000	**2,300,000**	2,000,000
Interest revenues	6,919,779	525,153	-	-	**7,444,932**	4,766,711
General and administrative expenses	4,500,000	-	-	2,100,000	**6,600,000**	2,150,000
Claims for compensation	4,390,445	-	-	-	**4,390,445**	-

The balances with related parties included in the consolidated balance sheet are as follows:

	Major sister company	Joint Venture Co.	Affiliates	Other related parties	**Total 2008**	Total 2007
	KD	KD	KD	KD	**KD**	KD
Renewable loans with related parties (Note 11)	-	9,932,226	-	-	**9,932,226**	29,961,837
Due from major sister company (note 12)	61,400,364	-	-	-	**61,400,364**	48,123,838
Due from related parties	2,452,367	1,887,890	5,632,258	355,724	**10,328,239**	85,331,525
Cash and cash equivalence	199,770,900	-	-	-	**199,770,900**	46,444,319
Term loans	-	3,071,145	-	17,695,340	**20,766,485**	15,186,898
Accrued dividend distribution	203,932,316	-	-	-	**203,932,316**	121,754,192
Due to related parties	-	-	8,086,562	33,240,188	**41,326,750**	31,373,716

17- Related parties (continued)

Payments to the staff of the supreme management

	2008 KD	2007 KD
Salaries and short-term benefits	**1,033,968**	803,522
Staff end of service indemnity	**397,415**	56,000

18 - Cash and cash equivalence

	2008 KD	2007 KD
Cash in hand and in banks	**34,109,806**	14,817,368
Short-term deposit	**200,351,100**	46,444,319
Cash and cash equivalence (as per the consolidated balance sheet)	**234,460,906**	61,261,687
Less : withheld cash	**(1,064,000)**	-
Cash and cash equivalence (as per the consolidated cash flows)	**233,396,906**	61,261,687

Interest rate on deposits range between 3% and 6% annually for the year ended on 31st March 2008 (4.7% to 6.4% annually for 2007). The withheld cash represents the withheld amount relating to notes payable

19 - Capital

	Authorized capital		Issued and paid up capital	
	2008	2007	**2008**	2007
	KD	KD	**KD**	KD
Shares, each of KD	**600,000,000**	600,000,000	**600,000,000**	600,000,000

20 - Legal Reserve Fund

According to the Kuwaiti Commercial Company law and Articles of Association of sister company, 10% of the profits has been transferred to legal reserve fund before deducting directors' remuneration. However, the sister company may suspend the annual transfer to the legal reserve fund whenever it reaches 50% of the paid up capital.

The distribution of the legal reserve fund has been fixed as the amount required to distribute note more than 5% of the paid up capital during the years when the accumulated profits do not secure the distribution of this limi

21- Term loans

	2008	2007
	KD	KD
Bank loan	**34,577,500**	10,887,080
Loans with related parties (note 7)	**20,766,485**	15,186,898
Guaranteed financial papers	**8,246,000**	10,713,350
	63,589,985	36,787,328
Less : short-term loans and current portion of long term loan	**(16,738,405)**	(32,125,573)
Long term loans – incurrent portion	**46,851,580**	4,661,755

Unless otherwise is mentioned the amounts of different loans hereunder mentioned represent the share of the sister company in the loans of the respective company of the group

Bank loans

- On 4th July, Equipolymers Company has concluded bank loan agreement with the National Bank of Kuwait and Apicorp. The bank facilities have been granted at Europior interest rate for 6 months plus margin interest at 1.25% annual interest rate. The loan is payable on 7 equal semi-annual installments. The agreement is subject to some financial terms and it is guaranteed by other companies of the group. The share of the group from the loans already used is KD 10.5 Millions

- MEGlobal BV Company has obtained term loan in US Dollar at KD 11 Million (equivalent to US Dollars 35 Millions) consisting of combined loan at KD 5.5 Million with final repayment installment mature on 15 September 2008 and credit facility in the form of renewable loan at KD.5.5 Million along with 3 years maturity date in addition to extension option for 5 years pursuant to fulfillment of some financial tests. On 21st December 2007 MI Global BV renegotiated the combined loan. Accordingly, ME Global BV has obtained credit facilities for 6 years from the same banks at KD 58.5 Millions (equivalent to KD 220 Millions). However, the amount of the bank facilities has been subsequently increased to KD 91.7 Millions (equivalent to US Dollar 345 Millions). On 22nd January 2008, the amount of the facilities has been finally divided into medium term combined loan at KD 53.2 Millions and medium term circulated credit facilities at KD. 38.5 Million (equivalent to US Dollars 200 Millions and US Dollars 145 Millions respectively)

1) Medium Term Combined Loan

- The loan has been granted for 6 years with one year grace period followed by quarterly fixed payments of total amount KD 4 Millions (equivalent to US Dollar 15 Million) per year commencing from 15 March 2008 till 15 December 2012 and equal quarterly installments of total amount of KD 37 Million (equivalent to US Dollars 140 Millions) commencing on 15 March 2013. The applicable interest is 1 Libour plus 0.95 % annually for the years from the first until 3rd years. Subsequently it is applicable at one Libour plus 1.225% annually until maturity date. The loan has been guaranteed by ME Global Canada, Inc. By the end of the year, the share of the group from the used loan was KD 19.5 Millions (equivalent to US Dollars 73.5 Millions)

2) Medium Term Combined Loan

The renewable facilities are due for 5 years from 21st December 2012. The joint venture company allows taking loans at a minimum 1 month Libour plus 0.95% annually for the years from the 1st to the 3rd. At 1 month Libour plus 1.225% annually until maturity date or based on daily basis at the main interest rate of the bank. These facilities are guaranteed by the assets of the joint venture company and it will also guarantee by ME Global Canada. At the end of the year, the share of the group from the loan already used was KD 5 Millions (equivalent to US Dollars 20 Millions).

Renewable Loans with related parties

Aco Palmers BV Co. is a party to un-guaranteed renewable loan agreement with DOW Europe holding company BV and Petrochemical Industry Co. who provide credit facilities at KD 26.6 Millions (KD 29 Millions for 2007) (equivalent to US Dollars 100 Millions) (US Dollars 100 Millions for 2007) except capitalist interests that are used for the purposes of general business. The maturity date of this loan is 31st December 2005. However, the maturity date of these loans has been extended to 31st December 2011. The share of the group in total loans provided that the joint venture company under this agreement as of 31st march 2008 was KD 12.5 Millions (KD 10 Millions for 2007). The granted loans have an annual interest rate equivalent to (1) Libour for one month plus 1/8% (0.125%) annually or (2) the maximum limit allowed under the law, whichever is less. The interest of the main unpaid loan is capitalized and added to the amount of the main loan as of the first working day of each month. The joint venture company, however, may pay the amount of the current loans in advance without penalty along with all accrued and unpaid interests of such loans.

- Acquapalmes BV and ME Global BV and ME Global Canada, Inc. Have operational/extended un-guaranteed loans with Dolba SARL Co. (ex-DOW International Centre BVVA). These arrangements allow for the ability to invest and borrow funds on daily basis due to the requirements of cash flows. Under the terms of these agreements, the respective joint venture company may take loans at a maximum ranging between KD 2.6 Millions and KD 4 Millions (equivalent to US Dollars 10 Millions and US Dollars 15 Millions respectively) at an interest rate ranging between 4% and 5% annually (4% to 5.1% annually for 2006). Loan agreements do not have maturity dates. However, either party may terminate the agreement as per one month notice. Total share of the group in the amount of the current loan under these arrangements is KD 4 Millions as of 31st March 2008 (KD 3.3 Millions for 2007).
- Aco Palmers BV has obtained financial support under fixed term loan agreement dated 30 November 2007 from DOW with an expiry date on June 2008 at one month Libour plus 0.125% annually. Total share of the group in the current amounts under these arrangements was KD 4.5 millions (nil for 2007).

Guaranteed financial papers

Alberta and Orient Glycol Company Ltd – an affiliate to ME Global Canada, Inc. at 75% - as included long term facilities in the US Dollar with a group of lenders whereby mortgage has been granted on shares on all assets, projects and properties Alberta and Orient Company. The interest rate of this debt is variable and repayable semi-annually on the delayed amounts. The main maturity date will fall due in 2013. Alberta and Orient Company has operational credit at a maximum of 4.8 Millions (equivalent to US Dollars 18 Millions) which has first the guarantee right on debtors and suppliers of machinery. Further, it bears Libour interest rate plus 0.75% annually. Interest rate of the year ended on 31st December 2008 was 6% annually (6% annually for 2007).

22 - Obligations under finance lease contract

Aco Palmers BV Company (Lessee) has been entrusted rental agreement pertaining to the construction and lease of Petrochemical Industry factory (note 6). The term of lease is 10 years expiring on 14 February 2013, renewable for further 5 years upon the desire of the lessee and in accordance with specific conditions.

The lessee has the right to revocate the lease and to sell the factory on behalf of the lesser. Should the lessee succeed to sell the factory or not, the maximum obligation towards the lesser is the payment of the basic amount. The management did not register any obligation under this guarantee as they believe that the fair value of the guarantee is not essential as of 31st March 2008 and 2007.

The share of the group from the minimum limit of future rental payments under finance rental contracts are as follows:

	2008	2007
	KD	KD
During one year	**850,880**	1,042,380
After one year but not more than 5 years	**3,418,100**	4,169,520
More than 5 years	**12,403,310**	12,884,975
Total minimum limit of rental payments	**16,672,290**	18,096,875
Less : amounts representing finance costs	**(957,600)**	(984,470)
Minimum limit of rental payments	**15,714,690**	17,112,405
Less: current share	**(850,880)**	(1,042,380)
Fixed shares	**14,863,810**	16,070,025

23 - Staff end-of-service indemnity

The turn-over of the provision already recorded under the consolidated balance sheet is as follows:

	2008	2007
	KD	KD
Operating provision	**9,623,941**	9,535,934
Amount added during the year	**2,410,556**	1,488,368
Paid end of service indemnity	**(1,363,679)**	(1,453,973)
Transfer differences	**16,108**	53,612
Provision by the end of the year	**10,686,926**	9,623,941

24 - Other liabilities

	2008 KD	2007 KD
Deferred Tax liabilities from Joint Venture companies and the affiliates (note 5)	**16,880,745**	19,544,625
Deferred Revenues – Government grants	**10,387,300**	4,140,565
	27,268,045	23,685,190

The government grants to affiliates of the joint venture company already recorded as revenues have been compared with the respective costs. There is not any uncompleted obligations for all government grants related to collected assets until now.

25 - Creditors and Accrued expenses

	2008 KD	2007 KD
Commercial creditors	**42,982,151**	33,664,769
Accrued expense	**12,515,538**	11,549,395
Accrued taxes	**7,315,000**	651,488
Other creditors	**11,167,921**	10,236,688
	73,980,610	56,102,340

The accrued expense include the some of KD 45,000 (KD 42,000 for 2007) representing the remuneration of the directors for the financial year ended on 31st March, 2008. However, it is subject to the approval of the general assembly on annual basis

26 - Accrued profits distributions

Pursuant to the company's Memorandum of Association, all profits available for distribution by the end of the year will be transferred to the major sister company. The turnover of accrued profit distributions are as follows

	2008 KD	2007 KD
Operating balance	**121,754,192**	128,606,510
Paid dividend distribution	**(121,754,192)**	(128,606,510)
Profit of the year	**226,596,466**	135,030,718
Amount transferred to legal reserve fund	**(22,664,147)**	(13,276,526)
Balance as of 31st March	**203,932,319**	121,754,192

27 - Obligations and emergent liabilities

	2008	2007
	KD	KD
Emergent liabilities		
Letters of Credit	143,240	105,577
Letters of Guarantee	35,200	127,786
	178,440	233,363

The group has approved capitalist project at KD 3.9 Millions (equivalent to US Dollars 14.5 Millions) to replace the current ethylene oxide atomizer in one of their operating factors. In this respect, it has concluded an obligation at KD 2.1 Millions (equivalent to KD 8 Millions). However, this obligation has already been paid.

In addition, the group has guaranteed term loan and renewable credit facilities for related parties with a bank at KD 26.6 Millions and KD 19.3 Millions respectively equivalent to US Dollar 100 Million and US Dollars 72.5 Millions respectively) matured on September 2008.

The group has issued performance bond relating to one affiliate (an associate formerly). It is expected that the project will be completed before 2009.

28 - Expenditure obligation

	2008	2007
	KD	KD
Capitalist expenditure obligations		
Estimated capitalist expenses already concluded as of the date of the balance sheet and for which no provision was made:		
Machinery and Equipment	14,691,279	24,907,426
Operational lease obligations		
Minimum limit future rental payments		
Within one year	305,900	231,640
After one year but not more than 5 years	665,000	521,190
More than 5 years	13,300	-
Total operational rental expenses already contracted upon as of the date of the balance sheet	984,200	752,830
Minimum limit of rental payments as per operational rent contracts already recorded as expenses during the year	399,000	492,235

29 - Risk Management

Risks represent an essential part of the activities of the group. However, these risks are managed in a way that guarantees continuous determination and control of the same according to risk entries and other restrictions. This method of risk management has a great importance so that the group can continue to achieve profit. Each individual in the group is responsible for risk exposure in accordance with his responsibilities within the group. The group is liable to credit, liquidity and market risks. The latter risks are divided into interest rate and foreign currency exchange rate fluctuation in addition to share price risks. Further, the group is exposed to operational risks and prepaid payments risks. The control of future risks does not include business risks, such as environment, technology and business sector exchanges. These changes, however, are controlled via strategic planning process of the group.

Credit Risks

Credit Risks represent the inability of any party to any financial instrument to fulfill his contractual obligations; consequently the other party will sustain financial loss. The group manages credit risks via laying out restrictions upon the counter party, the geographic sectors and business sectors. Moreover, the group monitors credit risk exposure and it evaluates credit competency of the counter parties on continuous basis.

Credit risks result from the financial assets of the group that consist of circulated loans with related parties, the amount due from major sister company, debtors and the amounts due from related parties, fixed deposits, cash and cash equivalents. The exposure of the group to credit risks arises when the counter parties failed to fulfill their obligations. Consequently, the maximum limit of these risks will be equal to the book value of the financial instruments.

The group restricts credit risks via depositing cash with different financial institutions having excellent credit competence. Further, the group obtains bank guarantees from main commercial debtors and it concludes main transactions with the major sister company and the other companies of the group and related parties having credit competence. In addition, the group lay out policies and procedures to carry out credit assessment of the financial position of the clients of the group.

Focus of maximum credit risk exposure limits

The focus arises whenever numbers of counter parties have similar activities or they have business at the same geographical area whenever they have similar economic characteristic that render them ready to face contractual obligations that are affected by similar changes in the economic or political circumstances … etc. The focus indicates relative sensitivity of the performance of the group towards the developments that affects a specific business sector or particular geographic area.

The assets of the group at a specific geographic area in particular business sector may be analyzed as follows:

	2008	
	Assets	**Liabilities**
	KD	**KD**
Geographic area		
Middle East	**921,809,281**	**308,123,365**
North America	**108,231,012**	**55,370,240**
European Union	**89,408,876**	**73,005,720**
	1,119,449,169	**436,499,325**
Business Sector		
Trade & Industry	**811,648,989**	**205,298,961**
Banks & other financial institutions	**34,690,006**	**-**
Government and public sector	**273,110,174**	**231,200,364**
	1,119,449,169	**436,499,325**

	2007	
	Assets	Liabilities
	KD	KD
Geographic area		
Middle East	648,771,845	183,760,330
North America	196,042,000	55,594,000
European Union	111,968,985	57,084,782
	956,782,830	296,439,112
Business Sector		
Trade & Industry	827,259,102	150,999,730
Banks & other financial institutions	14,817,368	-
Government and public sector	114,706,360	145,439,382
	956,782,830	296,439,112

Maximum limit of credit risk exposure

The following table indicates the maximum limit of credit risks exposure with respect to the elements of the balance sheet:

As per category of financial assets	**Maximum exposure limit**	Maximum exposure limit
	2008	2007
	KD	KD
Circulated loan with related parties	**9,932,226**	29,961,837
Amount due from major sister company	**61,400,364**	48,123,838
Debtors and prepaid amounts	**118,157,455**	82,081,368
Due from related parties	**10,328,239**	85,331,525
Cash and cash equivalence	**234,460,906**	61,261,687
Total credit risk exposure	**434,279,190**	306,760,255

Credit competence of in-traded financial assets or those of low value (at net value after provisions)

The following table reflects information on credit risks of the financial assets as of 31st March. In this respect, assets have been classified in accordance with the international credit classification. AAA indicates the highest possible credit classification. Assets already recorded beyond this scope from AAA to BBB are classified as non-classified assets.

Credit risk exposure according to financial asset classifications as per international classification agencies	AA KD	A KD	A- KD	Unclassified KD	Total KD
31March 2008					
Circulated loans with related parties	-	-	-	9,932,226	9,932,226
Due from major sister company	-	-	-	61,400,364	61,400,364
Debtors and prepaid amounts	-	-	-	116,955,098	116,955,098
Due from related parties	-	-	-	10,328,239	10,328,239
Cash and cash equivalence (note17)	24,268,276	11,887	7,648	210,173,095	234,460,906
Credit risk exposure total	24,268,276	11,887	7,648	408,789,022	433,076,833

Un-classified financial assets are classified as follows using internal credit classification:

	Un-delayed or devaluated		
	High class KD	Standard class KD	Total KD
31 March 2008			
Circulated loans with related parties	-	9,932,226	9,932,226
Amount due from major sister company	61,400,364	-	61,400,364
Debtors and prepaid amount	116,955,098	-	116,955,098
Due from related parties	10,328,239	-	10,328,239
Cash and cash equivalence (note 17)	210,173,095	-	210,173,095
	398,856,796	9,932,226	408,789,022

Credit risk exposure according to financial asset classifications as per international classification agencies	AA	A	A-	Non-classified	Total
	KD	KD	KD	KD	KD
31 March 2007					
Circulated loans with related parties	-	-	-	29,961,837	29,961,837
Due from major sister company	-	-	-	48,123,838	48,123,838
Debtors and prepaid amounts	-	-	-	81,067,458	81,067,458
Due from related parties	-	-	-	85,331,525	85,331,525
Cash and cash equivalence (note17)	4,349,558	2,265	548,169	56,361,695	61,261,687
Credit risk exposure total	4,349,558	2,265	548,169	300,846,353	305,746,345

Un-classified financial assets are classified as follows using internal credit classification:

	Un-delayed or devaluated		
	High class	Standard class	Total
	KD	KD	KD
31 March 2007			
Circulated loans with related parties	-	29,961,837	29,961,837
Amount due from major sister company	48,123,838	-	48,123,838
Debtors and prepaid amount	81,067,458	-	81,067,458
Due from related parties	85,331,525	-	85,331,525
Cash and cash equivalence (note 17)	56,361,695	-	56,361,695
	270,884,516	29,961,837	300,846,353

Credit policy and credit exposure risks of the group are continuously monitored. The group endeavors to avoid unnecessary risks with the clients, either they are individuals or group of clients in some locations or specific business via diversifying finance activities.

Devaluated financial assets as per category are as follows:

	Total risk exposure	**Devaluation provision**
	KD	**KD**
As of 31st March 2008		
Debtors	**1,202,357**	**1,202,357**

	Total risk exposure	Devaluation provision
	KD	KD
As of 31st March 2007		
Debtors	1,013,910	1,013,910

Analysis of past due un-devaluated financial assets

The group does not have any past due un-devaluated financial assets.

Liquidity risks

Liquidity risks are those resulting from inability of the group to fulfill it net financing requirements. Liquidity risks resulting from fluctuations in the market or the decrease of credit degree that may result in the depletion of some sources of finance promptly. To limit these risks, assets are managed taking into account liquidity factor. Further, the management of the sister company, affiliates and joint venture companies monitor liquidity on continuous basis via maintaining good balances with banks, guarantee of the availability of sufficient liquidity from finance institutions, major sister company and related parties.

The group designs to maintain balance between continuous finance and flexibility via benefiting from term loans and finance lease contracts.

The following table summarizes the entitlements of the assets and liabilities of the group. Contractual entitlements of assets and liabilities have been determined based on the remaining period as from the date of the balance sheet till contractual maturity date. Maturity dates are monitored buy the management to make sure that sufficient liquidity is maintained. The list entitlements of assets and liabilities as of the end of the year rely upon contractual repayment arrangements.

The following table summarizes liabilities entitlement from the group pursuant to contractual repayment obligations.

Liquidity list reflects financial liabilities of the expected cash flows, including future interest payments over the period of these financial liabilities. Financial liabilities liquidity information as of 31st March 2008 are as follows:

31 March 2008	within 1 months KD	1 – 3 months KD	3 – 12 months KD	1 – 5 years KD	Total KD
Long term loans	13,295	-	-	49,032,814	49,046,109
Obligation under finance lease contracts	-	-	-	16,672,290	16,672,290
Other liabilities	-	-	-	28,124,346	28,124,346
Creditors and accrued expense	61,502,733	18,578,584	4,778,223	-	84,859,540
Short-term loans and current portion from long term loans	53,180	106,360	17,437,488	-	17,597,028
Accrued profit distribution	-	203,932,319	-	-	203,932,319
Due to related parties	15,033,501	8,198,574	18,850,449	-	42,082,524
Total liabilities	76,602,709	230,815,837	41,066,160	93,829,450	442,314,156

31 March 2007	within 1 months	1 – 3 months	3 – 12 months	1 – 5 years	Total
	KD	KD	KD	KD	KD
Long term loans	26.590	-	-	6.861.755	6.888.345
Obligation under finance lease contracts	-	-	-	18,096,875	18,096,875
Other liabilities	-	-	-	24,810,897	24,810,897
Creditors and accrued expense	30,101,087	22,410,273	13,188,640	-	65,700,000
Short-term loans and current portion from long term loans	9,339,675	6,529,972	17,355,926	-	33,225,573
Accrued profit distribution	-	121,754,192	-	-	121,754,192
Due to related parties	15,236,080	116,855	16,725,110	-	32,078,045
Total liabilities	54,703,432	150,811,292	47,269,676	49,769,527	302,553,927

Market Risks

Market risks are the fluctuation of asset value due to changes in the market variable, such as interest rate and foreign currency exchange rate. The markets of the group products are characterized by severe competition that affects declared product prices. However, prices are also affected by manufacturing cycles in addition to demand fluctuation. To provide for these risks, the management design to improve its products via maintaining quality standards and services to achieve the best quality for the group via manufacturing operations carried out by the group. Further, it designs to benefit from distribution channels that undertake stock related issues and the risks related to price and capital finance.

Market risks are managed based on the predetermined distribution of assets to specific categories, diversification of assets according to geographic distribution, focus on business sectors, improvement of products via maintaining quality standards, services and continuous assessment of market conditions and approaches as well as assessment of long and short term changes of the fair value and prices of Articles.

Interest rate risks

Interest rate risks negatively affect future profits of interest rates or fair value of financial instruments. The group is exposed to interest rate risks regarding all deposits and loans bearing interest already disclosed in the relevant notes. This has been discussed in detail in notes 18 and 21.

Positions are periodically monitored and strategic coverage are used to guarantee maintenance of the positions within the stipulated limits.

The following table reflects consolidated income statement sensitivity of the reasonable possible changes of interest rate along with maintaining the stability of all other variables.

Consolidated income statement sensitivity represents the impact of estimated changes of interest rate on company's profits before income tax for one year based on financial assets and liabilities having variable rate already maintained by the group as of 31st March 2008. However, there is not any impact on equity rights.

	Increase (Decrease) of interest rates	Impact on equity rights KD
2008		
Kuwaiti Dinars	**1%**	**626,735**
Kuwaiti Dinars	**-1%**	**(626,735)**
2007		
Kuwaiti Dinars	1%	395,650
Kuwaiti Dinars	-1%	(395,650)

Foreign currency risks

Foreign currency risks represent fluctuation risks of the financial instrument value due to foreign currency exchange risk fluctuation

The group is liable to the following foreign currency risks:

Transaction risks, representing adverse impact on commercial cash flows due to foreign currency exchange rate fluctuation against Kuwaiti Dinars.

Balance Sheet risks, representing the risks of net cash assets in foreign currency upon being converted into Kuwaiti Dinars due to exchange rate fluctuation.

The exposure of the group to balance sheet risks is basically related to its investments with affiliates, joint venture companies and associates in Kuwait, GCC States, Europe and Canada.

Positions are periodically monitored and coverage strategies are used to guarantee maintenance of the positions within the prescribed limits.

The group is exposed to the following foreign currency exchange risks as of 31st March:

	2008 **KD**	2007 KD
US Dollar	**371,236,568**	269,512,230
Euro	**17,685,739**	17,139,623
Bahrain	**29,409,181**	32,570,918

The impact on profits before income tax (due to fluctuations in the fair value of cash assets and liabilities) and equity rights due to foreign currency exchange rate fluctuation while maintaining the stability of all other variables as follows:

	Increase/(decrease) against	Impact on profits	Impact on equity rights
	KD	KD	KD
2008			
US Dollar	**% 5+**	**2,777,957**	**2,157,633**
US Dollar	**% 5-**	**(2,777,957)**	**(2,157,633)**
Euro	**% 5+**	**371,479**	**-**
Euro	**% 5-**	**(371,479)**	**-**
Bahrain Dinar	**% 5+**	**-**	**1,036,674**
Bahrain Dinar	**% 5-**	**-**	**(1,036,674)**
2007			
US Dollar	% 5+	1,330,509	2,252,655
US Dollar	% 5-	(1,330,509)	(2,252,655)
Euro	% 5+	360,008	-
Euro	% 5-	(360,008)	-
Bahrain Dinar	% 5+	-	1,148,125
Bahrain Dinar	% 5-	-	(1,148,125)

Share price risks

Share price risks result from the devaluation risks of share fair value due to fluctuations and share indexes, and the value of the share. The group manages these risks via distributing investments on geographic sectors and focusing on business sector activities.

The impact on equity rights (due to the change in the investment fair value of the shares already maintained as available for sale as of 31st March 2008) due to probable change in the share indicators while maintaining the stability of all other variables as follows:

	Increase of share prices	Impact on equity rights 2008	Impact on equity rights 2007
	%	KD	KD
Investments in price shares	+ 5 %	2,117,500	550,000

The decrease in the percentage of share prices will have counter impact on equity rights

Operation risks

Operation risks represent the risks of being exposed to losses resulting from system failure, human mistake, fraudulence or external events. Once performance control restrictions fail, operation result may harm the reputation or result in legal or control implications or financial loss. The group cannot expect exclusion of all operation risks. However, the group can manage these risks via monitoring the same and responding to operation risks. Control restrictions include separation of duties, access rights, authorization, settlement procedures, staff awareness and evaluation procedures.

Prepaid amount risks

Prepaid amount risks represent the possibility that the group may suffer financial loss due to the failure of its clients and counter parties to effect payment or they may claim for repayment before or after the expected date. The group is not essentially exposed to prepaid amount risks.

30 - Capital management

The main objective of the group for capital management is to guarantee maintenance of good capital rates to support its business and maximize shareholder value.

The group manages capital structure and carry out amendments thereto within the light of economic circumstances changes. To maintain capital structure or to amend the same, the group issues new shares.

No changes have been made to the objective, policies or procedures within both years ended on 31st March 2007 and 31st March 2008.

The group controls the capital using lending rate, i.e. net debt divided on total capital plus net debt. The policy of the group design to maintain an average lending ranging between 20% and 50%. The group includes the obligation under finance rental contracts, other liabilities, creditors and accrued expenses as well as amounts due to third related parties less cash and cash equivalence within term loans. The capital includes equity rights of sister company shareholders.

	2008	2007
	KD	KD
Term loans	**63,589,985**	36,787,328
Obligation under finance rent contracts	**15,714,690**	17,112,405
Other liabilities	**27,268,045**	23,685,190
Creditors and accrued expenses	**73,980,610**	56,102,340
Short-term loans and the current portion of long term loan	**16,738,405**	32,125,573
Accrued dividend distribution	**203,932,319**	121,754,192
Due to related parties	**41,326,750**	31,373,716
Less: Cash and cash equivalence (except withheld cash)	**(233,396,906)**	(61,261,687)
Net debt	**209,153,898**	257,679,057
Total capital (except accumulated fair value changes)	**647,611,344**	656,145,243
Capital and net debt	**856,765,242**	913,824,300
Lending average	**24.4%**	28.2%

31 - Financial instrument derivatives

The group does not have any essential positions resulting from the use of derivatives during the year and by the end of the year.