

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company K.S.C.P.
and its subsidiaries
State of Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2014

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Contents

	Page
Independent auditors' report	
Consolidated statement of financial position	1
Consolidated statement of income	2
Consolidated statement of comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6-26

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Kuwait Cement Company - K.S.C.P.
State of Kuwait

Independent Auditors' Report to the Shareholders

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Cement Company - K.S.C.P. "the Parent Company" and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Parent Company Management's Responsibility for the Consolidated Financial Statements

Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law no. 25 of 2012, as amended and its executive regulation and by the Parent Company's Memorandum and Articles of Association as amended, that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Companies Law no. 25 of 2012, as amended and its executive regulation or by the Parent Company's Memorandum and Articles of Association as amended have occurred during the financial year ended 31 December 2014 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al-Wazzan
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Kuwait, 18 March 2015

Kuwait Cement Company K.S.C.P.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated Statement of Financial Position as at 31 December 2014

(All amounts are in Kuwaiti Dinar)

	Note	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	5	161,395,528	155,460,323
Intangible assets		832,467	856,139
Investment properties	6	866,692	890,706
Investments in associates	7	15,594,249	15,029,843
Available for sale investments	8	64,371,378	71,569,566
		243,060,314	243,806,577
Current assets			
Inventories	9	16,140,677	20,895,761
Debtors and other debit balances	10	24,310,629	18,193,790
Investment at fair value through profit or loss	11	8,922,146	9,405,863
Cash and cash equivalent	12	15,748,696	18,442,018
		65,122,148	66,937,432
Total assets		308,182,462	310,744,009
Equity and liabilities			
Equity			
Share capital	13	73,330,387	73,330,387
Share premium		26,675,810	26,675,810
Treasury shares	14	(13,497,645)	(13,497,645)
Gains from sale of treasury shares		445,592	445,592
Statutory reserve	15	41,126,696	39,309,913
Voluntary reserve	16	36,164,207	34,347,424
General reserve		18,930,128	18,930,128
Change in fair value reserve		(14,292,043)	(9,369,876)
Group's share in associates' reserves		(692,744)	(713,055)
Group's share in foreign currency translation reserve		32,502	(51,555)
Retained earnings		25,592,880	24,739,790
Total equity		193,815,770	194,146,913
Liabilities			
Non-current liabilities			
Loans, bank facilities and Murabaha	17	71,772,564	73,469,975
Provision for employees' end of service indemnity		2,255,904	1,977,598
		74,028,468	75,447,573
Current liabilities			
Loans, bank facilities and Murabaha	17	17,220,436	23,282,253
Payables and other credit balances	18	23,117,788	17,867,270
		40,338,224	41,149,523
Total liabilities		114,366,692	116,597,096
Total equity and liabilities		308,182,462	310,744,009

The accompanying notes form an integral part of these consolidated financial statements.

Rashed Abdulaziz Al-Rashed
Chairman and Managing Director

Sulaiman Khalid Al-Ghunaim
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2014

(All amounts are in Kuwaiti Dinar)

	Note	2014	2013
Sales		83,498,637	69,035,362
Cost of sales	19	(59,723,418)	(51,326,937)
Gross profit		23,775,219	17,708,425
Other operating income	20	211,523	1,117,451
Selling, general and administrative expenses		(4,236,942)	(3,602,837)
Impairment of property, plant and equipment	5	(1,017,546)	-
Operating profit		18,732,254	15,223,039
Provision for doubtful debts	10	(554,526)	(78,497)
Financing charges		(2,916,986)	(108,619)
Interest income		62,783	33,519
Net gains from investments	21	2,300,206	2,248,652
Group's share of associates' results	7	544,095	659,302
Net profit before deductions		18,167,826	17,977,396
Contribution to Kuwait Foundation for the Advancement of Sciences		(164,620)	(156,872)
National Labor Support Tax		(435,020)	(406,406)
Zakat		(105,674)	(114,070)
Board of directors' remuneration		(140,000)	(140,000)
Net profit for the year		17,322,512	17,160,048
Earnings per share (fils)	22	24.29	26.14

The accompanying notes form an integral part of these consolidated financial statements.

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated Statement of Comprehensive Income for the year ended 31 December 2014

(All amounts are in Kuwaiti Dinar)

	Note	2014	2013
Net profit for the year		17,322,512	17,160,048
Other comprehensive income items			
Items that may be reclassified subsequently to the consolidated statement of income:			
Available for sale investments:			
Net unrealised (losses)/ gains from available for sale investments		(4,346,666)	3,371,497
Transferred to consolidated statement of income from sale of available for sale investments		(575,501)	(352,022)
Impairment of available for sale investments	21	-	533,287
		(4,922,167)	3,552,762
Investments in associates:			
Group's share in associates' reserves	7	20,311	37,280
Differences from translating financial statements in foreign currency			
Group's share in foreign currency translation reserve		84,057	(51,555)
Total other comprehensive (loss)/ income items for the year		(4,817,799)	3,538,487
Total comprehensive income for the year		12,504,713	20,698,535

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.S.C.P.
and its subsidiaries
State of Kuwait

Consolidated Statement of Changes in equity for the year ended 31 December 2014

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Gains from sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change in fair value reserve	Group's share in associates' reserves	Group's share in foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2013	63,765,554	5,154,935	(13,487,906)	445,592	37,512,173	32,549,684	18,930,128	(12,922,638)	(750,335)	-	20,437,498	151,634,685
Net profit for the year	-	-	-	-	-	-	-	-	-	-	17,160,048	17,160,048
Other comprehensive income/ (losses) items	-	-	-	-	-	-	-	3,552,762	37,280	(51,555)	-	3,538,487
Purchase of treasury shares	-	-	(9,739)	-	-	-	-	-	-	-	-	(9,739)
Cash dividends	-	-	-	-	-	-	-	-	-	-	(9,262,276)	(9,262,276)
Share capital increase	9,564,833	21,520,875	-	-	-	-	-	-	-	-	-	31,085,708
Transfer to reserves	-	-	-	-	1,797,740	1,797,740	-	-	-	-	(3,595,480)	-
Balance at 31 December 2013	73,330,387	26,675,810	(13,497,645)	445,592	39,309,913	34,347,424	18,930,128	(9,369,876)	(713,055)	(51,555)	24,739,790	194,146,913
Balance at 1 January 2014	73,330,387	26,675,810	(13,497,645)	445,592	39,309,913	34,347,424	18,930,128	(9,369,876)	(713,055)	(51,555)	24,739,790	194,146,913
Net profit for the year	-	-	-	-	-	-	-	-	-	-	17,322,512	17,322,512
Other comprehensive (losses)/ income items	-	-	-	-	-	-	-	(4,922,167)	20,311	84,057	-	(4,817,799)
Cash dividends (note 24)	-	-	-	-	-	-	-	-	-	-	(12,835,856)	(12,835,856)
Transfer to reserves	-	-	-	-	1,816,783	1,816,783	-	-	-	-	(3,633,566)	-
Balance at 31 December 2014	73,330,387	26,675,810	(13,497,645)	445,592	41,126,696	36,164,207	18,930,128	(14,292,043)	(692,744)	32,502	25,592,880	193,815,770

The accompanying notes form an integral part of these consolidated financial statements.

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated Statement of Cash Flows for the year ended 31 December 2014

(All amounts are in Kuwaiti Dinar)

	Note	2014	2013
Cash flows from operating activities			
Net profit for the year		17,322,512	17,160,048
Adjustments:			
Depreciations and amortisation		2,632,655	2,396,510
Losses/ (gains) on disposal of property, plant and equipment		29,658	(42,735)
Impairment of property, plant and equipment		1,017,546	-
Losses from disposal of intangible assets		733	-
Provision for doubtful debts	10	554,526	78,497
Financing charges		2,916,986	108,619
Interest income		(62,783)	(33,519)
Net gain on investments	21	(2,443,950)	(2,397,507)
Group's share of associates' results	7	(544,095)	(659,302)
Provision for employees' end of service indemnity		278,306	140,733
Net operating profit before working capital changes		21,702,094	16,751,344
Inventories		4,755,084	4,783,357
Debtors and other debit balances		(5,729,506)	(3,236,658)
Investment at fair value through profit or loss		1,059,633	1,071,752
Payables and other credit balances		5,623,101	(716,406)
Net cash generated from operating activities		27,410,406	18,653,389
Cash flows from investing activities			
Paid to purchase of property, plant and equipment		(9,707,081)	(19,384,700)
Proceed from disposal of property and equipment		34,264	60,126
Paid to purchase of intangible assets		(30,502)	(36,285)
Paid to purchase of available for sale investments		(889,711)	(534,663)
Proceeds from sale of available for sale investments		2,775,465	4,017,205
Deposit with financial institutions		-	380,000
Dividends received		1,316,442	1,876,275
Interest income received		62,783	33,519
Net cash used in investing activities		(6,438,340)	(13,588,523)
Cash flows from financing activities			
Capital increase		-	31,085,708
Withdrawals from loans, bank facilities and Murabaha		22,175,372	19,962,550
Settlement on loans, bank facilities and Murabaha		(29,934,600)	(35,509,016)
Financing charges paid		(3,131,979)	(4,166,843)
Dividends paid		(12,774,181)	(9,212,444)
Purchase of treasury shares		-	(9,739)
Net cash (used in)/ generated from financing activities		(23,665,388)	2,150,216
Net change in cash and cash equivalents		(2,693,322)	7,215,082
Cash and cash equivalents at beginning of the year		18,442,018	11,226,936
Cash and cash equivalents at end of the year	12	15,748,696	18,442,018

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Cement Company K.S.C.P. "the Company" is a Kuwaiti Public Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Company's shares were listed on Kuwait Stock Exchange on 29 September 1984.

The Company's objectives are as follows:

1- Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement at large.

2- Establishing factories and laboratories that will achieve the purposes of the Company.

3- Trading in all cement products, materials, instruments and machines which are related to the operation of the Company and transferring them whether inside or outside the State.

4- Participating or having interest in any aspect in other companies conducting similar activities or which may assist the Company in achieving its objectives in Kuwait or abroad. The Company may as well acquire such companies or affiliate them. The Company may also participate in incorporation of real estate companies.

5- Utilise the financial surpluses of the Company by investing and developing them locally and globally in financial and real estate portfolios and invest the Company's funds by participating in the incorporation of companies of all types and with different purposes and in investment funds, inside Kuwait or abroad, to be managed by specialised companies and entities.

The Company is located in Kuwait and the address of its head office is Al - Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as "the Group").

Company name	Legal entity	Principal activity	Country of incorporation	Ownership interest 2014	Ownership interest 2013
Shuwaikh Cement Company	K.S.C.C.	Industrial	Kuwait	99.250	99.250
Amwaj International Real Estate Company	K.S.C.C.	Real Estate	Kuwait	96.000	96.000
Kuwait Cement Ready-Mix Company	K.S.C.C.	Industrial	Kuwait	99.844	99.844

The Company used audited financial statements of the subsidiaries in order to prepare the consolidated financial statements for the year ended 31 December 2014. The subsidiaries' total assets amounted to KD 26,502,040 as at 31 December 2014 (KD 23,068,396 as at 31 December 2013) and their net profits amounted to KD 1,161,752 for the year then ended 31 December 2014 (KD 1,630,966 for the year ended 31 December 2013).

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree). In accordance with article No. (2) and (3) of the Decree, the executive regulations which issued by the Minister of Commerce and Industry and published in the official gazette on 6 October 2013 determine the basis and rules to be applied by the Company to adjust its status according to the Companies' Law, as amended during one year from the published date.

The parent company is still in the process of completing necessary to adjust its situation with the requirements of the Companies law No. 25 of 2012 as amended and its executive regulation.

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue by the Parent Company's Board of Directors' on 18 March 2015 and is subject to the approval of the General Assembly of the shareholders.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 New and revised standards

New and revised IFRSs issued and effective

In the current year, the Group has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The application of the amendments has had no impact on the disclosures or the amounts recognized in the consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has had no material impact on the disclosures in the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the followings new and revised IFRS that have been issued and not yet effective.

For annual periods beginning on or after 1 July 2014

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The *Annual Improvements to IFRSs 2010-2012 Cycle*:

- *IFRS 2 Share-based Payment*
- *IFRS 3 Business Combinations*
- *IFRS 8 Operating Segments*
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
- *IAS 24 Related Party Disclosures*

The *Annual Improvements to IFRSs 2011-2013 Cycle*:.

- *IFRS 3 Business Combinations*
- *IFRS 13 Fair Value Measurement*
- *IAS 40 Investment Property*

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the consolidated financial statements.

For annual periods beginning on or after 1 January 2016

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 16 & IAS 38 *Clarification of Acceptable Methods of Depreciation & Amortisation*
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the consolidated financial statements.

Effective for annual periods beginning on or after 1 January 2017

IFRS 15 *Revenue from Contracts with Customers*

The directors of the Company anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

Effective for annual periods beginning on or after 1 January 2018

IFRS 9 *Financial Instruments*

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

2.3 Significant Accounting Policies

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill, arising on an acquisition of a subsidiary, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates and joint ventures

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of results of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2.3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses if any. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance.

Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

	Useful lives
Buildings	10-35 years
Plant and equipment	7-25 years
Motor vehicles, computers and furniture	1-7 years

The asset's residual values, useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. A change in the estimated useful life of a property, plant and equipment is applied at the beginning of the year of change prospectively.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by the difference between the net sales proceeds and the net carrying amount of the asset and is recognised in the consolidated statement of income.

Work in progress is included in property, plant and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

2.3.3 Intangible assets

Intangible assets with definite life, which are separately acquired, are carried at cost less accumulated amortisation and impairment losses if any. Amortisation is charged on a straight-line basis over the estimated useful lives.

The useful live and amortisation methods are reviewed at the end of each financial year. Changes in estimations are accounted for as at the beginning of the financial year in which the change occurred.

Intangible assets with infinite life, which are separately acquired, are carried at cost less impairment losses if any.

Intangible assets are removed on disposal or when it is proved that there will not be any future benefit resulting from use of these assets. The profit and loss resulting from disposal are measured by the difference between the net proceeds and carrying value of the disposed asset and are then recorded in the consolidated statement of income.

2.3.4 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at cost including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is recorded at depreciated cost less impairment in value, if any. Land is not depreciated. Building is depreciated using the straight line method over its estimated useful live of 10-20 years.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the disposal of investment property are determined as the difference between the carrying amount and the net disposal proceeds. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in the use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

2.3.5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3.6 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets as fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gains or losses arising from remeasurement recognised in the consolidated statement of income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 3.3).

Available for sale financial assets (AFS)

AFS are non-derivatives financial assets not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.3.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income items.

Loans and debtors

Loans and debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and debtors (including trade and other debtors and cash at banks) are measured at amortised cost using the effective interest method, less any impairment.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realise the asset and settle the liability simultaneously.

2.3.7 Inventories

Inventories are held at lower of cost and net realisable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor and fixed and variable manufacturing overhead, and other costs incurred in bringing inventories to their present location and condition. Net realisable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

2.3.8 Employees' end of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the consolidated financial statement date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.10 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

2.3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

- Revenues from sale of goods are recognised when significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred generally to the buyer on delivery and legal title is passed.
- Dividend income is recognised when the right to receive payment has been established.
- Interest income from deposits is recognised on time basis and other revenues are recognised on an accrual basis.

2.3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.3.15 Dividends

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Risk Management

3.1 Financial risks

The activities of the Group expose it to a set of financial risks, which are market risk, which include (foreign currency risk and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from the change in interest rates, and price risk) in addition to credit risk and liquidity risk.

The Group's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

i. Market risk

Foreign currency risk

The Group is exposed to foreign currency risk resulting primarily from dealing with financial instruments in US Dollar. The foreign currency risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency. The Group has set policies to manage foreign currency risk represented in close monitoring of the change in currency rate, in addition to monitoring the effect of such changes on the financial position of the Group. Also, the use of hedging instruments to cover for the exchange rate risk of some foreign currencies over the year.

The Group is exposed to foreign currency risk resulting primarily from translation of assets and liabilities in foreign currency such as cash and cash equivalents, investments, receivables, payables, loans, bank facilities and Murabaha.

The following is the value of net positions of US Dollar as at the consolidated financial statements date:

	2014	2013
Net positions of US Dollar	(15,836,960)	(11,327,225)

In case the US Dollar decrease / increase by 5% against the Kuwait Dinar, while all other variables are held constant, the Group's net profits will increase/decrease by KD 791,848 for the year ended 31 December 2014 (KD 566,361 for the year ended 31 December 2013).

Price risk

The Group is exposed to price risk through its investments classified in the consolidated financial statements as available for sale investments, or financial investments at fair value through profit or loss.

The Group manages this risk by diversifying its investments on the basis of pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of long term changes in fair value. Also the Group keeps its investments at specialised investment companies which manage these investments.

The Group monitors the management of the investment portfolios through monthly periodic reports provided by the portfolio managers of these portfolios and takes the necessary actions when required to minimise the expected market risk of these investments.

The table below summarises the impact of the decrease in the Kuwait Stock Exchange "KSE" index on the Group's net profit for the year and its equity. This analysis is based on the assumption that the KSE changes by ±5% with all other variables held constant.

	Effect on consolidated statement of income		Effect on consolidated statement of comprehensive income	
	2014	2013	2014	2013
Investment at fair value through profit or loss	75,837	76,176	-	-
Available for sale investments	-	-	2,994,643	3,246,099

Cash flow and fair value fluctuation risk resulting from the change in interest rate:

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are independent of interest rate risks.

The Group's interest rate risk arises from long-term borrowings. The Group has floating and fixed interest bearing loans.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing borrowings and alternative borrowing.

At 31 December 2014, if the interest rate on US Dollar loans, bank facilities, and Murabaha had been 0.20% higher with all other variables held constant, net profits for the year would have been lower by KD 46,210 (KD 41,884 for the year ended 31 December 2013).

ii. **Credit risk**

This represents the inability of one party to the financial instrument to meet its liabilities on maturity date, resulting into financial losses to the other party. The Group's credit risk is highly concentrated in receivables and cash and cash equivalents; the Group manages and follows up the credit risk as follows:

- Dealing with customers, with good credit worthiness and reputation, related parties and government bodies.
- Diversification of the customer base and avoiding centralisation.
- Obtaining guarantees from customers issued from high credit rating banks and irrecoverable letters of credit.
- Dealing with financial institutions with high credit rating.

iii. **Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The ultimate responsibility of managing the liquidity risk is kept with the Board of Directors. The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities.

In addition to continuous monitoring of the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The following are the maturity dates of undiscounted financial liabilities of the Group as at 31 December:

	2014		
	Within one year	**Over one year to three years**	**Over three years**
Loans, bank facilities and Murabaha	17,758,574	21,530,086	56,764,998
Payables and other credit balances	23,117,788	-	-

	2013		
	Within one year	**Over one year to three years**	**Over three years**
Loans, bank facilities and Murabaha	24,126,235	44,178,813	37,187,862
Payables and other credit balances	17,867,270	-	-

3.2 Capital risks

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (loans, bank facilities and Murabaha offset by cash and cash equivalents) and equity.

The Group has a target gearing ratio of 25% - 40% determined as the proportion of net debt to total capital.

The following shows the net debt to total capital as at 31 December:

	2014	**2013**
Total loans, bank facilities and Murabaha	88,993,000	96,752,228
(Less): Cash and cash equivalents	(15,748,696)	(18,442,018)
Net debt	73,244,304	78,310,210
Total equity	193,815,770	194,146,913
Total capital	267,060,074	272,457,123
Net debt to total capital ratio (%)	27.43	28.74

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets and liabilities are determined:

Financial assets	Fair value as at 31 December 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale investments:						
Quoted shares	59,892,854	64,921,973	Level one	Last bid price	NA	NA
Foreign funds	1,444,229	2,923,584	Level two	Net assets value	NA	NA
Investments at fair value through profit or loss						
Local shares	1,150,887	1,133,312	Level three	Based on the latest available financial statements or on the basis of the last transaction	NA	NA
Local funds	365,858	390,198	Level two	Net assets value	NA	NA
Foreign investments	7,405,401	7,882,353	Level two	Net assets value	NA	NA

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required):

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debtors and other debit balances	24,310,629	24,310,629	18,193,790	18,193,790
Financial liabilities				
Loans and bank facilities and Murabaha	88,993,000	88,993,000	96,752,228	96,752,228
Payables and other credit balances	23,117,788	23,117,788	17,867,270	17,867,270
Total	112,110,788	112,110,788	114,619,498	114,619,498

	Fair value hierarchy as at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debtors and other debit balances	-	-	24,310,629	24,310,629
Financial liabilities				
Loans and bank facilities and Murabaha	-	-	88,993,000	88,993,000
Payables and other credit balances	-	-	23,117,788	23,117,788
Total	-	-	112,110,788	112,110,788

	Fair value hierarchy as at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debtors and other debit balances	-	-	18,193,790	18,193,790
Financial liabilities				
Loans and bank facilities and Murabaha	-	-	96,752,228	96,752,228
Payables and other credit balances	-	-	17,867,270	17,867,270
Total	-	-	114,619,498	114,619,498

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources concerning current period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Valuation of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset at a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note 3.3.

Impairment of inventory

The management assesses at the date of each consolidated financial position whether inventory are impaired. On determining impairment, the management is required to make significant judgments including assessment of factors such as the nature of the industry and market conditions.

Impairment of receivables

Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in international and financial economic conditions that correlate with default on receivables.

Contingent liabilities

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Classification of investments

On acquisition of an investment, the Group has to decide whether it should be classified as carried at fair value through profit or loss or as available for sale.

A financial asset is classified at fair value through profit or loss if acquired principally for the purpose of generating short-term profit or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. All other investments are classified as available for sale.

Impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments, the determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. (note 8) shows this effect on the consolidated financial statements.

Impairment of tangible and intangible assets

The Group reviews the tangible and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ from what is estimated resulting in future changes to such provisions.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation for property, plant and equipment. Group's management increased the depreciation charge where the useful lives are lower than previously estimated lives. The Group eliminates or writes down obsolete or non-strategic assets which have been disposed or sold.

5. Property, plant and equipment

	Lands and buildings	Plant and equipment	Motor vehicles, computers and furniture	Projects in progress	Total
Cost					
At 1 January 2013	30,237,381	87,546,102	4,995,692	105,469,734	228,248,909
Additions	641,986	254,509	1,557,507	19,024,994	21,478,996
Transfers	686,223	1,401,552	102,762	(2,190,537)	
Disposals	-	(186,354)	(18,564)	-	(204,918)
Foreign currency translation differences	10,577	42,802	3,635	768	57,782
At 31 December 2013	31,576,167	89,058,611	6,641,032	122,304,959	249,580,769
Additions	44,688	799,775	3,092,237	5,603,452	9,540,152
Transfers	2,815	-	-	(2,815)	-
Disposals	-	(97,071)	(5,280)	-	(102,351)
Foreign currency translation differences	31,851	125,175	11,292	2,332	170,650
At 31 December 2014	31,655,521	89,886,490	9,739,281	127,907,928	259,189,220
Accumulated depreciation and impairment					
At 1 January 2013	21,155,675	69,770,121	1,038,316	-	91,964,112
Charge for the year	512,166	1,445,828	339,762	-	2,297,756
Disposals	-	(186,355)	(1,173)	-	(187,528)
Foreign currency translation differences	7,579	35,767	2,760	-	46,106
At 31 December 2013	21,675,420	71,065,361	1,379,665	-	94,120,446
Charge for the year	550,854	1,526,352	477,994	-	2,555,200
Disposals	-	(38,146)	(283)	-	(38,429)
Impairment	406,789	587,599	23,158	-	1,017,546
Foreign currency translation differences	24,063	106,154	8,712	-	138,929
At 31 December 2014	22,657,126	73,247,320	1,889,246	-	97,793,692
Net book value					
At 31 December 2013	9,900,747	17,993,250	5,261,367	122,304,959	155,460,323
At 31 December 2014	8,998,395	16,639,170	7,850,035	127,907,928	161,395,528

- The main projects under process represents in a construction of new Kiln for producing clinker. The total estimated cost of the project amounted to KD 127,451,873 while the cost of work performed amounted to KD 125,615,203 as at 31 December 2014 (KD 120,244,208 as at 31 December 2013). Currently are completion of the construction of the new Kiln, where the Company's management expects the completion of the project as well as the final acceptance from the supplier during the subsequent period.
- All property, plant and equipment located on land leased from the state owned under lease for a term of five years ending in 2019.
- Depreciation has been charged to the consolidated statement of income as follows:

	2014	2013
Cost of sales	2,507,440	2,245,358
Selling, general and administrative expenses	47,760	52,398
	2,555,200	2,297,756

Borrowing costs capitalised on projects in progress amounted to Nil for the year ended 31 December 2014 (KD 3,871,496 for the year ended 31 December 2013).

6. Investment properties

	2014	2013
Cost		
As at 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As at 1 January	1,099,038	1,051,917
Charge for the year	24,014	47,121
As at 31 December	1,123,052	1,099,038
Book value	866,692	890,706

The fair value of the Group's investment property as at 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. The independent valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as 31 December are as follow:

	Level two	Fair value 2014	Fair value 2013
Investment properties	3,887,000	3,887,000	3,802,500

There is no transfer between levels during the year.

7. Investments in associates

Name of associate	Country of incorporation	Voting rights and ownership interest %	Book value 2014	Book value 2013	Measurement method
Kuwait Rocks Co. K.S.C.C.	Kuwait	30.00	-	-	Equity
Marine Contracting and Services Co. K.S.C.C.	Kuwait	33.39	15,594,249	15,029,843	Equity
			15,594,249	15,029,843	

The following is the movement of investment in associate's balances:

	2014	2013
Balance at 1 January	15,029,843	14,679,545
Group's share of associates' results	544,095	659,302
Group's share in associates' reserves	20,311	37,280
Cash dividends received	-	(346,284)
Balance at 31 December	15,594,249	15,029,843

Shares of Marine Contracting and Services Company are listed on Kuwait Stock Exchange. The fair value of the Group's investments in amounted to KD 9,009,950 as at 31 December 2014 (KD 12,189,179 -2013).

The following is summarized financial information related to the associates. The summary financial information set out below represents the amounts shown in the latest financial statements available for these companies prepared as per IFRS:

Marine Contracting and Services Company:

	2014	2013
Available financial statements	Unaudited financial statements for the period ended 30 September	Unaudited financial statements for the period ended 30 September
Assets	231,088,016	193,879,449
Liabilities	139,531,302	105,796,120
Non-controlling interests	44,856,577	43,073,420
Revenues	58,602,119	58,703,516
Profit for the period	1,629,403	1,974,412
Other comprehensive income for the period	60,825	111,643
Total comprehensive income	1,690,228	2,086,055

8. Available for sale investments

	2014	2013
Quoted shares	59,892,854	64,921,973
Unquoted shares	3,034,295	3,724,009
Foreign funds	1,444,229	2,923,584
	64,371,378	71,569,566

The fair value of available for sale investments is determined based on valuation techniques mentioned in note 3.3.

The quoted investments included, investments amounted to KD 25,003,901 as at 31 December 2014 in National Industries Group Holding K.S.C.P. which is one of the major shareholders in the Group (KD 29,077,218 as at 31 December 2013). The management did a study for this investment to determine whether there is an impairment in value or not, the management study resulted that the fair value of the investment exceeds the current market value and accordingly no impairment recorded in the consolidated statement of income.

Unquoted investments were stated at cost less impairment, if any, since their fair values could not be reliably determined and there have not been active markets for such investments. The available information for these investments did not indicate the existence of any impairment in value.

Available for sale investments include investments amounting to KD 1,143,003 as at 31 December 2014 (KD 1,829,025 as at 31 December 2013) that were valued based on recent valuation reports available during the year from investment managers as no reports were available for these investments as the date of the consolidated financial statements.

The impairment of some available for sale investments were recorded by KD 53,642 for the year ended 31 December 2014 (KD 533,287 for the year ended 31 December 2013), due to the significant impairment in value. This impairment was recognized in the consolidated statement of income.

Available for sale investments are denominated in the following currencies as at 31 December:

	2014	2013
Kuwaiti Dinar	62,443,699	68,645,982
US Dollar	1,312,918	2,137,656
Euro	614,761	785,928
	64,371,378	71,569,566

9. Inventories

	2014	2013
Raw materials	15,689,717	20,342,781
Finished goods	450,960	552,980
	16,140,677	20,895,761

10. Debtors and other debit balances

	2014	2013
Amounts under collection at banks	761,470	792,360
Receivables against unconditional bank guarantees	4,256,527	3,818,221
Ministry of Commerce – difference from subsidizing cement to the public	4,844,728	2,382,730
Related parties (note 25)	1,970,142	1,881,338
Other trade receivables	11,727,640	9,373,814
Total trade receivables	23,560,507	18,248,463
Other receivables	1,346,378	416,866
	24,906,885	18,665,329
Provision for doubtful debts	(2,553,953)	(1,999,427)
	22,352,932	16,665,902
Prepaid expenses	326,399	297,243
Notes receivable	1,631,298	1,230,645
	24,310,629	18,193,790

The average credit period granted to trade receivables is 60-90 days. No interest is charged on trade receivables.

The fair value of guarantees received from the debtors amounted to KD 5,247,348 as at 31 December 2014 (KD 4,968,733 as at 31 December 2013).

Trade receivables which are impaired and fully provided amounted to KD 2,553,953 as at 31 December 2014 (KD 1,999,427 as at 31 December 2013).

The following is the movement on the provision for doubtful debts:

	2014	2013
Balance at beginning of the year	1,999,427	1,920,930
Provisions provided during the year	554,526	78,497
Balance at end of the year	2,553,953	1,999,427

11. Investment at fair value through profit or loss

	2014	2013
Local investments	1,516,745	1,523,510
Foreign investments	7,405,401	7,882,353
	8,922,146	9,405,863

The fair value of investments at fair value through profit or loss is determined based on hierarchy valuation mentioned in note 3.3.

Foreign investments include an amount of KD 105,661 as at 31 December 2014 (KD 7,882,353 as at 31 December 2013) that was priced based on recent available reports from investment managers during the year.

12. Cash and cash equivalents

	2014	2013
Cash on hand and at banks	9,853,766	10,396,521
Cash at investment portfolios	3,775,518	2,360,342
Deposits placed with banks	2,119,412	5,685,155
Cash and cash equivalents	15,748,696	18,442,018

The average effective annual interest rate on bank deposits was 0.625% as at 31 December 2014 (0.825% as at 31 December 2013).

13. Share capital

The authorised, issued and fully paid up share capital consists of KD 73,330,387 distributed on 733,303,870 shares as at 31 December 2014/ 2013 and all shares are in cash.

Registered in the commercial register.

14. Treasury shares

	2014	2013
Number of shares (share)	20,200,729	20,200,729
Percentage of issued shares (%)	2.75	2.75
Market value (KD)	8,080,292	7,373,266

The Parent Company shall maintain reserves and retained earnings equivalent to the cost of treasury shares purchased during the period owned, according to the instructions of the relevant regulatory authorities.

15. Statutory reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before KFAS contribution, NLST, Zakat expense, and Board of Directors' remuneration is transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up capital in years when profit is not sufficient for the payment of such dividend.

16. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year, before KFAS contribution, NLST, Zakat expenses, and Board of Directors' remuneration, is transferred to the voluntary reserve. Such transfer may be discontinued by a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors. there are no restrictions on the distribution of the voluntary reserve.

17. Loans, bank facilities and Murabaha

	2014	2013
Non-current portion		
Loans	39,262,904	41,703,546
Murabaha	32,509,660	31,766,429
	71,772,564	73,469,975
Current portion		
Loans	12,733,909	17,403,682
Murabaha	4,486,527	5,878,571
	17,220,436	23,282,253
Total loans, bank facilities and Murabaha	88,993,000	96,752,228

The effective annual interest rate on loans, bank facilities and Murabaha was 3.125% as at 31 December 2014 (3.625% as at 31 December 2013).

Certain loans are secured by Company's factory and its all extensions amounted to KD 16,588,259 as at 31 December 2014 (KD 17,957,073 as at 31 December 2013) and also quoted available for sale investments with fair value of KD 1,586,500 as at 31 December 2014 (KD 1,937,200 as at 31 December 2013).

One of the main loans, bank facilities and Murabaha covenants is that the Group will not distribute dividends if the ratio of current assets to current liabilities decreases less than (1.5:1) and not to pledge movable and non-movable funds to others before obtaining written approval from the bank. The loans and Murabaha covenants also state that the ratio of net debts to operating profit not be more than (1:8) and the ratio of operating profit to interests not be less than (1:2) and the ratio of net debts to equity increases not be more than (1:0.8) and the ratio of liabilities to equity not be more than (1:1.3).

Loans, bank facilities and Murabaha are denominated in the following currencies as at 31 December:

	2014	2013
Kuwaiti Dinar	65,887,789	75,810,228
US Dollar	23,105,211	20,942,000
	88,993,000	96,752,228

18. Payables and other credit balances

	2014	2013
Suppliers	12,646,694	7,079,463
Retention payable	4,058,322	4,023,624
Accrued interest and expenses	2,668,562	2,671,593
Notes payable	680,168	1,595,302
Customers advance payments	1,635,663	1,061,921
Dividends payable	615,223	553,548
Deferred letter of credits for purchase equipment	-	166,929
Contribution to Kuwait Foundation for the Advancement of Sciences	166,810	166,843
National Labor Support Tax	435,020	406,406
Zakat	112,269	125,749
Others	99,057	15,892
	23,117,788	17,867,270

19. Cost of sales

	2014	2013
Raw material	51,871,390	43,174,411
Change in finish goods	102,020	(117,823)
Salaries and benefits	4,416,788	4,086,701
Lease rentals	282,435	144,680
Supplies and maintenance	2,244,433	3,314,600
Others	806,352	724,368
	59,723,418	51,326,937

20. Other operating income

	2014	2013
Net income from investment properties	103,609	86,260
Other income	1,383,097	892,979
Net (losses)/ gains from translation difference	(1,275,183)	138,212
	211,523	1,117,451

21. Net profit on investments

	2014	2013
Investments at fair value through profit or loss:		
Unrealised gain	533,169	733,723
Realised gains	42,747	81,212
Cash dividends	236,156	207,892
	812,072	1,022,827
Available for sale investments:		
Impairment	(53,642)	(533,287)
Realised gains	605,234	585,868
Cash dividends	1,080,286	1,322,099
Portfolio management fees	(143,744)	(148,855)
	1,488,134	1,225,825
	2,300,206	2,248,652

22. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the year, considering treasury shares. The calculation of earnings per share is as follows:

	2014	2013
Net profit for the year	17,322,512	17,160,048
Weighted average number of outstanding shares during the year (share)	713,103,141	656,464,793
Earnings per share (fils)	24.29	26.14

Earnings per share are calculated by considering the capital increase for the comparative year.

23. Staff costs

Staff costs include wages, salaries, leave, end of service's indemnity and other benefits for the Group's staff. The staff costs amount for the year ended 31 December 2014 is KD 8,050,075 (KD 7,334,549 for the year ended 31 December 2013).

24. Dividends

On 7 May 2014, the General Assembly of shareholders approved the consolidated financial statements for the year ended 31 December 2013, and approved distributing cash dividends at 18 fils per share after deducting treasury shares.

On 18 March 2015, the Company's Board of Directors proposed to distribute cash dividends at 18 fils per share after deducting treasury shares from the paid up capital for year 2014.

25. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the company has representatives in their board. In the normal course of business, and by approval of the Group's management, transactions were done with such related parties during the year ended 31 December 2014. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

The following is a summary of significant related party transactions and outstanding balances:

	2014	2013
Transactions		
Sales	4,327,942	3,974,675
Key management benefits		
Executive committees fees	120,000	120,000
Salaries and other benefits	681,300	687,600
Balances		
Debtors and other debit balances (note 10)	1,970,142	1,881,338
Provision for employees' end of service indemnity	474,355	487,070

All transactions with related parties are subject to the approval of the shareholders of the General Assembly.

26. Contingent liabilities and capital commitments

	2014	2013
Contingent liabilities		
Letters of guarantee	440,681	248,847
Capital commitments		
Letters of credit	914,028	894,667
Uncalled subscription relating to available for sale investments	-	183,431
Uncalled subscription relating to investments in funds	321,972	369,948
Contracts for importing raw materials	11,031,428	6,612,252
Projects in progress	1,836,670	4,939,068

There is a dispute between the company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while company's management during the current year has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. The expected financial impact for this claim can not be determined reliably at the moment where the arbitration proceedings are still in the initial stages. Company's management believes that the provisions made for that are enough and there is no need to any additional provisions.

27. Segment financial information

The management has grouped its significant operating segments as following:

- Manufacturing sector which includes production and sale cement & ready – mix cement.
- Investments sector.

Financial information about business segments for the year ended 31 December is as follows:

	2014		
	Manufacturing sector	**Investments sector**	**Total**
Segments revenues	84,881,734	2,947,910	87,829,644
Gross segments profit	18,074,119	2,947,910	21,022,029
Segments assets	214,652,479	93,529,983	308,182,462

	2013		
	Manufacturing sector	**Investments sector**	**Total**
Segments revenues	69,928,341	2,994,214	72,922,555
Gross segments profit	15,058,282	2,994,214	18,052,496
Segments assets	211,487,688	99,256,321	310,744,009

	2014	**2013**
Adjustments:		
Total segments profit	21,022,029	18,052,496
Financing charges	(2,916,986)	(108,619)
Interest income	62,783	33,519
Net segments profit before deductions	18,167,826	17,977,396

Geographical segments:

Financial information about geographical segments for the year ended 31 December are set out below:

	2014		
	Revenues	**Assets**	**Liabilities**
Inside Kuwait	83,578,026	295,685,534	113,133,108
Outside Kuwait	4,251,618	12,496,928	1,233,584
	87,829,644	308,182,462	114,366,692

	2013		
	Revenues	**Assets**	**Liabilities**
Inside Kuwait	69,801,886	296,469,157	115,640,539
Outside Kuwait	3,120,669	14,274,852	956,557
	72,922,555	310,744,009	116,597,096