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

Financial Statements and Independent Auditors' Report
For the year ended 31 December 2015

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Contents

Deloitte.

Deloitte & Touche
Al-Wazzan & Co
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062 or
P.O. Box 23049 Safat 13091
Kuwait
Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

Crowe Horwath.

Horwath Al-Muhanna & Co.
Certified Accountants
Member Crowe Horwath International

P.O. Box 26154, Safat
13122 - Kuwait
+965 224 525 46/7/8
+965 224 525 49 Fax
www.crowehorwath.com.kw

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 2015, 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.

Responsibility of the Company's Management 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 2015, 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, proper books of accounts have been kept by the Company 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. 1 of 2016 and by the Company's Memorandum of Incorporation 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. 1 of 2016 or the Company's Memorandum of Incorporation and Articles of Association, as amended have occurred during the financial year ended 31 December 2015 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, 29 February 2016

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

Statement of Financial Position as at 31 December 2015

(All amounts are in Kuwaiti Dinars)

	Notes	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	5	366,446	383,743
Investment in an associate	6	2,473,739	1,057,492
Available for sale investments	7	38,914,674	46,358,504
Trade and other receivables	10	65,797	65,797
		41,820,656	47,865,536
Current assets			
Inventories	8	2,175,047	2,250,282
Trade and other receivables	9	1,675,570	1,399,539
Investment at fair value through profit or loss	10	2,173,318	2,573,318
Cash and cash equivalents	11	1,451,693	2,398,487
		7,475,628	8,621,626
Total assets		49,296,284	56,487,162
Equity and liabilities			
Equity			
Share capital	12	15,388,423	15,388,423
Share premium		17,100,000	17,100,000
Treasury shares	13	(15,192)	(15,192)
Statutory reserve	14.1	4,810,858	4,810,858
Voluntary reserve	14.2	1,000,000	1,000,000
Other reserves	15	5,229,851	7,467,884
Retained earnings		4,398,609	8,913,928
		47,912,549	54,665,901
Liabilities			
Non-current liabilities			
Post-employment benefits		987,017	960,251
Current liabilities			
Trade and other payables	17	396,718	861,010
Total liabilities		1,383,735	1,821,261
Total equity and liabilities		49,296,284	56,487,162

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

Statement of Income for the Year Ended 31 December 2015

(All amounts are in Kuwaiti Dinars)

	Notes	2015	2014
Sales		2,121,190	2,473,578
Cost of sales	18	(1,064,881)	(1,435,398)
Gross profit		1,056,309	1,038,180
Other operating income		130,777	144,659
Selling and marketing expenses	19	(48,298)	(90,545)
General and administrative expenses	20	(519,648)	(492,952)
Operating profit		619,140	599,342
Company's share in an associate's results		(68,158)	-
Net (losses) / gains from financial investments	6	(3,499,622)	1,914,046
Net (loss) / profit before deductions	21	(2,948,640)	2,513,388
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(22,620)
National Labour Support Tax		-	(37,208)
Zakat		-	(14,302)
Board of Directors' remunerations		-	(15,000)
Net (loss) / profit for the year		(2,948,640)	2,424,258
(Losses)/ earnings per share (fils)	22	(19.17)	15.76

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

Statement of Comprehensive Income for the Year Ended 31 December 2015

(All amounts are in Kuwaiti Dinars)

	2015	2014
Net (loss) / profit for the year	(2,948,640)	2,424,258
Other comprehensive income items		
Items could be transferred to statement of Income		
Change in fair value of available for sale investments	(6,440,453)	(419,350)
Transferred to income statement from sale of available for sale investments	247,359	(573,952)
Impairment of available for sale investments	3,990,119	22,150
Foreign currency translation reserve of an associate	(35,058)	-
Total other comprehensive income items	(2,238,033)	(971,152)
Total comprehensive (losses)/ income for the year	(5,186,673)	1,453,106

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

Statement of Changes in Equity for the Year Ended 31 December 2015

(All amounts are in Kuwaiti Dinars)

	Share Capital	Share Premium	Treasury Shares	Statutory Reserve	Voluntary Reserve	Other reserves (note 15)	Retained Earnings	Total
Balance as at 1 January 2014	15,388,423	17,100,000	(15,192)	4,559,519	1,000,000	8,439,036	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 as a result of sale of available for sale investments	-	-	-	-	-	-	(6,590)	(6,590)
Cash dividends	-	-	-	-	-	-	(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	7,467,884	8,913,928	54,665,901
Balance as at 1 January 2015	15,388,423	17,100,000	(15,192)	4,810,858	1,000,000	7,467,884	8,913,928	54,665,901
Net loss for the year	-	-	-	-	-	-	(2,948,640)	(2,948,640)
Other comprehensive income items	-	-	-	-	-	(2,238,033)	-	(2,238,033)
Transferred from retained earnings as a result of sale of available for sale investments	-	-	-	-	-	-	(28,137)	(28,137)
Cash dividends (note 16)	-	-	-	-	-	-	(1,538,542)	(1,538,542)
Balance as at 31 December 2015	15,388,423	17,100,000	(15,192)	4,810,858	1,000,000	5,229,851	4,398,609	47,912,549

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

Statement of Cash Flows for the Year Ended 31 December 2015

(All amounts are in Kuwaiti Dinars)

	2015	2014
Cash flows from operating activities		
Net (loss) / profit for the year	(2,948,640)	2,424,258
Adjustments:		
Depreciation	38,274	46,663
Losses / (gains) from investments	3,499,622	(1,914,046)
Share in an associate's results	68,158	-
Interests payable	(6,490)	(9,040)
Post-employment benefits – provided during the year	51,802	52,854
Operating profit before changes in the working capital	702,726	600,689
Inventories	75,235	213,764
Trade and other receivables	(276,031)	(60,743)
Trade and other payables	(460,693)	23,266
Post-employment benefits- paid during the year	(25,036)	(14,257)
Net cash generated from operating activities	16,201	762,719
Cash flows from investing activities		
Paid for acquisition of property, plant and equipment	(20,977)	(23,088)
Proceeds from sale of available for sale investments	1,039,520	5,932,106
Paid for purchase of available for sale investments	-	(5,869,441)
Net paid for settlement capital of investments in an associate	(1,519,463)	-
Cash dividends received	1,073,576	1,226,454
Interests payable received	6,490	9,040
Net cash generated from investing activities	579,146	1,275,071
Cash flows from financing activities		
Cash dividends paid to shareholders	(1,542,141)	(1,499,317)
Net cash used in financing activities	(1,542,141)	(1,499,317)
Net (decrease)/ increase in cash and cash equivalents	(946,794)	538,473
Cash and cash equivalents at the beginning of the year	2,398,487	1,860,014
Cash and cash equivalents at the end of the year (note 11)	1,451,693	2,398,487

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 as a closed Kuwaiti Shareholding Company under Articles of Association no. 1201/C/ Vol. 3 on 5 December 1973 and its amendments thereof. The Company is located at Al Rai Industrial Area, Street (10) - Kuwait. On 14 April 1997, the Company had been listed in Kuwait Securities Market.

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.

On 1 February 2016, the new Companies' Law no. 1/2016 was published in the Official Gazette, which is effective as of 26 November 2012.

According to the new law, the Companies' law No. 25 of 2012 and its amendments have been cancelled however, its Executive Regulations will continue until a new set of Executive Regulations are issued.

These financial statements were authorized for issue by the Board of Directors on 29 February 2016.

2. Bases of preparation and significant accounting policies

2.1 Bases of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These financial statements have been prepared on the historical cost basis except for certain financial instruments that are re-measured at fair value, as explained in the accounting policies below. These accounting policies of the Company have been consistently applied to all years presented, except as stated in note 2.2 in relation to adoption of new and revised International Financial Reporting Standards.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs issued and became effective

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These no should applied retrospectively. This amendment is not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual improvements 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

Annual improvements 2011-2013 Cycle

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements

The Company has applied the amendments to IFRSs included in the annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle for the first time in the current year. The application of these amendments had no impact on the disclosures or amounts recognized in the Company's financial statements.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is in the process of assessment the impact of IFRS 9 on its financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduced a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is in the process of assessment the impact of IFRS 15 on its financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations occurring from the beginning of annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Company.

Amendments to IAS 1 Disclosure Initiative

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

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisations

The Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset except for certain cases.

The Amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company use the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Company's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. However, any gain or loss resulting from the sale or contribution of assets that do not constitute a business is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. These amendments are not expected to have any impact on the Company.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 July 2016 and are not expected to have a material impact on the Company. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits

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 and repairs, replacements and improvements of minor importance are included in the statement of income in the period in which they 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 such assets beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land 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 residual value, useful life and depreciation method are reviewed at the end of each financial period. Any change in the estimated lives is accounted as of the beginning of the financial year in which it is occurred.

Gains or losses resulted from the disposal of property, plant and equipment is included in the statement of income being the difference between the selling price and carrying value of such assets.

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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. A 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 taken in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company'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 in order to recognise the changes in the Company'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 investment's carrying amount and is neither amortised nor individually tested for impairment. The statement of income reflects the Company'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 Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and its associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Company's share of results of an associate and a joint venture is shown on top of the statement of income off the operating profit and also represents the profit or loss after deducting 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 Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in the associate or joint venture. At each reporting date, the Company determines whether there is an objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company 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 or a joint venture' in the statement of income.

Upon loss of significant influence over the associate or joint venture, the Company 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 the statement of income.

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). Net recoverable amount is determined as 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 instruments classified as "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 at termination of employment. Regarding the Non-Kuwaitis labour in other countries; the indemnity is calculated based on law applicable 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 employees on the financial statement's date. The management expects that this method would result in 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

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 Company as lessor

Rental income from operating leases is recognized 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 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

3. Financial risk management

3.1 Financial risks

The Company's activities expose it to variety of financial risks such as market risk (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's financial risks management objective is to make continuous evaluation for market conditions, trends and the management's judgments regarding long and short-term changes of market factors in order to reduce the potential negative impact on the Company's financial performance. The Company currently does not use hedging instruments to manage its exposure to these risks

a) 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:

	2015	2014
US Dollars	25,201,748	20,386,852
Sterling pound	5,838	623,805
Others	127,121	99,664

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

	2015	2014
Net profit	485,533	47,732
Equity	1,065,861	971,611

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 2015 and 2014.

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.

b) 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:-

	2015	2014
Receivables and other debt balances (note 9)	1,063,890	1,178,527
cash and cash equivalent (note 11)	1,451,693	2,398,487

c) 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 2015, the company's strategy remains unchanged from 2014; which is to maintain lowest possible gearing ratio.

3.3 Fair value estimation

The fair value of the financial assets and liabilities is 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 an inactive market. Inputs other than quoted prices of financial instruments that are observable for assets and liabilities.
- **Level three**: valuation methods, which use inputs that are not based on observable market data.

The following table explains the analysis of financial instruments recognized at fair value in accordance with above levels:

Financial assets	Fair value as at		Evaluation date	Fair value level	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs with fair value
	2015	2014					
Available for sale investments	18,926,945	25,250,479	31 December	First	Last bid price	N/A	N/A
Available for sale investments	1,000	28,370	31 December	Second	Net value of investment unit	N/A	N/A
Investments at fair value through profit or loss	2,173,318	2,573,318	31 December	Second	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 2015 and 2014.

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 7).

4. Critical accounting estimates and assumptions

In the application of the Company's accounting policies, the Management is required to make 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 of the revision and future periods if the revision affects future periods. The following is the key estimates and assumptions concerning the future that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial years.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Company are measured at fair value for the purposes of preparing the financial statements. The Company's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Company uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.3).

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 statement of financial position, management assesses whether there is any indication that inventory is impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions

Impairment of receivables

Impairment of receivables is assessed on basis of the Company's past experience of probability of collection, an increase in the number of days late of making payment beyond the average credit period, as well as observable changes in local and international economic conditions that default on repayment. Impairment of due receivable balances is recognized when there are satisfactory reasons that other parties cannot pay as per the original contractual conditions (note 9) sets out the impact of that on the financial statements.

Evidence of impairment of investments

The Company determines the impairment in the available for sale investments 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

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 & Sheds	Machinery, Equipment & Tools	Operation Patterns	Vehicles & Transportation equipment	Furniture & Office Equipment	Total
Cost:						
As at 1 January 2014	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
Additions	-	2,708	16,165	-	2,104	20,977
Disposals	-	-	(700)	-	(572)	(1,272)
As at 31 December 2015	2,081,390	4,498,671	1,204,898	142,560	137,051	8,064,570
Accumulated depreciation:						
As at 1 January 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 2014	1,780,103	4,416,995	1,189,433	142,016	132,575	7,661,122
Deprecation for the year	1,681	18,310	16,165	544	1,574	38,274
Depreciation of disposals	-	-	(700)	-	(572)	(1,272)
As at 31 December 2015	1,781,784	4,435,305	1,204,898	142,560	133,577	7,698,124
Net book value:						
As at 31 December 2015	299,606	63,366	-	-	3,474	366,446
As at 31 December 2014	301,287	78,968	-	544	2,944	383,743
Useful lives / (year)	20	10	5-6	3-5	4-5	

Buildings and sheds are constructed on a leasehold lands from the State Property Department under lease contracts expired on 2020. Such contracts are reliably renewable.

6. Investment in associate

<u>Company</u>	Country of incorporation	Main activity	Ownership (%) 2015	Ownership (%) 2104	2015	2014
Egyptian Kuwaiti Foundry Company (EKF)	Egypt	Industrial	50	50	2,473,739	1,057,492

The investment in an associate is accounted for using equity method in these financial statements.

The investment in thes associate is unquoted as at 31 December 2015 and 2014.

During the year, the Company has settled a portion of its share in the issued share capital which is equivalent to KD 1,519,463 as at 31 December 2015. The associate is currently in the process of completing the procedures to increase the share capital in compliance with its Memorandum of Incorporation as well as the payments settled by the shareholders.

7. Available for sale investments

	2015	2014
Quoted investments	18,927,945	25,278,849
Unquoted investments	19,986,729	21,079,655
	38,914,674	46,358,504

- The fair value of available for sale investments was determined based on valuation bases as set out in (note 3.3)
- Unquoted investments were carried at cost after deducting the impairment, since their fair values cannot be reliably measured

8. Inventories

	2015	2014
Raw materials and spare parts	908,693	1,109,380
Finished goods	1,216,158	1,138,698
Goods in transit	50,196	2,204
	2,175,047	2,250,282

9. Trade and other receivables

	2015	2014
Non-current		
Due from related parties (note 23)	65,797	65,797
	65,797	65,797
Current		
Customers' receivables	230,936	345,573
Provision for doubtful debts	(100,000)	(155,410)
	130,936	190,163
Other receivables	352,497	-
Due from related parties (note 23)	767,157	767,157
Staff receivables	397,014	407,582
Refundable deposits	12,254	11,316
Prepaid expenses	7,292	8,562
Suppliers' advance payments	5,389	10,567
Other receivables	3,031	4,192
	1,675,570	1,399,539
	1,741,367	1,465,336

- Trade receivables that past due for more than 3 months were amounted to KD 90,663 as at 31 December 2015 (KD 144,667 as of 31 December 2014). The balance of this provision was amounted to KD 100,000 as at 31 December 2015 (KD 144,667 at 31 December 2014). The significant trade receivables that impaired are related to external customers.
- The Company maintains bank guarantees from customers as collateral for collection, amounted to KD 263,157 as at 31 December 2015 (KD 232,884 as of 31 December 2014).

10. Financial investments at fair value through profit or loss

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

11. Cash and cash equivalents

	2015	2014
Cash at banks	1,440,565	2,374,421
Cash at investment portfolios	11,128	24,066
	1,451,693	2,398,487

12. Share capital

The authorized, issued, and fully paid up share capital is amounted to KD 15,388,423 divided into 153,884,230 shares with a nominal value of 100 fils per share. All shares are in cash.

13. Treasury shares

	2015	2014
Number of shares - share	30,000	30,000
Percentage to the issued shares (%)	0.395	0.395
Market value	6,540	9,300

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

14. Reserves

14.1 Statutory reserve

In accordance with the requirements of Company's Memorandum of Incorporation, 10% of the net profit of the year before contribution to KFAS, NLST, Board of Directors' remunerations and Zakat is transferred to statutory reserve. The Company may resolve to discontinue such reserve when the reserve reaches 50% of the share capital. This reserve is not available for distribution except in the cases stipulated by Companies' Law and Company's Memorandum of Incorporation.

14.2 Voluntary reserve

In accordance with the requirements of Company's Memorandum of Incorporation, a percentage of the net profit for the year as proposed by the Board and agreed by the shareholders General Assembly, before contribution to KFAS, NLST, Board of Directors' remunerations and Zakat is transferred to the voluntary reserve. Such transfer can be discontinued by a resolution of the General Assembly upon recommendation by the Board of Directors.

15. Other reserves

	General reserve	Change of fair value reserve	Foreign currency translation reserve	Total
Balance as at 1 January 2014	1,000,000	7,439,036	-	8,439,036
Total other comprehensive income	-	(971,152)	-	(971,152)
Balance as at 31 December 2014	1,000,000	6,467,884	-	7,467,884
Balance as at 1 January 2015	1,000,000	6,467,884	-	7,467,884
Total other comprehensive income	-	(2,202,975)	(35,058)	(2,238,033)
Balance as at 31 December 2015	1,000,000	4,264,909	(35,058)	5,229,851

16. Dividends

On 15 April 2015, the Ordinary General Assembly of the shareholders has approved the financial statements for the year ended 31 December 2014 and also approved distribution of cash dividends of 10% of the nominal value per share, equivalent to 10 fils per share.

On 29 February 2016, the Board of Directors proposed distribution of cash dividends of 10% of the nominal value per share, equivalent to 10 fils per share for the year ended 31 December 2015. This proposal is subject to the shareholders' approval in the General Assembly.

17. Trade and other payables

	2015	2014
Trade payables	44,869	80,893
Customers' advance payments	95,426	225,895
Accrued expenses and leaves	93,526	292,849
Dividends payable	77,354	80,953
Kuwait Foundation for the Advancement of Sciences	72,621	93,391
National Labour Support Tax	-	37,208
Zakat	-	14,302
Board of Directors' remunerations	-	15,000
Other payables	12,922	20,519
	396,718	861,010

18. Cost of sales

	2015	2014
Raw materials and spare parts at the beginning of the year	1,109,380	1,212,942
Purchase of raw materials and spare parts during the year	544,001	794,229
Raw materials and spare parts at the end of the year	(908,693)	(1,109,380)
Cost of raw materials and used spare parts	744,688	897,791
Operating expenses (direct wages, depreciation and other industrial expenses)	397,653	429,506
Total production costs	1,142,341	1,327,297
Finished goods at the beginning of the year	1,138,698	1,246,799
Finished goods at the end of the year	(1,216,158)	(1,138,698)
Cost of sales	1,064,881	1,435,398

19. Selling and marketing expenses

	2015	2014
Salaries, wages and related expenses	27,506	31,506
Transportation	880	3,960
Sales commission	2,037	9,853
Outlets expenses	7,200	9,971
Expenses of painting exports	5,114	30,576
Other expenses	5,561	4,679
	48,298	90,545

20. General and administrative expenses

	2015	2014
Salaries, wages and related expenses	432,342	403,454
Depreciation	2,291	3,574
Maintenance expenses	2,268	2,288
Financial and legal consulting fees	8,000	9,000
Subscriptions	7,694	7,511
Portfolios management fees	34,574	41,844
Other expenses	32,479	25,281
	519,648	492,952

21. Net (losses)/ gains from financial investments

	2015	2014
Available for sale investments		
Gains from sale	(183,079)	709,742
Cash dividends	963,947	1,168,431
Impairment of available for sale investments	(3,990,119)	(22,150)
	(3,209,251)	1,856,023
Investment at fair value through profit or loss		
Losses from changes at fair value	(400,000)	-
Cash dividends	109,629	58,023
	(290,371)	58,023
	(3,499,622)	1,914,046

22. (losses)/ 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:

	2015	2014
Net (losses) / profits for the year	(2,948,640)	2,424,258
Weighted average number of outstanding shares (share)	153,854,230	153,854,230
(losses) / earnings per share (fils)	(19.17)	15.76

23. Related parties transactions

Related parties comprise of the Company's shareholders who are members in the Board of Directors, key management, Executive Directors and the 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 these transactions and balances:

	2015	2014
Transactions		
Selling goods to major shareholders	78,150	79,875
key management benefits	359,640	325,537
Balances		
Due from related parties (note 9)	832,954	832,954
Post-employment benefits for key management	727,643	687,641

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

24. Segment information

The Company's activities are concentrated in two main sectors: manufacturing sector and investment sector. Revenues, assets and liabilities are measured according to the same accounting bases followed in preparation of the financial statements. The following is the segment analysis which is consistent with the internal reporting presented to management:

	2015			
	Manufacturing activities	**Investment activities**	**Unallocated items**	**Total**
Revenues	2,121,190	(3,567,780)	130,777	(1,315,813)
Costs and expenses	(1,113,179)	-	(519,648)	(1,632,827)
Segments results	1,008,011	(3,567,780)	(388,871)	(2,948,640)
Assets	2,668,955	43,638,656	2,988,673	49,296,284

	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

25. Contingent liabilities

	2015	**2014**
Letters of guarantee issued for third party	22,150	22,150