2014 ANNUAL REPORT
ACICO INDUSTRIES CO.
ACICO
BUILDING ON SOLID FOUNDATIONS

بسم الله الرحمن الرحيم

His Highness
Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah
The Amir of Kuwait

His Highness
Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah
The Crown Prince

His Highness
Sheikh Jaber Al-Moubark Al-Hamad Al-Sabah
The Prime Minister

ACICO INDUSTRIAL

ACICO CONSTRUCTION

ACICO CEMENT

ACICO REAL ESTATE

ACICO REAL ESTATE HOTELS

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Board Of Directors

The Board of Directors comprises the following:

Abdulaziz Ahmad Al-Ayoub
Chairman

Ghassan Ahmad Saud Al-Khaled
Deputy Chairman and CEO

Walid Ahmad Saud Al-Khaled
Member

Faisal Yousef Al-Majed
Member

Ahmad Faisal Al-Refaie
Member

Faten Farouk Al-Naqeeb
Member

Ahmad Ghassan Ahmad Al-Khaled
Member

Vision, Mission and Values

Vision

ACICO Industries aspire to become a universally recognized trademark by means of the company values through diversification of activities and self reliance, and achieve our promises under well established plan and without affecting quality.

Mission

Achieving growth and integrated development through maintaining the quality of our products and deliver them on time and building constant, confident and lifelong partnerships.

Values

- Corporate Culture: diversity and continued development, transparency, teamwork and integrity.
- Performance: our ethics navigate our day-to-day lives to deliver expected qualities of products and services.
- Spirit and future Ambitions: Achieve long term growth and raise the return on shareholder's equity.

Chairman's Message

Dear Shareholders,

I am pleased to meet you once again to present you the financial report of ACICO Industries for the fiscal year (FY) ending at December 31, 2014, which contains a lot of hope and optimism elements for the coming years.

Through the grace of Allah, we managed to achieve good financial profits for the ending year due to the great efforts of the Board of Directors supported by the Executive branch on the one hand and the shareholders on the other. These collective efforts realized all the carefully planned goals in all sectors and fields.

Reading quickly through the company financial statements for the FY ending December 31, 2014 we can say with confidence that ACICO increased its operational revenues to KD 69.192 million (KD 53.762 million in 2013), which resulted in KD 8.335 million profits and earning per share (EPs) by 32.04 fils.

As for company assets, they increased to KD 297.873 million in the end of 2014 vis-à-vis KD 250.378 million in 2013.

Finally, I present my deep appreciation and gratitude to all those who contributed to and supported this success starting with the Board of Directors, the Executive Management and all company personnel, and, last but not least, the dear shareholders who have been the cornerstone in achieving successes, one after another.

Abdul Aziz Ahmad Al-Ayoub
Chairman

Deputy Chairman's Speech

Dear shareholders,
Al-Salam Alaikum wa Rahmatu Allah wa barakatuh
(Peace be on you)

With the closing of a fiscal year and the commencement of a new one, allow me to welcome you and present you with the most significant achievements of ACICO Industries Co. which managed through the past year to realize its promise in accomplishments and significant profits. I can assert that last year's profits were exceptional which, we hope, will be acceptable and commendable by you and will conform to your aspirations.

During the outgoing fiscal year, ACICO managed to realize its carefully planned strategy which generated these exceptional profits. Through the grace of Allah, and by your support, the company managed to expand both internally and externally by the purchase of key and vital assets that will notably consolidate the company value and assets and will also help it achieve more success and progress.

This strategy is based on the principle of distributing risks through diversifying income sources and the geographic diversification of the company assets which will help contain risk within acceptable limits.

As for distribution of income sources, ACICO nowadays owns operational assets that serve the construction sector, which is a vital sector in our markets. Such assets also include the cement industry of all types, the aerated concrete, reinforced and non-reinforced, making the interlock slabs, cement blocks, the ready-mix concrete and the pre-cast concrete. The company is also contemplating to engage in other industries such as iron forming which is expected to have positive impact on the company revenues in 2015.

In addition to the industrial activities, the company is also active in real estate sectors. In addition to real estate development, the company is involved in real estate activities both rental and operational through our real estate assets and hotels in Dubai and Al-Fujira in the UAE State. The company is also active in the contracts sector. Geographically, the company assets are present in several states markets with good revenues which contribute to realizing the company strategy and shareholders' aspirations.

Reading and analyzing the company financial statements, we can state that the company was successful in:

- Increasing shareholders' equities to KD 90.707 million in 2014 comparing with KD 84.200 million in 2013, in an increase of 7.73 %.

- Increasing the company assets to KD 297.873 million in 2014 comparing with KD 250.378 million in 2013, in an increase of 18.97 %. The return on these assets scored 2.80 % comparing with 2.60 % in 2013, in an increase of 0.20 %.

- Increasing operational revenues in 2014 to KD 69.192 million comparing with KD 53.762 million in 2013, in an increase of 28.70 %.

- Increasing company net profits to KD 8.335 million in 2014 comparing with KD 6.414 million in 2013, in an increase of 29.95%, which increased the earning per share (EPS) to 32.04 fils in 2014 comparing with 24.66 fils in 2013.

Dear Shareholders,
The main challenge facing the Board of Directors in the forthcoming stage lies in how to maintain our course of success in achieving more profits and good revenues, locating real and new investment opportunities and converting them to important assets that satisfy your expectations.

Therefore, we shall save no effort to achieve all of the forgoing and utilize all means to achieve them up to your expectations.

Wa Al- Salam Alaikum wa Rahmatu Allah wa barakatuh!

Mr. Ghsassan Al-Khaled
Deputy Chairman

ACICO Profile

ACICO Industries is a Kuwaiti fast-growing company whose products meet the basic necessities and requirements of modern life of building materials. ACICO activities went beyond the Kuwaiti borders to the neighboring GCC markets. Through its plants in Kuwait, UAE, KSA and Qatar, ACICO makes building units from reinforced and unreinforced aerated concrete with its special specifications such as light weight, thermal insulation, fire resistance, and environmental safety. The company utilizes the basic and most advanced materials like ground sand, cement and limestone to make its products. The company is not content with this achievement but looks forward to extending to other MENA countries in accordance with an expansionist policy carefully planned and studied to augment its revenues and future profits.

Another basic ACICO product is the cement of both types: the normal Portland and the resisting type. The Ministry of Public Works (MPW), the House Care Institution, and other government agencies approved ACICO Cement Plant and Products and other ACICO cement products. In addition, ACICO Industries joined the ready mix market through its own plant to meet the increasing demand in Kuwait for this product.

ACICO has the qualified manpower including the consultants, engineers and skilled technicians under a senior executive management which enjoys extensive knowledge and expertise in the building materials industry and constructions. All the company plants both inside and outside Kuwait are equipped with the state-of-art machinery and equipment needed to conduct tests in accordance with the local and global standards and specifications.

ACICO Industries managed to be involved in the contracting world steadily through ACICO Constructions which is approved by the Central Tenders Committee (CTC) as a grade "A" inside the State of Kuwait. The company managed to break the traditional models in the construction world as is obviously evident in its local and regional projects in addition to its special construction system which is now widely known as: ACICO Building System".

ACICO Industries reinforced its activity in the housing development sector through cooperation with Al Masaken Real Estate Development Company, its real estate development arm. It builds housing units in accordance with the advanced world specifications. This dealing might secure the absolute integration for the company reputation and produce a solid and tangible expertise among rival real estate companies.

This assisted ACICO Industries to enter the real estate market strongly through the following real estate and hoteling projects:

Radisson Royal Dubai Hotel located in Sheikh Zayed Street, it comprises 60 floors and 471 rooms and suites which is exemplary in terms of its fantastic design and innovative execution.

Nasima Hotel Apartments Tower is also designed to be the destination for excellence seekers, both at residential and commercial levels, through its distinguished location at Sheikh Zayed Street in addition to its services which convert staying therein immortal joyful memories.

Radisson Blue Resort Al Fujairah extends for more than half a kilometer along the beach where you can enjoy the epitome of natural beauty associated with comfort and relaxation. This resort contains 257 rooms and resorts in addition to abundant and distinctive services and features which render its stay unforgettable.

Last but not the least is ACICO Business Park.

ACICO Industries, with its huge market value, the growing investments volume in the industrial and real estate markets, its projects across the region, and its innovations in the volume and quality of projects on the real estate front are nothing but extension and expression of a group of experienced constituents in their fields of expertise who combined their ideas and unified their visions in ACICO Pot to convert it into a pioneer in the developed building materials industry, construction and real estate development.

2014-Exceptional Achievements

ACICO achieved numerous accomplishments in 2014, both locally and regionally. This was possible through carful implementation of the Executive Management's strategy which has always placed shareholders' interests among its top priorities. ACICO Constructions one of ACICO's affiliated companies acquired the Pre-cast Buildings and Constructions Company which is specialized in making pre-cast concrete, ready-mix and construction projects. Its name has been changed to

ACICO Industries for pre-cast and Constructions.

ACICO Industries for pre-cast and Constructions (AIPC), which is classified as grade one by the Central Tenders Committee (CTC) in the State of Kuwait and which executed huge projects in Kuwait.

ACICO also consolidated integration in its products by adding new production lines for vital building materials such as the white cement to meet the increasing demands of the local market for this product. This product has multi applications like decoration and technical finishing, pavements, road blocks, traffic lines on roads, filling spaces/gaps, and fixing tiles and marble.

The company also got involved in manufacturing the interlock slabs through a state-of- the art production lines in the industry.

These interlock slabs are produced in accordance with the highest local and international standards because they are manufactured by the best and sophisticated machines in the field. The used raw material is of high quality and complies with the local and international standards. The technical team has extensive experience in this field. The manufactured slabs are of vast diversity in shapes and colors. The product's quality is verified by the latest international standards. Another positive feature is the excellent after-sale service.

Risk Management

ACICO Executive Management sought, and is still seeking, to limit risks of ACICO's diverse investments out of its concern to safeguard equity rights. As a result, the Risk Management Department establishment in ACICO Group created a strategically vital role in studying assets, partnerships and investments to evaluate them and make the appropriate recommendations for each to achieve the aspired goals and expectations.

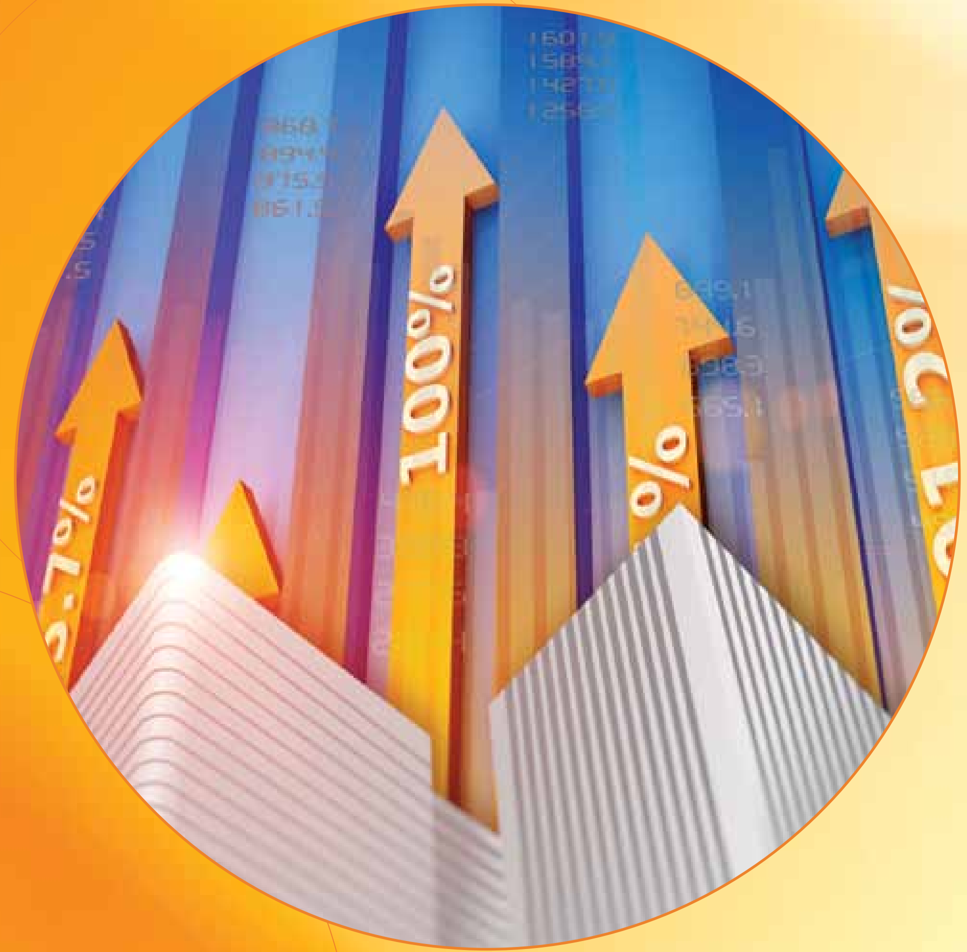
The Risk Management played a significant role in reducing to the minimum investment risks through studies and surveys it presents about targeted projects and markets both locally, regionally and globally. This helped the company expedite the decision-making process pertinent to various company interests.

ACICO and Human Elements

ACICO employees are deemed the main element in making and realizing accomplishments of the company and its evolution due to their high technical expertise and creative capabilities to continuity of the work and its development.

Due to ACICO's recognition of the great role played by its human elements, it worked to strengthen relations with them through stabilization environment, increased loyalty and engagement, providing active work environment and stimulating elements that foster their creative capabilities.

ACICO works always to develop and train its employees to promote their performance and improve their productivity to conform to the rapid technological developments.



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Shareholders
ACICO for Industries Co. - K.S.C. (Public)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ACICO for Industries Co. - K.S.C. (Public) (the Parent Company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as of December 31, 2014 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

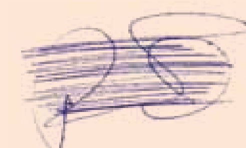
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ACICO for Industries Co. - K.S.C. (Public) and its subsidiaries as of December 31, 2014, and its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No.25 of 2012, its amendments, executive regulations and the Parent Company's Articles of Association and Articles of Incorporation, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the financial year ended December 31, 2014 of either the Companies Law No.25 of 2012, its amendments, executive regulations or of the Parent Company's Articles of Association and Articles of Incorporation which might have materially affected the Group's financial position or results of its operations.



Ali Owaid Rakhes
Licence No. 72-A
Member in International Group for Accounting

Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Al-Bazie & Co.

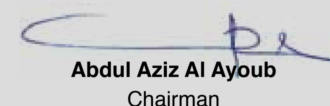
State of Kuwait
February 11, 2015

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2014	2013
Cash on hand and at banks		**2,187,566**	1,721,146
Accounts receivable and other debit balances	3	**13,942,989**	8,723,307
Gross amount due from customers for contract work	4	**1,304,877**	1,309,898
Due from related parties	5	**9,779,176**	5,163,918
Inventories	6	**10,076,088**	4,997,022
Properties under development	7	**6,544,956**	-
Investments available for sale	8	**1,257,791**	1,620,256
Investment in associates	9	**12,913,876**	12,639,662
Investment in unconsolidated subsidiary	10	**50,000**	50,000
Investment properties	11	**173,146,618**	172,441,618
Right of utilization of leasehold land	12	**12,408,995**	416,451
Property, plant and equipment	13	**49,282,141**	41,294,988
Goodwill	2	**4,977,781**	-
Total assets		**297,872,854**	250,378,266
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	14	**7,139,457**	2,991,659
Accounts payable and other credit balances	15	**23,146,161**	11,173,862
Dividends payable to shareholders		**1,096,898**	932,338
Gross amount due to customers for contract work	4	**2,302,097**	677,188
Due to related parties	5	**758,900**	997,011
Term loans	16	**112,066,999**	90,154,272
Murabaha payable	17	**52,939,403**	53,006,099
Provision for end of service indemnity	18	**2,118,534**	1,756,577
Total liabilities		**201,568,449**	161,689,006
Equity:			
Share capital	19	**26,122,770**	24,878,829
Share premium	20	**24,426,446**	24,426,446
Statutory reserve	21	**10,478,829**	9,609,994
Treasury shares	22	**(432,774)**	(432,774)
Treasury shares reserve		**2,589,875**	2,589,875
Effect of change in other comprehensive income of associates		**214,946**	32,707
Foreign currency translation adjustments		**69,869**	(397,553)
Retained earnings		**27,237,026**	23,492,349
Equity attributable to parent company's shareholders		**90,706,987**	84,199,873
Non-controlling interests		**5,597,418**	4,489,387
Total equity		**96,304,405**	88,689,260
Total liabilities and equity		**297,872,854**	250,378,266

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements



Abdul Aziz Al Ayoub
Chairman

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Operating income	24	**59,781,781**	44,381,404
Operating cost	24	**(45,938,735)**	(32,749,047)
Net real estate income	25	**9,409,978**	9,380,446
Gross profit from operations		**23,253,024**	21,012,803
General and administrative expenses	26	**(5,979,153)**	(4,900,662)
Selling expenses		**(516,979)**	(621,393)
Depreciation	24	**(257,296)**	(190,018)
Income from operations		**16,499,596**	15,300,730
Group's share of results from associates	9	**339,474**	357,397
Gain from re-measurement of previously held interest in associate		**-**	286,082
Gain from bargain purchase		**-**	349,728
Impairment loss of goodwill		**-**	(500,000)
Net investment (loss) income	27	**(233,267)**	681,989
Gain resulting from liquidation of subsidiary	2	**358,837**	-
Finance charges	24	**(7,457,304)**	(7,014,665)
Provision for doubtful debts	3	**(482,662)**	(2,063,767)
Foreign exchange gain (loss)		**23,881**	(32,202)
Other income		**358,705**	99,122
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration		**9,407,260**	7,464,414
Contribution to Kuwait Foundation for the Advancement of Sciences	28	**(45,522)**	(26,597)
National Labor Support Tax	29	**(209,666)**	(214,581)
Contribution to Zakat	30	**(53,630)**	(55,005)
Board of Directors' remuneration	31	**(45,000)**	-
Net profit for the year		**9,053,442**	7,168,231
Attributable to:			
Parent company's shareholders		**8,334,536**	6,413,542
Non-controlling interests		**718,906**	754,689
Net profit for the year		**9,053,442**	7,168,231
		Fils	Fils
Earnings per share attributable to parent company's shareholders	32	**32.04**	24.66

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Net profit for the year		**9,053,442**	7,168,231
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**578,734**	(341,895)
Group's share of other comprehensive income from associates	9	**182,239**	157,751
Other comprehensive income (loss) for the year		**760,973**	(184,144)
Total comprehensive income for the year		**9,814,415**	6,984,087
Attributable to:			
Parent company's shareholders		**8,984,197**	6,570,447
Non-controlling interests		**830,218**	413,640
Total comprehensive income for the year		**9,814,415**	6,984,087

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Equity attributable to parent company's shareholders										
	Share capital	Share premium	Statutory reserve	Treasury shares	Treasury Shares reserve	Effect of change in other comprehensive income of associates	Foreign currency translation adjustments	Retained earnings	Sub Total	Non-controlling interests	Total Equity
Balance as of December 31, 2012	24,878,829	24,426,446	8,939,021	(432,774)	2,589,875	(125,044)	(396,707)	19,607,593	79,487,239	4,075,747	83,562,986
Total comprehensive income (loss) for the year	-	-	-	-	-	157,751	(846)	6,413,542	6,570,447	413,640	6,984,087
Cash dividends	-	-	-	-	-	-	-	(1,857,813)	(1,857,813)	-	(1,857,813)
Transfer to statutory reserve	-	-	670,973	-	-	-	-	(670,973)	-	-	-
Balance as of December 31, 2013	24,878,829	24,426,446	9,609,994	(432,774)	2,589,875	32,707	(397,553)	23,492,349	84,199,873	4,489,387	88,689,260
Bonus shares (Note 33)	1,243,941	-	-	-	-	-	-	(1,243,941)	-	-	-
Cash dividends (Note 33)	-	-	-	-	-	-	-	(2,477,083)	(2,477,083)	-	(2,477,083)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(713,316)	(713,316)
Effect of changes in ownership interest of a subsidiary	-	-	-	-	-	-	-	-	-	250,000	250,000
Effect of liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	741,129	741,129
Total comprehensive income for the year	-	-	-	-	-	182,239	467,422	8,334,536	8,984,197	830,218	9,814,415
Transfer to statutory reserve	-	-	868,835	-	-	-	-	(868,835)	-	-	-
Balance as of December 31, 2014	**26,122,770**	**24,426,446**	**10,478,829**	**(432,774)**	**2,589,875**	**214,946**	**69,869**	**27,237,026**	**90,706,987**	**5,597,418**	**96,304,405**

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	2014	2013
Cash flows from operating activities:		
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration	**9,407,260**	7,464,414
Adjustments:		
Depreciation	**2,745,613**	2,160,684
Change in fair value of investment properties	**(705,000)**	(194,108)
Group's share of results from associates	**(339,474)**	(357,397)
Gain from re-measurement of previously held interest in associate	**-**	(286,082)
Gain from bargain purchase	**-**	(349,728)
Impairment loss of goodwill	**-**	500,000
Impairment loss on investments available for sale	**184,144**	184,144
Loss on sale of investments available for sale	**-**	4,564
Gain resulting from liquidation of subsidiary	**(358,834)**	-
Finance charges	**7,457,304**	7,014,665
Provision for doubtful debts	**482,662**	2,063,767
Provision for end of service indemnity	**472,802**	606,612
Gain on sale of property, plant and equipment	**-**	(20,192)
Foreign currency translation adjustments	**158,367**	(393,243)
	19,504,844	18,398,100
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**(2,963,770)**	(2,062,987)
Gross amount due from customers for contract work	**5,021**	(1,003,566)
Due from related parties	**(4,239,020)**	569,944
Inventories	**(4,479,166)**	725,693
Accounts payable and other credit balances	**1,410,258**	559,164
Gross amount due to customers for contract work	**1,624,909**	246,890
Due to related parties	**(238,111)**	(3,768,182)
Cash generated from operations	**10,624,965**	13,665,056
Payment for end of service indemnity	**(105,488)**	(153,504)
Net cash generated from operating activities	**10,519,477**	13,511,552

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.) FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	2014	2013
Cash flows from investing activities:		
Paid for purchase of properties under development	**(6,544,956)**	(394,960)
Cash dividends received from associate	**247,499**	349,982
Proceeds from sale of investments available for sale	**4,866**	77,532
Paid for purchase of property, plant and equipment	**(9,311,565)**	(4,207,837)
Proceeds from sale of property, plant and equipment	**1,634**	84,752
Net cash outflow on acquisition of subsidiary	**(1,942,138)**	(572,996)
Paid for acquisition of investment in unconsolidated subsidiary	**-**	(50,000)
Net cash used in investing activities	**(17,544,660)**	(4,713,527)
Cash flows from financing activities:		
Net movement on due to banks	**4,147,798**	(272,510)
Net movement on term loans	**13,180,328**	5,328,670
Net movement on Murabaha payable	**(66,696)**	(4,621,881)
Finance charges paid	**(7,457,304)**	(7,014,665)
Dividends paid to shareholders	**(2,312,523)**	(2,435,788)
Net cash generated from (used in) financing activities	**7,491,603**	(9,016,174)
Net increase (decrease) in cash on hand and at banks	**466,420**	(218,149)
Cash on hand and at banks at the beginning of the year	**1,721,146**	1,935,310
Effect of consolidation of a subsidiary	**-**	3,985
Cash on hand and at banks at the end of the year	**2,187,566**	1,721,146

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

1.Incorporation and activities

ACICO for Industries Co. - K.S.C. (Public) was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 16540 on June 23, 1990 and registered on Commercial register under Ref. No. 41903 dated July 17, 1991.

Pursuant to a memorandum issued from the department of shareholding companies No. 370 dated June 16, 2014 based on the decision of the Extraordinary General Assembly meeting held on May 15, 2014, the following were approved:

a) Increase the company's capital from KD 24,878,829 to KD 26,122,770, an increase amounting to
KD 1,243,941, through the distribution of bonus shares of 12,439,414 shares with the percentage of 5% of the share capital by 5 shares for every 100 shares allocated to the existing shareholders in parent company's records at the date of the General Assembly meeting.
b) Amendment article No. (5) of Article of Incorporation and article No. (6) of Article of Association of the parent company to be as follows : "Company's share capital has been determined to be KD 26,122,770 distributed into 261,227,699 shares of 100 fils each and all shares are in cash" (Note 19).

And that has been registered on Commercial register under Ref. No. 41903 on June 16, 2014.

The parent company's shares are listed in Kuwait Stock Exchange.

The main objectives of the Parent Company include the following:
1- Establishment of a factory for the production of all types and sizes of aerated concrete and non-concrete and all its construction requirements, import and export of all building materials. The Company is considered the sole agent in the Middle East for manufacturing 'Hebel' international products.
2- Owning, buying and selling real estates, land and lands for development for the benefit of the Company either inside or outside Kuwait as well as management of third party's properties without violating the provisions of the laws in force and the prohibition of trading in private housing plots in the way provided in such laws.
3- Dealing in industrial companies' shares and bonds relating to the main objective of the Company for the benefit of the Company only either inside or outside Kuwait.
4- Preparing and submitting the studies and consultancy and also organizing the industrial exhibitions for the Company's projects and also establishing its related tenders as per laws and regulations.
5- General contracting and managing contracting portfolios'.

The Company may have interests or participate in any aspect in other firms conducting similar activities or which may assist the Company in achieving its objectives in Kuwait or abroad. The Company may also acquire such firms or participate in their equity.

The Parent Company's number of employees is 465 as at December 31, 2014 (2013 – 490 employees).

The address of the Company's head office is Sharq – Ahmed Al-Jaber Street – Raed Center, 5th floor, P.O. Box 24079, Safat,
13101 - State of Kuwait.

The consolidated financial statements were authorized for issue by the Board of Directors on February 11, 2015. The accompanying financial statements have to be confirmed by the ordinary shareholders' General Assembly, The ordinary shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

The Shareholders' Extraordinary General Assembly of the parent company in its meeting held on 15 May 2014 had ratified to amend certain of the Parent Company's Articles of Association and Articles of Incorporation to be complied with the requirements of the Companies' Law No. 25 of 2012 and its subsequent amendments and executive regulations. And that has been registered on Commercial register according to a memorandum issued from the department of shareholding companies No. 370 dated June 16, 2014.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of presentation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for certain investments available for sale and investment properties that are stated at their fair value.Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's / Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(x).

Standards and Interpretations issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2014:

Amendments to IAS 32 - Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". The amendment did not have an impact on the consolidated financial statements for the Group / Company.

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets

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 CGU is measured at fair value less costs of disposal. These new disclosures include fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by IFRS 13 Fair Value Measurements.

These amendments are not expected to have any material impact on the consolidated financial statements"

Standards and Interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected

credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. "These amendments are not expected to have any material impact on the consolidated financial statements"

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2017, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

This standard is not expected to have any material impact on the consolidated financial statements"

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. "These amendments are not expected to have any material impact on the consolidated financial statements"

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. "These amendments are not expected to have any material impact on the consolidated financial statements"

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Acico for industries Company - K.S.C. (Closed) and the following subsidiaries (together the "Group"):

Name of Subsidiaries	Country of incorporation	Percentage of holding (%)	
		2014	2013
Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiary	State of Kuwait		75
ACICO Arabia for General Trading & Contracting – W.L.L.	State of Kuwait	**60**	60
ACICO for Construction - K.S.C. (Closed)	State of Kuwait	**75**	75
ACICO Kuwait Company - W.L.L.	State of Kuwait	**99**	99
Aerated Concrete Industries Company - Saudi Arabia - W.L.L.	Kingdom of Saudi Arabia	**100**	100

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

(A) Liquidation of a subsidiary during the year:

During the current year, the Parent Company has liquidated Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiary and resulting from the liquidation process a profit of K.D 358,837.

(B) Acquisition of a subsidiary during the year:

On 1 May 2014, a subsidiary Company - ACICO for Construction - K.S.C. (Closed) has acquired 100% of Industrial Company for Buildings and Construction – K.S.C. (Closed). The fair value of identifiable assets, liabilities and goodwill resulting from purchasing the subsidiary as of the acquisition date are as follows:

	Fair value
Cash and cash equivalents	57,862
Accounts receivable and other debt balances	2,737,571
Due from related parties	65,574
Inventories	599,900
Right of utilization	12,050,000
Property, plant and equipment	720,986
Accounts payable and other credit balances	(6,073,167)
Loans and due to banks	(8,732,399)
Provision for end service indemnity	(269,052)
Net fair value of assets and liabilities	1,157,275
Percentage of ownership	100%
	1,157,275
Present value for consideration paid	6,135,056
Goodwill arising on acquisition	4,977,781

Present value of the considersation paid represents the following :

	Total
Cash consideration paid	2,000,000
Present value for the future contractual payments of acquisition (Note 15)	4,135,056
Total amount of the acquisition	6,135,056

Net cash outflow on acquisition of subsidiary:

	Total
Cash consideration paid	2,000,000
Less: cash and cash equivalent balances of subsidiary acquired on acquisition	57,862
Net cash outflow on acquisition	1,942,138

The consolidated financial statements for the Group as of December 31, 2014 includes the following information related to Industrial Company for Buildings and Construction – K.S.C. (Closed) and its subsidiaries and the comparative figures for the year ended December 31, 2013 do not include such information and are as follows:

Consolidated statement of financial position

	2014
Assets:	
Cash and cash equivalents	191,644
Accounts receivable and other debit balances	2,853,598
Inventories	381,905
Fixed assets	13,415,426
Liabilities:	
Accounts payable and other credit balances	6,223,765
Loans and due to banks	6,816,443
Due to related parties	22,574
Provisions for end of service indemnity	284,847

Consolidated statement of profit or loss

	2014
Operating income	3,910,505
Operating costs	(3,511,118)
General and administrative expenses	(350,655)
Depreciation and amortization	(15,199)
Other income	56,669
Finance charges	(349,001)

c) Financial instruments:

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provision of the instruments. Financial assets and financial liabilities carried on the consolidated Statement of Financial Position include cash on hand and at banks, receivables, investments available for sale, due from / to related parties, due to banks, term loans, murabaha payable and accounts payable.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividend, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

1) Accounts receivable:

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

2) Investments:

The Group classifies its investments as available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

After initial recognition investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of profit or loss and other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

An investment (in whole or in part) is derecognized either when:

(a) The contractual rights to receive the cash flows from the investment have expired; or

(b) the Group has transferred its rights to receive cash flows from the investment and either;

(1) Has transferred substantially all the risks and rewards of ownership of the investment.

(2) Has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

Impairment

The Group assesses at each date of consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from statement of other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

3) Accounts payable:

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

4) Borrowings:

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

5) Murabaha payable:

Murabaha payable represents the amounts due to receive for financed assets for others on deferred basis as per Murabaha facility agreements. Murabaha balances are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

d) Gross amount due from (to) customers for contract work:

Gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

e) Inventories:

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

f) Associates:

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

g) Investment properties:

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs. Subequent to the initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains and losses arising from changes in the fair value of investment properties are included in the conslidated statement of profit or loss for the period in which they arise.Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

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

h) Properties under development:

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

i) Rights of utilization:

Leasehold right represents the Group's right to use a leased lands from the State of Kuwait . It is recognized initially at cost, and certain rights of utilization subsequently are measured at cost less accumulated amortization over the expected utilization period which is estimated at 20 years.

j) Property, plant and equipment:

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have 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 expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	Years
Buildings	**20**
Motor vehicles	**3**
Tools	**3**
Furniture and fixtures	**3 – 5**
Software	**5**

Machinery and equipments for factories are depreciated based on units of production method.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

k) Goodwill:

Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

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

l) Impairment of assets:

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

m) Provision for end of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of financial period and approximates the present value of the final obligation.

n) Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

o) Treasury shares:

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

p) Revenue recognition:

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a- Sales

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer. The Group does not practice any activity for Customer Loyalty Programs.

b- Rendering of services

Revenue is recognized when the service is rendered.

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c- Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

d- Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

e- Dividend income

Dividend income is recognized when the right to receive payment is established.

f- Rent

Rental income is recognized, when earned, on a time apportionment basis.

g- Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

h- Sale of properties under development

When the agreement is within the scope of IAS 11 – "construction contracts" and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – "construction contracts".

When the agreement is within the scope of IAS 18 – "Revenue", Group recognizes revenue at time of completion. When the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.

If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

i) Other income and expenses

Other income and expenses are recognized on accrual basis.

q) Provisions:

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

r) Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

s) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance Lease

(a) The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

(ii) Operating lease

(a) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

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(b) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

t) Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

u) Contingencies:

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

v) Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

w) Dividend distribution:

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

x) Critical accounting estimates and judgments:

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of lands

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(iv) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the market ability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(v) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of profit or loss", "available for sale" or "held to maturity".
The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of profit or loss at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(vi) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(vii) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Long term contracts

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(v) Revaluation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

a- Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
b- Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(vi) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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3. Accounts receivable and other debit balances

	2014	2013
Trade receivables (a)	**14,853,415**	8,324,362
Provision for doubtful debts (b)	**(8,746,962)**	(2,847,841)
	6,106,453	5,476,521
Cheques under collection	**880,188**	836,489
Advance payments (c)	**3,894,703**	1,147,659
Prepaid expenses	**549,595**	610,291
Retentions	**1,670,282**	-
Refundable deposits	**126,946**	149,835
Others	**714,822**	502,512
	13,942,989	8,723,307

a) Trade receivables

As of December 31, 2014, trade receivables amounting to KD 8,746,962 (2013 – KD 2,556,838) were impaired and provided for. The remaining provision for doubtful debts amounting to Nil (2013 – 291,003) were provided against certain debit balances. The Group expects to recover a portion of these receivables.

The aging analysis of these trade receivables is as follows

			Impaired	
	1 – 6 months	6 – 12 months	Over one year	Total
2014	**4,212,245**	**1,894,208**	**8,746,962**	**14,853,415**
2013	4,309,355	1,458,169	2,556,838	8,324,362

b) Provision for doubtful debts:

The movement during the year is as follows:

	2014	2013
Balance at the beginning of the year	**2,847,841**	914,782
Effect of consolidation of a subsidiary	**5,423,064**	-
Effect of liquidation of a subsidiary	**(3,467)**	-
Provision for the year	**482,662**	2,063,767
Utilized in the year	**(4,141)**	(130,810)
Foreign currency translation adjustments	**1,003**	102
Balance at the end of the year	**8,746,962**	2,847,841

c) The advance payments as of 31 December 2014 include an amount of K.D 1,657,875 which represents an advance payment to acquire additional shares in an associate company - Aerated Concrete Industries Company - Qatar - W.L.L. and which will becomes a subsidiary according to that acquisition. The Group in the process of completing the legal procedures to transfer the ownership in its name, where the financial statement of that company will be consolidated with the parent company upon completion of those procedures.

d) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for accounts receivable and other debit balances.

4. Gross amount due from (to) customers for contract work

	2014	2013
Contract costs incurred to date plus recognized profits	7,333,947	5,857,378
Progress billings	(8,331,167)	(5,224,668)
	(997,220)	632,710
Represented by:		
Gross amount due from customers for contract work	1,304,877	1,309,898
Gross amount due to customers for contract work	(2,302,097)	(677,188)
	(997,220)	632,710

5. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position	Major shareholders	Associates	Entities under common control	2014	2013
Due from related parties	307,274	7,005,375	2,466,527	9,779,176	5,163,918
Due to related parties	-	721,476	37,424	758,900	997,011
Transactions included in the consolidated statement of profit or loss					
Operating cost	-	259,507	-	259,507	186,577

Compensation to key management personnel

	2014	2013
Short term benefits	296,400	296,400
Termination benefits	24,536	24,536
Board of Directors' remuneration	45,000	

6. Inventories

	2014	2013
Raw materials	7,268,434	1,603,234
Finished goods	1,969,839	1,256,881
Spare parts	1,274,922	2,338,907
	10,513,195	5,199,022
Provision for slow moving inventory	(437,107)	(202,000)
	10,076,088	4,997,022

The movement on the provision can be presented as follows:

	2014	2013
Balance at beginning of year	(202,000)	(202,000)
Effect of consolidation of a subsidiary	(235,107)	-
Balance at end of the year	(437,107)	(202,000)

7. Properties under development

	2014	2013
Balance at beginning of year	-	-
Addition during the year (a)	6,544,956	-
Balance at end of the year	6,544,956	-

(a) During the year ended as of 31 December 2014, the group has paid an amount of K.D 6,544,956 to purchase properties under construction in Dubai Emirate – State of the United Arab Emirates.

8. Investments available for sale

	2014	2013
Investment in unquoted shares	1,257,791	1,620,256
	1,257,791	1,620,256

The movement during the year is as follows:

	2014	2013
Balance at the beginning of the year	1,620,256	1,886,496
Effect of liquidation of a subsidiary	(173,455)	-
Disposals	(4,866)	(82,096)
Impairment loss in value	(184,144)	(184,144)
Balance at the end of the year	1,257,791	1,620,256

Investments available for sale are denominated in the following currencies :

	2014	2013
Kuwaiti Dinar	**1,190,250**	1,523,705
Bahraini Dinar	**67,541**	96,551
	1,257,791	1,620,256

It was not possible to reliably measure the fair value of investment in unquoted shares amounting to KD 1,257,791 (2013 - KD 1,620,256) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

9. Investment in associates

The investment in associates consists of the following:

	Country of Incorporation	Main activities	Ownership percentage % 2014	Ownership percentage % 2013	2014	2013
Aerated Concrete Industries Company - Qatar - W.L.L.	Qatar	Industrials	**49**	49	**1,077,887**	1,397,721
Al-Masaken International for Real Estate Development -K.S.C. (Public)	Kuwait	Real Estates	**35**	35	**9,355,093**	8,707,980
Al-Masaken United Real Estate Co. K.S.C. (Closed)	Kuwait	Real Estates	**11.81**	11.81	**2,462,633**	2,515,698
ACICO Kuwaiti Syria Company - W.L.L.	Syria	Industrials	**50**	50	**18,263**	18,263
					12,913,876	12,639,662

The movement during the year is as follows:

	2014	2013
Balance at the beginning of the year	**12,639,662**	12,529,808
Transferred to a subsidiary	**-**	(60,097)
Group's share of results from associates	**339,474**	357,397
Group's share of other comprehensive income from associates	**182,239**	157,751
Cash dividends received from associate	**(247,499)**	(349,982)
Foreign currency translation adjustments	**-**	4,785
Balance at the end of the year	**12,913,876**	12,639,662

The investment in Al-Masaken United Real Estate Co. - K.S.C. (Closed) was recognized as an investment in associate even though the Group owns only 11.81% of the voting power, since the Group has significance influence over financial and operating policies through representation in the board of directors.

The group has not accounted for its share of results in ACICO Kuwaiti Syria Company - W.L.L. since the associate has not yet commenced operations till the date of the consolidated financial statement.

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Summarized financial information for associates are as follows:

Aerated Concrete Industries Company - Qatar - W.L.L.

Summarized statement of financial position	2014	2013
Current assets	**653,218**	532,084
Non-current assets	**10,083,100**	9,672,949
Current liabilities	**(4,519,588)**	(1,355,240)
Non-current liabilities	**(3,895,929)**	(5,997,302)
Net Assets	**2,320,801**	2,852,491
Group's ownership percentage	**49%**	49%
Other adjustments	**59,305**	-
Carrying value of Aerated Concrete Industries Company - Qatar - W.L.L.	**1,077,887**	1,397,721

Summarized Statement of profit or loss	2014	2013
Operating income	**964,590**	994,362
Operating cost	**(792,040)**	(1,049,171)
Other expenses	**(838,220)**	(584,599)
Other income	**12,947**	47,357
Net losses	**(652,723)**	(592,051)

Al-Masaken International for Real Estate Development -K.S.C.(Public)

Summarized statement of financial position	2014	2013
Current assets	**12,019,155**	18,654,789
Non-current assets	**26,658,127**	15,702,38
Current liabilities	**(10,334,306)**	(5,637,441)
Non-current liabilities	**(2,657,636)**	(3,683,350)
Net Assets	**25,685,340**	25,036,384
Group's ownership percentage	**35%**	35%
Other adjustments	**365,224**	(54,755)
Carrying value of Al-Masaken International for Real Estate Development -K.S.C.(Public)	**9,355,093**	8,707,980

Summarized Statement of profit or loss	2014	2013
Operating income	**7,048,389**	4,006,206
Operating cost	**(6,391,858)**	(3,933,380)
Other expenses	**(606,216)**	(613,224)
Other income	**1,430,963**	1,958,322
Net profit	**1,481,278**	1,417,924
Dividend received	**-**	349,982

Al-Masaken United Real Estate Co. - K.S.C. (Closed)

Summarized statement of financial position

	2014	2013
Current assets	**7,924,993**	8,912,579
Non-current assets	**16,463,146**	15,355,498
Current liabilities	**(1,074,493)**	(2,899,559)
Non-current liabilities	**(7,551)**	(67,097)
Net Assets	**23,306,095**	21,301,421
Group's ownership percentage	**11.81%**	11.81%
Other adjustments	**(289,817)**	
Carrying value of Al-Masaken United Real Estate Co. - K.S.C. (Closed)	**2,462,633**	2,515,698

Summarized Statement of profit or loss

	2014	2013
Operating income	**2,115,597**	3,659,844
Operating cost	**(1,744,305)**	(2,004,932)
Other expenses	**(356,089)**	(382,681)
Other income	**1,177,523**	8,275
Net profit	**1,192,726**	1,280,506
Dividend received	**-**	-

The group's share in the contingent liabilities of the associates amounted to "Nil" as of December 31, 2014 (2013 – KD 164,666)

10. Investment in unconsolidated subsidiary

Name of the subsidiary	Country of Incorporation	Main activities	2014	2013
ACICO Food Concepts Restaurants Co. W.L.L.	Kuwait	Management of Restaurants	**50,000**	50,000

The Group has not accounted for its share of results in their subsidiary, since the subsidiary had not yet commenced operations till date.

11. Investment properties

	2014	2013
Balance at the beginning of the year	**172,441,618**	171,852,550
Additions	**-**	394,960
Changes in fair value of investment properties	**705,000**	194,108
Balance at the end of the year	**173,146,618**	172,441,618

Investment properties with fair value of KD 154,131,912 (2013 - KD 153,426,912) are pledged in favor of local banks against term loans and Murabaha payable.

The fair value of investment properties for the Group as of December 31, 2014 are based on lowest valuations carried out by two independent valuers.

Management of the Group has complied with Capital Markets Authority decision dated July 23, 2013 with respect to guidelines for fair value of investment properties.

12. Right of utilization of leasehold land

This includes right of utilization for a subsidiary amounting to K.D 12,050,000 , which resulted from acquisition of Industrial Company for Buildings and Construction – K.S.C. (Closed) (Note 2) by a subsidiary - ACICO for Construction - K.S.C. (Closed) during the year 2014.

13. Property, plant and equipment

	Buildings	Machinery and equipments	Motor vehicles	Tools	Furniture and fixtures	Software	Capital work in progress	Total
Cost:								
As of December 31, 2013	16,344,003	35,737,499	4,979,571	253,690	796,695	626,900	2,068,964	60,807,322
Effect of consolidation of a subsidiary	1,058,895	549,177	1,952,409	124,757	3,443	-	-	3,688,681
Additions	28,322	1,329,511	3,634,657	44,596	801,053	50,473	3,422,953	9,311,565
Disposals	-	(1,634)	(18,900)	-	-	-	-	(20,534)
Transferred from capital work in progress	1,857,862	1,425,756	-	165,290	-	-	(3,448,908)	-
Foreign currency translation adjustments	181,645	633,886	7,574	-	3,000	2,190	6,545	834,840
As of December 31, 2014	**19,470,727**	**39,674,195**	**10,555,311**	**588,333**	**1,604,191**	**679,563**	**2,049,554**	**74,621,874**
Accumulated depreciation:								
As of December 31, 2013	4,935,581	10,438,329	2,830,145	231,551	651,915	424,813	-	19,512,334
Effect of consolidation of a subsidiary	517,125	544,151	1,895,847	10,184	388		-	2,967,695
Charge for the year	963,491	739,346	728,929	39,992	162,926	110,929	-	2,745,613
Related to disposals	-	-	(18,900)	-	-	-	-	(18,900)
Foreign currency translation adjustments	45,212	75,621	7,388	-	2,626	2,144	-	132,991
As of December 31, 2014	**6,461,409**	**11,797,447**	**5,443,409**	**281,727**	**817,855**	**537,886**	**-**	**25,339,733**
Net book value:								
As of December 31, 2014	13,009,318	27,876,748	5,111,902	306,606	786,336	141,677	2,049,554	49,282,141
As of December 31, 2013	**11,408,422**	**25,299,170**	**2,149,426**	**22,139**	**144,780**	**202,087**	**2,068,964**	**41,294,988**

The Company's factory buildings are constructed on land leased from the Government for 25 years ending on June 30, 2017 and is renewable.

Cost of sales include depreciation charge for the year amounting to KD 2,536,226 (2013 – KD 1,970,666).

Properties with net book value of KD 9,356,256 (2013 – KD 9,752,295) are first degree pledged in favor of local banks against term loan.

14. Due to banks

Annual interest rate on bank overdrafts varies from 2.25% to 2.5% (2013 – from 2.25% to 2.5%), over the Central Bank of Kuwait discount rate and payable on demand.

15. Accounts payable and other credit balances

	2014	2013
Trade payable	**8,682,823**	6,526,233
Payable for acquiring a subsidiary (Note 2)	**4,135,056**	-
Advance payments from customers and deposits from others	**890,271**	801,956
Post dated cheques	**1,296,097**	84,439
Subcontractors and retention payables	**2,540,283**	226,038
Accrued staff leave	**594,639**	422,525
Payable to Kuwait Foundation for Advancement of Sciences	**423,166**	370,103
National Labor Support Tax payable	**695,171**	621,502
Zakat payable	**294,024**	371,238
Board of Directors' remuneration payable	**72,000**	42,000
Provisions for lawsuits, projects and maintenance work	**943,604**	389,999
Accrued expenses and others	**2,579,027**	1,317,829
	23,146,161	11,173,862

Accounts payable and other credit balances represent as follows:

	2014	2013
Current portion	**19,728,808**	11,173,862
Non-current portion	**3,417,353**	-
	23,146,161	11,173,862

16. Term loans

This item represents as follows

	2014	2013
Current portion	**15,346,016**	10,894,982
Non-current portion	**96,720,983**	79,259,290
	112,066,999	90,154,272

The term loans carry interest rate ranging from 1.25% to 2.75% (2013 – 1.5% to 3%) per annum over the Central Bank of Kuwait discount rate as of December 31,2014 .

The loans are guaranted by certain assets carried at book value as follows :

	2014	2013
First degree pledge for Investment properties carried at fair value	**109,310,425**	109,310,425
First degree pledge for prperty, plant and equipment	**9,356,256**	9,752,295
	118,666,681	119,062,720

17. Murabaha payable

	2014	2013
Murabaha payable	**53,550,814**	53,938,604
Less: Unamortized future finance charge	**(611,411)**	(932,505)
Present value of Murabaha payments	**52,939,403**	53,006,099

Represented as:

	2014	2013
Current portion	**973,401**	1,048,065
Non-current portion	**51,966,002**	51,958,034
Total present value of Murabaha payments	**52,939,403**	53,006,099

Murabaha payable carries average finance charges ranging from 4% to 5% per annum (2013 – from 3% to 5%).
Investment property with fair value of KD 44,821,487 (2013 – KD 44,116,487) are pledged against Murabaha payable in addition to joint guarantees.

18. Provision for end of service indemnity

	2014	2013
Balance at the beginning of the year	**1,756,577**	1,266,666
Effect of consolidation of a subsidiary	**269,052**	36,946
Effect of liquidation of a subsidiary	**(279,081)**	-
Charge for the year	**472,802**	606,612
Paid during the year	**(105,488)**	(153,504)
Foreign currency translation adjustments	**4,672**	(143)
Balance at the end of the year	**2,118,534**	1,756,577

19. Share capital

Authorized, issued and fully paid up capital amounted to KD 26,122,770 (December 31, 2013 – KD 24,878,829) distributed into 261,227,699 shares (December 31, 2013 – 248,788,285 shares) of 100 fils each and all shares are in cash (Note 1).

20. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

21. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

22. Treasury shares

	2014	2013
Number of shares	**1,133,846**	1,079,853
Percentage of issued shares	**0.43**	0.43
Market value (KD)	**340,154**	302,359
Cost (KD)	**432,774**	432,774

Based on Capital Markets Authority resolution dated December 30, 2013, the Company's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period.

23. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. As per the decision of the company, it was decided not to transfer to voluntary reserve.

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24. Segment reporting

Following are the segment information for the main activities of the Group:

	December 31, 2014					
	Industrial	**Real estate**	**Contracting**	**Total**	**Entries to eliminate inter-company transactions / Non controlling interest**	**Total**
Operating income	**78,592,785**	**-**	**9,979,579**	**88,572,364**	**(28,790,583)**	**59,781,781**
Operating cost	**63,866,131**	**-**	**8,904,231**	**72,770,362**	**(26,831,627)**	**45,938,735**
Net real estate income	**-**	**9,409,978**	**-**	**9,409,978**	**-**	**9,409,978**
Net profit for the year	**7,049,981**	**2,456,238**	**(452,777)**	**9,053,442**	**(718,906)**	**8,334,536**
Finance charges	**1,459,568**	**5,985,508**	**12,228**	**7,457,304**	**-**	**7,457,304**
Depreciation and amortization	**163,205**	**-**	**94,091**	**257,296**	**-**	**257,296**
Total assets	**108,459,819**	**194,856,499**	**5,935,082**	**309,251,400**	**(11,378,546)**	**297,872,854**
Total liabilities	**47,879,668**	**147,429,833**	**5,815,951**	**201,125,452**	**442,997**	**201,568,449**

	December 31, 2013					
	Industrial	Real estate	Contracting	Total	Entries to eliminate inter-company transactions / Non controlling interest	Total
Operating income	63,321,127	-	8,853,223	72,174,350	(27,792,946)	44,381,404
Operating cost	51,415,619	-	7,730,666	59,146,285	(26,397,238)	32,749,047
Net real estate income	-	9,380,446	-	9,380,446	-	9,380,446
Net profit for the year	3,603,206	3,202,077	362,948	7,168,231	(754,689)	6,413,542
Finance charges	934,009	6,028,991	51,665	7,014,665	-	7,014,665
Depreciation and amortization	60,900	-	129,118	190,018	-	190,018
Total assets	62,495,578	186,077,056	7,756,790	256,329,424	(5,951,158)	250,378,266
Total liabilities	11,325,975	137,790,512	8,991,116	158,107,603	3,581,403	161,689,006

25. Net real estate income

	2014	2013
Change in fair value of investment properties	**705,000**	194,108
Net rental income	**8,704,978**	9,186,338
	9,409,978	9,380,446

26. General and administrative expenses

General and administrative expenses include staff cost amounting to KD 3,508,639 (2013 – KD 3,178,936).

27. Net investment (loss) income

	2014	2013
Tawaroq (loss) Income	**(49,123)**	870,697
Impairment loss in value of investments available for sale	**(184,144)**	(184,144)
Realized loss on sale of investment available for sale	**-**	(4,564)
	(233,267)	681,989

28. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

29. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Company after deducting its share of profit from listed associates and unconsolidated subsidiaries and unconsolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

30. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the and unconsolidated subsidiaries Company after deducting its share of profit from Kuwaiti shareholding associates and unconsolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

31. Board of Directors' remuneration

The Board of Directors' meeting held on February 11, 2015 proposed a remuneration for Board of Director's members amounting KD 45,000 for the year ended December 31, 2014.

The proposed Board of Directors' remuneration is subject to the approval of the Shareholders' General Assembly.

32. Earnings per share attributable to parent company's shareholders

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2014	2013
Net profit for the year attributable to Parent Company's shareholders	**8,334,536**	6,413,542
Number of shares outstanding:	**Shares**	Shares
Number of issued shares at beginning of the year	**248,788,285**	248,788,285
Bonus shares	**12,439,414**	12,439,414
Weighted average number of treasury shares	**(1,133,846)**	(1,133,846)
Weighted average number of shares outstanding at end of the year	**260,093,853**	260,093,853
	Fils	Fils
Earnings per share attributable to parent company's shareholders	**32.04**	24.66

33. General assembly and dividend distribution

Cash dividend

The Board of Directors' meeting held on February 11, 2015 recommended a cash dividend of 15 fils per share. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

Bonus shares

The Board of Directors' meeting held on February 11, 2015 recommended bonus shares of 5 shares for every 100 shares held. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

Shareholders' Annual General Assembly meeting held on May 15, 2015 had approved the distribution of cash dividends of 10 fils per share and 5 bonus shares for every 100 shares for the year ended December 31, 2013 , as they approved the board of directors' remuneration by K.D 15,000 for the year ended December 31, 2013.

34. Principal subsidiaries with major non - controlling interests which are material to the Group

			Ownership interests held by the group %		Ownership interests held by the NCI %	
Name of subsidiary	Country of incorporation	Principal activities	**2014**	2013	**2014**	2013
ACICO Arabia for General Trading & Contracting – W.L.L.	Kuwait	General trading and contracting	**60%**	60%	**40%**	40%
ACICO for Construction K.S.C. (Closed)	Kuwait	Concrete constructions and contracting	**75%**	75%	**25%**	25%

Summarized information for principal subsidiaries with major non - controlling interests which are material to the Group.

ACICO Arabia for General Trading & Contracting – W.L.L.

Summarized statement of financial position

	2014	2013
Current assets	**566,927**	255,556
Current liabilities	**(452,558)**	(466,454)
Net current assets	**114,369**	(210,898)
Non - current assets	**9,576,921**	9,202,332
Non-current liabilities	**(2,277,441)**	(1,522,845)
Net non-current assets	**7,299,480**	7,679,487
Net Assets	**7,413,849**	7,468,589
Net assets attributable to equity holders of parent company	**4,448,309**	4,481,153
Net assets attributable to NCI	**2,965,540**	2,987,436

Summarized Statement of profit or loss and other comprehensive income

	2014	2013
Net loss for the year	**(332,525)**	(323,540)
Total comprehensive loss for the year	**(332,525)**	(323,540)
Total comprehensive loss attributable to equity holders of parent company	**(199,515)**	(194,124)
Total comprehensive loss attributable to NCI	**(133,010)**	(129,416)

ACICO for Construction - K.S.C. (Closed)

Summarized statement of financial position

	2014	2013
Current assets	**20,032,821**	15,792,788
Current liabilities	**(24,272,759)**	(13,081,668)
Net current assets	**(4,239,938)**	2,711,120
Non-current assets	**34,675,775**	11,200,323
Non-current liabilities	**(19,908,323)**	(4,939,124)
Net non-current assets	**14,767,452**	6,261,199
Net Assets	**10,527,514**	8,972,319
Net assets attributable to equity holders of parent company	**7,895,636**	6,729,239
Net assets attributable to NCI	**2,631,878**	2,243,080

Summarized Statement of profit or loss and other comprehensive income

	2014	2013
Revenue	**43,662,098**	28,392,455
Net profit for the year	**3,407,662**	3,501,563
Total comprehensive income for the year	**3,407,662**	3,501,563
Total comprehensive income attributable to equity holders of parent company	**2,555,747**	2,626,172
Total comprehensive income attributable to NCI	**851,915**	875,391

35. Legal cases

There are certain lawsuits raised by / against the group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's, there will be no material adverse impact on the Group consolidated financial statements, and hence, no additional provisions were recorded in the Group's records due to the sufficiency of the currently recorded provisions for those claims as of the reporting date. (Note 15)

36. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, investments, due from/to related parties, due to banks, term loans, murabaha payable and payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are reprised or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings.

Year	Increase / (Decrease) in interest rate	Balance as at December 31	Effect on consolidated statement of profit or loss
2014			
Due to banks	**± 50 basis points**	**7,139,457**	**± 35,697**
Term loans	**± 50 basis points**	**112,066,999**	**± 560,335**
Murabaha payable	**± 50 basis points**	**52,939,403**	**± 264,697**
2013			
Due to banks	± 50 basis points	2,991,659	± 14,958
Term loans	± 50 basis points	90,154,272	± 450,771
Murabaha payable	± 50 basis points	53,006,099	± 265,030

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, receivables and due from related parties. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables and due from related parties.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between the following foreign currencies and Kuwaiti Dinar.

	Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated comprehensive income
	2014			
AED		**± % 5.00**	**±16,626**	**± 370,692**
SAR		**± % 5.00**		**± 74,069**

	Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated comprehensive income
	2013			
AED		± % 5.00	± 16,177	± 373,429
SAR		± % 5.00	± 7,537	± 74,511

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in the investments that are readily realizable.

Maturity Table for financial liabilities

2014 **Financial liabilities**	**1-3 months**	**3-12 months**	**Over 1 year**	**Total**
Due to banks	**-**	**7,139,457**	**-**	**7,139,457**
Term loans	**-**	**15,346,016**	**96,720,983**	**112,066,999**
Accounts payable and other credit balances	**1,484,361**	**18,526,744**	**3,135,056**	**23,146,161**
Murabaha payable	**-**	**973,401**	**51,966,002**	**52,939,403**
Due to related parties	**-**	**-**	**758,900**	**758,900**
Dividends payable to shareholders	**1,096,898**	**-**	**-**	**1,096,898**
Total	**2,581,259**	**40,985,618**	**153,580,941**	**197,147,818**

2013 **Financial liabilities**	1-3 months	3-12 months	Over 1 year	Total
Due to banks	-	2,991,659	-	2,991,659
Term loans	-	10,894,982	79,259,290	90,154,272
Accounts payable and other credit balances	512,664	10,661,198	-	11,173,862
Murabaha payable	-	1,048,065	51,958,034	53,006,099
Due to related parties	-	-	997,011	997,011
Dividends payable to shareholders	932,338	-	-	932,338
Total	1,445,002	25,595,904	132,214,335	159,255,241

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as available for sale.

f) Fair value measurement

The Group measures financial assets such as investments available for sale at fair value at fair value as of the financial period date.

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

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

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

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

At December 31, the fair value of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note 8. The management of the Group has assessed that fair value of the financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

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

37. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividend paid to shareholders,return paid up capital to shareholders,issue new shares,sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2014	2013
Due to banks	**7,139,457**	2,991,659
Loans and Murabaha payable	**165,006,402**	143,160,371
Less: cash on hand and at banks	**(2,187,566)**	(1,721,146)
Net debt	**169,958,293**	144,430,884
Total equity	**96,304,405**	88,689,260
Total capital resources	**266,262,698**	233,120,144
Gearing Ratio	**63.83%**	61.96%

38. Contingent liabilities

Contingent liabilities for the Group as at the end of reporting period are as follows:

	2014	2013
Letters of guarantee	**10,882,433**	3,407,978
Letters of credit	**4,625,696**	1,163,233
	15,508,129	4,571,211