Kuwait Foundry Company K.P.S.C.
State of Kuwait

Financial Statements and Independent Auditors' Report
For the year ended 31 December 2014

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For the year ended 31 December 2014

Contents

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Kuwait Foundry Company K.P.S.C.
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of Kuwait Foundry Company K.P.S.C., "the Company" which comprise the statement of financial position as at 31 December 2014, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Company's Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its 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, the Company has kept proper books of accounts and the financial statements, together with the contents of the report of the Board of Directors relating to these 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 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 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 violation of the Companies Law No. 25 of 2012, as amended and its executive regulation, or by the 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 Company or on its financial position.

Bader A. Al Wazzan
Licence No. 62A
Deloitte & Touche
Al Wazzan & Co.

Rabea Saad Al Muhanna
Licence No. 152 A
Horwath Al Muhanna & Co.

Kuwait, 24 February 2015

Kuwait Foundry Company K.P.S.C.
State of Kuwait

Statement of Financial Position as at 31 December 2014

(All amounts in Kuwaiti Dinars)

	Note	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	5	383,743	407,318
Investments available for sale	6	46,358,504	46,711,316
Investment in an associate	7	1,057,492	-
Other Assets	8	65,797	1,123,289
		47,865,536	48,241,923
Current assets			
Inventories	9	2,250,282	2,464,046
Trade and other receivables	10	1,399,539	1,338,797
Investment at fair value through profit or loss	11	2,573,318	2,573,318
Cash and cash equivalents	12	2,398,487	1,860,014
		8,621,626	8,236,175
Total assets		56,487,162	56,478,098
Equity and liabilities			
Equity			
Share capital	13	15,388,423	15,388,423
Share premium		17,100,000	17,100,000
Treasury shares	14	(15,192)	(15,192)
Statutory reserve	15.1	4,810,858	4,559,519
Voluntary reserve	15.2	1,000,000	1,000,000
General reserve		1,000,000	1,000,000
Changes in fair value reserve		6,467,884	7,439,036
Retained earnings		8,913,928	8,286,141
		54,665,901	54,757,927
Non-current liabilities			
Post-employment benefits		960,251	921,652
Current liabilities			
Trade and other payables	17	861,010	798,519
		1,821,261	1,720,171
Total equity and liabilities		56,487,162	56,478,098

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

S'ood Mohammad Abdullah Al Faris
Chairman

Adel Abdel Rahman Rasheed Al Badr
Vice Chairman and Chief Executive Officer

شركة السكب الكويتية ش.م.ك عامة
سجل تجاري ١٢١٩٤

Kuwait Foundry Company K.P.S.C.
State of Kuwait

Statement of Income for the year ended 31 December 2014

(All amounts in Kuwaiti Dinars)

	Note	2014	2013
Sales		2,473,578	2,384,049
Cost of sales	18	(1,435,398)	(1,328,787)
Gross profit		1,038,180	1,055,262
Other operating income		144,659	21,860
Selling and marketing expenses	19	(90,545)	(79,908)
General and administrative expenses	20	(492,952)	(668,231)
Operating profit		599,342	328,983
Gains from investments	21	1,914,046	1,978,845
Net profit before deductions		2,513,388	2,307,828
Board of Directors' remuneration		(15,000)	(15,000)
Contribution to Kuwait Foundation for the Advancement of Sciences		(22,620)	(20,770)
National Labour Support Tax		(37,208)	(38,881)
Zakat		(14,302)	(10,972)
Net profit for the year		2,424,258	2,222,205
Earnings per share (fils)	22	15.76	14.45

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

Kuwait Foundry Company K.P.S.C.
State of Kuwait

Statement of Comprehensive Income for the year ended 31 December 2014

(All amounts in Kuwaiti Dinars)

	2014	2013
Net profit for the year	2,424,258	2,222,205
Other comprehensive income items		
Items could be transferred to statement of Income		
Change in fair value of investments available for sale	(419,350)	1,962,251
Transferred from change in fair value reserve on sale of investment available for sale	(573,952)	(332,355)
Impairment of investments available for sale	22,150	-
Total other comprehensive income items	(971,152)	1,629,896
Total comprehensive income for the year	1,453,106	3,852,101

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

Kuwait Foundry Company K.P.S.C.
State of Kuwait

Statement of Changes in Equity for the year ended 31 December 2014

(All amounts in Kuwaiti Dinars)

	Share Capital	Share Premium	Treasury Shares	Gain on Sale of Treasury Shares	Statutory Reserve	Voluntary Reserve	General Reserve	Change in Fair Values Reserve	Retained Earnings	Total
Balance at 1 January 2013	**14,655,641**	**17,100,000**	**(154,392)**	**1,987**	**4,328,736**	**1,000,000**	**1,000,000**	**5,809,140**	**7,796,105**	**51,537,217**
Net profit for the year	-	-	-	-	-	-	-	-	2,222,205	2,222,205
Other comprehensive income items	-	-	-	-	-	-	-	1,629,896	-	1,629,896
Transferred from retained earnings on sale of investments available for sale	-	-	-	-	-	-	-	-	(6,662)	(6,662)
Bonus shares	732,782	-	-	-	-	-	-	-	(732,782)	-
Sale of treasury shares	-	-	139,200	(1,987)	-	-	-	-	(30,611)	106,602
Cash dividends	-	-	-	-	-	-	-	-	(731,331)	(731,331)
Transferred to statutory reserve		-	-	-	230,783	-	-	-	(230,783)	-
Balance as at 31 December 2013	15,388,423	17,100,000	(15,192)	-	4,559,519	1,000,000	1,000,000	7,439,036	8,286,141	54,757,927
Balance at 1 January 2014	**15,388,423**	**17,100,000**	**(15,192)**	-	**4,559,519**	**1,000,000**	**1,000,000**	**7,439,036**	**8,286,141**	**54,757,927**
Net profit for the year	-	-	-	-	-	-	-	-	2,424,258	2,424,258
Other comprehensive income items	-	-	-	-	-	-	-	(971,152)	-	(971,152)
Transferred from retained earnings on sale of investments available for sale	-	-	-	-	-	-	-	-	(6,590)	(6,590)
Cash dividends (note 16)	-	-	-	-	-	-	-	-	(1,538,542)	(1,538,542)
Transferred to statutory reserve		-	-	-	251,339	-	-	-	(251,339)	-
Balance as at 31 December 2014	**15,388,423**	**17,100,000**	**(15,192)**	-	**4,810,858**	**1,000,000**	**1,000,000**	**6,467,884**	**8,913,928**	**54,665,901**

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

Kuwait Foundry Company K.P.S.C.
State of Kuwait

Statement of Cash Flows for the year nded 31 December 2014

(All amounts in Kuwaiti Dinars)

	2014	2013
Cash flows from operating activities		
Net profit for the year	2,424,258	2,222,205
Adjustments:		
Depreciation of property, plant and equipment	46,663	51,084
Gains from investments	(1,914,046)	(1,978,845)
Post-employment benefits	52,854	178,733
Interests payable	(9,040)	(5,644)
Operating profit before changes in working capital	600,689	467,533
Inventories	213,764	181,344
Trade and other receivables	(60,743)	(159,614)
Post-employment benefits paid	(14,257)	(31,749)
Trade and other payables	23,266	142,289
Net cash generated from operating activities	762,719	599,803
Cash flows from investing activities		
Proceeds from sale of investments available for sale	5,932,106	3,634,402
Paid for purchase of investments available for sale	(5,869,441)	(3,164,585)
Paid for investments in an Associate	-	(1,057,492)
Cash dividends received	1,226,454	1,395,786
Interests payable received	9,040	5,644
Payments for acquisition of property, plant and equipment	(23,088)	(23,976)
Net cash generated from investing activities	1,275,071	789,779
Cash flows from financing activities		
Proceeds from sale of treasury shares	-	106,602
Cash dividends paid to shareholders	(1,499,317)	(745,768)
Net cash used in financing activities	(1,499,317)	(639,166)
Net increase in cash and cash equivalents	538,473	750,416
Cash and cash equivalents at the beginning of the year	1,860,014	1,109,598
Cash and cash equivalents at the end of the year (note 12)	2,398,487	1,860,014

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

1. Company's incorporation and objectives

Kuwait Foundry Company K.P.S.C. "the Company" was established on 5 December 1973 under Articles of Association of closed Kuwaiti shareholding company authorized under No. 1201/C/ vol. (3) and its amendments thereof.

The Company is located in Al Rai Industrial Area, Street (10) - Kuwait.

The objectives of the Company are:

Casting of iron and other metals, manufacturing the sanitary tools, manufacturing the accessories for sewage systems, manufacturing of casting joint for "Asbestos" pipes, manufacturing of water valves, manufacturing of water pumps, manufacturing casting accessories for rain water drains, manufacturing casting joints for water extensions, manufacturing casting pipes by centrifugal method, manufacturing electric cables joints, manufacturing electric fuse boxes, manufacturing galvanized joints, manufacturing the mechanic instruments, manufacturing all the requirements related to casting industry, importing the materials necessary to achieve the Company objectives and all the commercial activities related to marketing and distribution of the Company products. The Company may have an interest or participate under any manner in the entities carrying out works similar to the Company works or which may assist the Company to achieve its objectives in Kuwait or abroad. It may buy these entities or take it as its subsidiaries. And invest of its available excess funds through portfolios managed by specialized companies and parties.

The financial statements were authorized for issue by the Board of Directors on 24 February 2015.

2. Basis of preparation and significant accounting policies

2.1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards. These 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.

2.1 New and revised IFRSs

New and revised IFRSs issued and became effective

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

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

The Company has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time during 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 Company's financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IAS 32 Offsetting Financial Assets and 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 liabilities. The amendments have been applied retrospectively. The Company has assessed whether certain of its financial assets and 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 Company's financial statements.

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

The Company 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 Company's financial statements.

New and revised IFRSs in issue but not yet effective
The Company 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 Company's Management does not anticipate that the application of these amendments will have a material impact on the' Company's 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 Company's Management does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

For annual periods beginning on or after 1 January 2017

IFRS 15 *Revenue from Contracts with Customers*

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

For annual periods beginning on or after 1 January 2018

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

2.3 Significant Accounting Policies

2.3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance, repairs and immaterial renewal are recognized in the statement of income for the period in which the expenses are 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, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. 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.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted basis.

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

2.3.2 Investments in associates and joint ventures

An associate is an entity over which the Company 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. 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 resulted assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5"non- current assets held for sale and non-continuing operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred constructive obligations or made payments on behalf of the associates or joint venture.

On acquisition of an associate or a joint venture, any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets and liabilities and contingent liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment in the associates and joint ventures. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in the statement of income.

When the Company transacts with an associate or a joint ventures, profits and losses resulting from the transactions with the associate or joint venture are disposed from the share of the Company in an associate or a joint ventures.

2.3.3 Impairment of tangible assets

The Company annually, reviews the tangible assets to determine whether there is objective evidence that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the year 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. A reversal of an impairment loss is recognised immediately in the statement of income

2.3.4 Financial instruments

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

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

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'. In the initial recognition, the Company has determined the appropriate classification of its financial assets based on the purpose of acquisition of such financial assets. All regular way purchases or sales of financial assets are recognised on a trade date basis. The Company has determined the classification of its financial assets as follows:

Financial assets at FVTPL

Financial assets are classified as at FVTPL when 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 gains or losses arising on re-measurement recognised in the statement of income. The gain recognised in the 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.

Loans and receivables

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

Available for sale (AFS)

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

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

Change in the fair value is recognised in items of the other comprehensive income and accumulated under the heading of change in fair value reserve. In the case of disposal or impairment of the assets, the cumulative gain or loss previously accumulated in the change in fair value reserve is reclassified to the statement of income.

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

Dividends on AFS instruments are recognised in the statement of income when the Company's right to receive the dividends is established. Foreign exchange gains and losses are recognised in the statement of other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Impairment loss is recognized directly in the statement of income 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 will be affected.

For AFS 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 making a provision for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in the statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the comprehensive statement of income are reclassified to the statement of income for 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 profit or loss 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 are not reversed through the statement of income. Any increase in fair value subsequent to an impairment loss is recognised in the statement of other comprehensive income.

Derecognition

The Company 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 items and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including loans and trade and other payables) are initially recognised at fair value, after deducting the incurred transaction costs and subsequently re-measured at amortised cost using the effective yield method.

Derecognition

The Company derecognises financial liabilities when, and only when, the Company'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.

2.3.5 Inventories

Finished goods and work in progress are stated at the lower of cost or net realizable value. Cost is determined based on the average cost per ton. The cost of finished goods and work in progress comprises raw materials, direct Labour, other direct costs and related indirect production overheads excluding finance costs.

Raw materials and spare parts are stated at the lower of average cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.3.6 Post-employment benefits

The Company is liable under Kuwait Labour Law to make payments under defined benefit plans to employees upon termination of employment. 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 financial statements date. This basis is considered to be a reliable approximation of the present value of the Company's liability.

2.3.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic 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 discount rate that reflects market's assessments and the current value of money and the risks specific to the obligation.

2.3.8 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Company and not yet reissued or cancelled till the date of the financial statements. 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.

2.3.9 Revenue recognition

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

- Revenue from sale of goods is recognized when risks and rewards associated with ownership transferred to the buyer. Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the right to receive payment has been established.

2.3.10 Accounting for Leases

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 to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

The Company 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 to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company 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 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.

2.3.11 Foreign currencies

The functional currency of the Company is the Kuwaiti Dinar. Foreign currency transactions are recorded at the rates of exchange ruling on the transaction date. At the date of the financial statements, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Resultant gains or losses are taken to statement of income.

2.3.12 Dividends

Dividends distribution to the Company's shareholders is recognized as liabilities in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risks

The activities of the company expose it to certain financial risks, market risks, (which include foreign currency risks, risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and market prices risks) credit risk and liquidity risk.

The Company manages these financial risks by the continuous evaluation of market conditions and trends and the management's assessments of the long and short-term changes of market factors.

Market risks

Market risk is the risk of loss resulting from fluctuations in the fair value or the future cash flows of financial instrument as a result of changes in market prices. Market risks comprise of foreign currency risk, interest rate risk and price risk.

The Company's Key management monitors and manages its market risks by regular oversight of the market's circumstances and the change in foreign exchange, interest rates, and market prices.

Foreign currency risk

Foreign currency risk is the risk that the fair value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risks resulted mainly from the Company's dealings in financial instruments denominated in US Dollars.

Foreign currency risks are managed through the limits stetted out by the company's management and through ongoing evaluation of the foreign currencies positions' movements, monitor any changes that may negatively affect the company's financial performance.

The following is net foreign currencies positions as at the date of the financial statements:

	2014	2013
US Dollars	20,386,852	20,202,993
Sterling pound	623,805	623,755
Others	99,664	74,516

Had the USD changed by 5% against the Kuwaiti Dinar, the financial statements would have been changed as follows:

	2014	2013
Net profit	47,732	48,830
Equity	971,611	716,930

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have financial instruments exposed to such risk as at 31 December 2014 and 2013.

Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from currency risk or interest rate risk). The Company is exposed to the risk of financial instruments' fluctuations presented in equity as the Company owns investments classified as available for sale investments and investments at fair value through profit or loss.

The Company manages these risks through: -

- Manage the Company's investments through portfolios managed by specialized portfolio managers.
- Almost all the company's investments are in listed companies, unless, that investments are directly in unquoted securities should be on companies that carry similar activities where such investments should be studied and approved by the Key management.
- Periodic follow-up of changes in market prices.
- Invest in companies' shares that have good financial positions that generate high operating income and dividends.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Trade receivables, cash and cash equivalent are considered principally the assets exposed to credit risk. The Company monitors and manages this risk by:-

- Dealing with high net worth and reputable customers.
- Dealing with a variety of customers and through not concentrating the dealing with a customer.
- Obtaining letters of guarantee issued from highly credit rated banks in behalf of the company from the customers
- Dealing with highly credit rated financial institutions.

The management of the company believes that the maximum exposure to credit risk as at 31 December is as follows:-

	2014	2013
Trade and other receivables (note 10)	1,364,902	1,305,262
cash and cash equivalent (note 11)	2,398,487	1,860,014

Liquidity risks

The risk that company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk management mainly represents maintaining sufficient cash and high liquid financial instruments and the availability of funding resources to meet the company's liquidity requirements.

The Company monitors and manages this risk by:-

- Monitoring the maturities of financial liabilities.
- Preparing a cash annual budget to determine the liquidity required and available volumes.

Almost all the financial liabilities are due within a year as at the date of the financial statements.

3.2 Capital risk management

The company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to shareholders and benefits to stakeholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders or sell assets to reduce debt. As common in the industry the company monitors the capital on the debt to equity basis.

During 2014, the company's strategy remains unchanged from 2013; which is to maintain lowest possible gearing ratio.

3.3 Fair value estimation

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

- **Level one**: Quoted prices in active markets for financial instruments.
- **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 following table provides an analysis of financial instruments carried at fair value, grouped into the aforesaid levels:

	Fair value as at		Evaluation date	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013					
Available for sale investments	25,250,479	25,595,337	31 December 2014	First Level	Last bid price	N/A	N/A
Available for sale investments	28,370	28,513	31 December 2014	Second Level	Net value of investment unit	N/A	N/A
Investment at fair value through profit or loss	2,573,318	2,573,318	31 December 2014	Second Level	Last available transaction for such shares	N/A	N/A

The fair value of financial assets and liabilities is not materially different from their carrying value as at 31 December 2014 and 2013.

Unquoted Available for sale investments whose fair value cannot be reliably determined are recognized at cost after deducting impairment at the end of each financial period (Note 6).

4. Critical accounting estimates and assumptions

In the application of the Company's accounting policies, the management is required to make judgments, 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 is the key assumptions concerning the future that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of financial instruments

As described in (note 3.3), the Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of tangible assets

The Company reviews the tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the 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 resulting in future changes to such provisions.

Impairment of inventories

At the date of each financial position, the management uses objective evidence to judge whether there is a permanent or material impairment for inventory. The determination of impairment requires management to make considerable judgment and involves evaluating factors including industry and market conditions.

Impairment of Receivables

The Company's management determines impairment of receivables in the light of the Company's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. Impairment of receivables that mature for periods more than 90 days and has not been paid yet.

Evidence of impairment of investments

Management determines the impairment in the available for sale instruments when there is a long-term or material impairment in the value of investments classified as available for sale investments. Determination of the long-term or material impairment requires judgment from management. The Company 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.

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more 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.

5. Property, plant and equipment

	Building	Machinery & Plant	Patterns	Vehicles	Furniture & Office Construction	Total
Cost:						
As at 1 January 2013	2,081,390	4,988,052	1,150,666	142,560	138,285	8,500,953
Additions	-	1,098	21,580	-	1,298	23,976
Disposals	-	-	(380)	-	(751)	(1,131)
As at 31 December 2013	2,081,390	4,989,150	1,171,866	142,560	138,832	8,523,798
Additions	-	1,962	20,210	-	916	23,088
Disposals	-	(495,149)	(2,643)	-	(4,229)	(502,021)
As at 31 December 2014	2,081,390	4,495,963	1,189,433	142,560	135,519	8,044,865
Accumulated depreciation:						
As at 1 January 2014	1,776,741	4,866,712	1,150,666	138,754	133,654	8,066,527
Deprecation for the year	1,681	24,152	21,580	1,631	2,040	51,084
Depreciation of disposals	-	-	(380)	-	(751)	(1,131)
As at 31 December 2014	1,778,422	4,890,864	1,171,866	140,385	134,943	8,116,480
Deprecation for the year	1,681	21,280	20,210	1,631	1,861	46,663
Depreciation of disposals	-	(495,149)	(2,643)	-	(4,229)	(502,021)
As at 31 December 2013	1,780,103	4,416,995	1,189,433	142,016	132,575	7,661,122
Net book value						
As at 31 December 2014	301,287	78,968	-	544	2,944	383,743
As at 31 December 2013	302,968	98,286	-	2,175	3,889	407,318
Useful lives / (year)	20	10	5-6	5-3	4-5	

Buildings and sheds are constructed on a leasehold lands from the State Property Department according to lease contracts expired on 2015 these contracts are reliably renewable.

6. Investments available for sale

	2014	2013
Quoted shares	25,278,849	25,623,850
Unquoted shares	21,079,655	21,087,466
	46,358,504	46,711,316

- The fair value of investments available for sale was determined based on valuation methods as disclosed in (note 3.3)
- Unquoted investments were carried at cost as their fair values cannot be reliably measured. Based on the information available for these investments, there are no indications of impairment.

7. Investments in an associate

The balance of such item represents the value of the investment in Egyptian Kuwaiti Foundry Company. In light the of adjustments which have been approved by the shareholders of Egyptian Kuwaiti Foundry Company in the extra - ordinary general meeting, the KFC's share in share capital has been reduced from 75% to 50%, as well as, the percentage of its votes in the Company's Board. Kuwait Foundry Company has recorded such investment as investment in an associate since the company has no control in accordance with the requirements of IRFS 10 "consolidated financial statements".

The Company's share has not been recorded in the operating results of the associate since the audited financial statements have not been completed yet.

8. Other Assets

	2014	2013
Paid under establishment of a subsidiary	-	1,057,492
Due from related parties	65,797	65,797
	65,797	1,123,289

9. Inventories

	2014	2013
Raw materials and spare parts	1,109,380	1,212,942
Finished goods	1,138,698	1,246,799
Goods in transit	2,204	4,305
	2,250,282	2,464,046

10. Trade and other receivables

	2014	2013
Customers' receivables	345,573	310,075
Due from related parties (note 24)	767,157	767,157
Staff receivables	407,582	383,440
Refundable deposits	11,316	11,316
Prepaid expenses	8,562	7,633
Suppliers' advance payments	10,567	10,393
Other receivables	4,192	4,193
	1,554,949	1,494,207
Provision for doubtful debts	(155,410)	(155,410)
	1,399,539	1,338,797

- Trade receivable that past due for more than 3 months amounted to KD 144,667 as of 31 December 2014 (KD 144,667 as of 31 December 2013). The balance of this provision amounted to KD 144,667 as at 31 December 2014 (KD 144,667 at 31 December 2013). The significant trade receivable that impaired is for external customers.

- The Company maintains bank guarantees from customers as collateral for collection, amounted KD 232,884 as at 31 December 2014 (KD 233,834 as of 31 December 2013).

11. Investments at fair value through profit or loss

This represents investments in unquoted local shares. Its fair value has been determined based on valuation levels as disclosed in (note 3.3).

12. Cash and cash equivalents

	2014	2013
Cash at banks	2,374,421	1,725,222
Cash at investment portfolio	24,066	134,792
	2,398,487	1,860,014

13. Share capital

The shareholders' ordinary General Assembly in its meeting held on 20 March 2013 approved to distribute bonus shares @ 5% of the share capital. This amendment has been registered at the commercial register on 9 April 2013. Therefore, the Company's issued and paid up capital is as follows:

	2014	2013
Authorized, issued, and paid up capital	15,388,423	15,388,423
Number of shares (share) – (all shares are in cash)	153,884,230	153,884,230
Share nominal value (fils)	100	100

14. Treasury shares

	2014	2013
Number of treasury share (share)	30,000	30,000
Percentage to the issued shares (%)	0.395	0.395
Market value	9,300	11,850

The Company is required to retain reserves and retained earnings equivalent to the value of treasury shares throughout the period, in which they are held by the company, pursuant to instructions of the relevant regulatory authorities.

15. Reserves

15.1 Statutory reserve

In accordance with the Company's Articles of Association, 10% of annual net profit is being transferred to legal reserve. The General Assemble may resolve to discontinue such annual transfers when the reserve reaches 50% of the share capital. This reserve is not available for distribution except in the cases stipulated by Companies Law.

15.2 Voluntary reserve

In accordance with the Company's Articles of Association, 10% of annual net profit is being transferred to voluntary reserve. The General Assembly decided to discontinue the 10% voluntary reserve.

16. Dividends

On 2 April 2014, the ordinary general assembly of the shareholders has approved the financial statements for the year ended 31 December 2013 and also approved distribution of cash dividends @ 10% of the nominal value per share, equivalent to 10 fils per each.

On 24 February 2015, the Board of Directors proposed distribution of cash dividends @ 10% of the share nominal value equivalent to 10 fils per each. This proposal is subject to the shareholders' approval in the General Assembly.

17. Trade and other payables

	2014	2013
Trade payables	80,893	95,421
Customers' advance payments	225,895	197,198
Accrued expenses and leaves	292,849	295,947
Kuwait Foundation for the Advancement of Sciences	93,391	80,870
Zakat	14,302	10,972
National Labor Support Tax	37,208	38,881
Board of Directors' remuneration	15,000	15,000
Dividends payable	80,953	41,728
Other payables	20,519	22,502
	861,010	798,519

18. Costs of sales

	2014	2013
Raw materials and spare parts at the beginning of the year	1,212,942	1,224,294
Purchase of raw materials and spare parts during the year	794,229	692,687
Raw materials and spare parts at the end of the year	(1,109,380)	(1,212,942)
Cost of raw materials and used spare parts	897,791	704,039
Operating expenses (direct wages, depreciation and other industrial expenses)	429,506	453,504
Total production costs	1,327,297	1,157,543
Finished goods at the beginning of the year	1,246,799	1,418,043
Finished goods at the end of the year	(1,138,698)	(1,246,799)
Cost of sales	1,435,398	1,328,787

19. Selling and marketing expenses

	2014	2013
Salaries, wages and related expenses	31,506	25,151
Transportation	3,960	5,998
Sales commission	9,853	9,329
Outlets expenses	9,971	7,200
Expenses of painting exports	30,576	27,934
Other expenses	4,679	4,296
	90,545	79,908

20. General and administrative expenses

	2014	2013
Salaries, wages and related expenses	403,454	582,156
Depreciation	3,574	3,671
Maintenance expenses	2,288	2,725
Financial and legal consulting fees	9,000	7,000
Subscriptions	7,511	8,525
Portfolios management fees	41,844	36,751
Other expenses	25,281	27,403
	492,952	668,231

21. Gain from investments

	2014	2013
Realized gain from investments available for sale	709,742	583,059
Cash dividends	1,226,454	1,395,786
Impairment of investments available for sale	(22,150)	-
	1,914,046	1,978,845

22. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	2014	2013
Net profit for the year	2,424,258	2,222,205
Weighted average number of outstanding shares (share)	153,854,230	153,760,848
Earnings per share (fils)	15.76	14.45

23. Staff costs

	2014	2013
Salaries and wages	610,828	583,686
Leave and indemnity	121,399	312,821
In kind benefits	21,130	15,898
	753,357	912,405

24. Related parties transactions

The related parties are represented in the Company's shareholders who have votes in Board and Board of Directors, executive directors and companies over which the major shareholders have control. In the Company's ordinary course of business, transactions have been signed with related parties during the year. The following is the statement of such transactions and balances:

	2014	2013
Transactions		
Selling goods to major shareholders	79,875	56,187
key management benefits	325,537	533,201
Balances		
Due from related parties	832,954	832,954
Post-employment benefits for key management	687,641	653,977

These transactions are subject to the shareholders' General Assembly approval.

25. Segment information

The Company's activities are concentrated in two main sectors: manufacturing sector and investment sector.

The measurement of revenues, profits, assets and liabilities in accordance with the same bases of accounting used in the financial statements preparation. The following is the segment information which is consistent with the internal reporting presented to management:

	2014			
	Manufacturing activities	**Investment activities**	**Unallocated items**	**Total**
Revenues	2,473,578	1,914,046	145,173	4,532,797
Costs and expenses	(1,525,943)	-	(582,596)	(2,108,539)
Segments results	947,635	1,914,046	(437,423)	2,424,258
Assets	2,831,443	50,079,177	3,576,542	56,487,162

	2013			
	Manufacturing activities	**Investment activities**	**Unallocated items**	**Total**
Revenues	2,384,049	1,978,845	21,860	4,384,754
Costs and expenses	(1,408,695)	-	(753,854)	(2,162,549)
Segments results	975,354	1,978,845	(731,994)	2,222,205
Assets	3,030,708	50,542,715	2,904,675	56,478,098

26. Contingent liabilities

	2014	**2013**
Letters of guarantee issued for third party	22,150	22,150