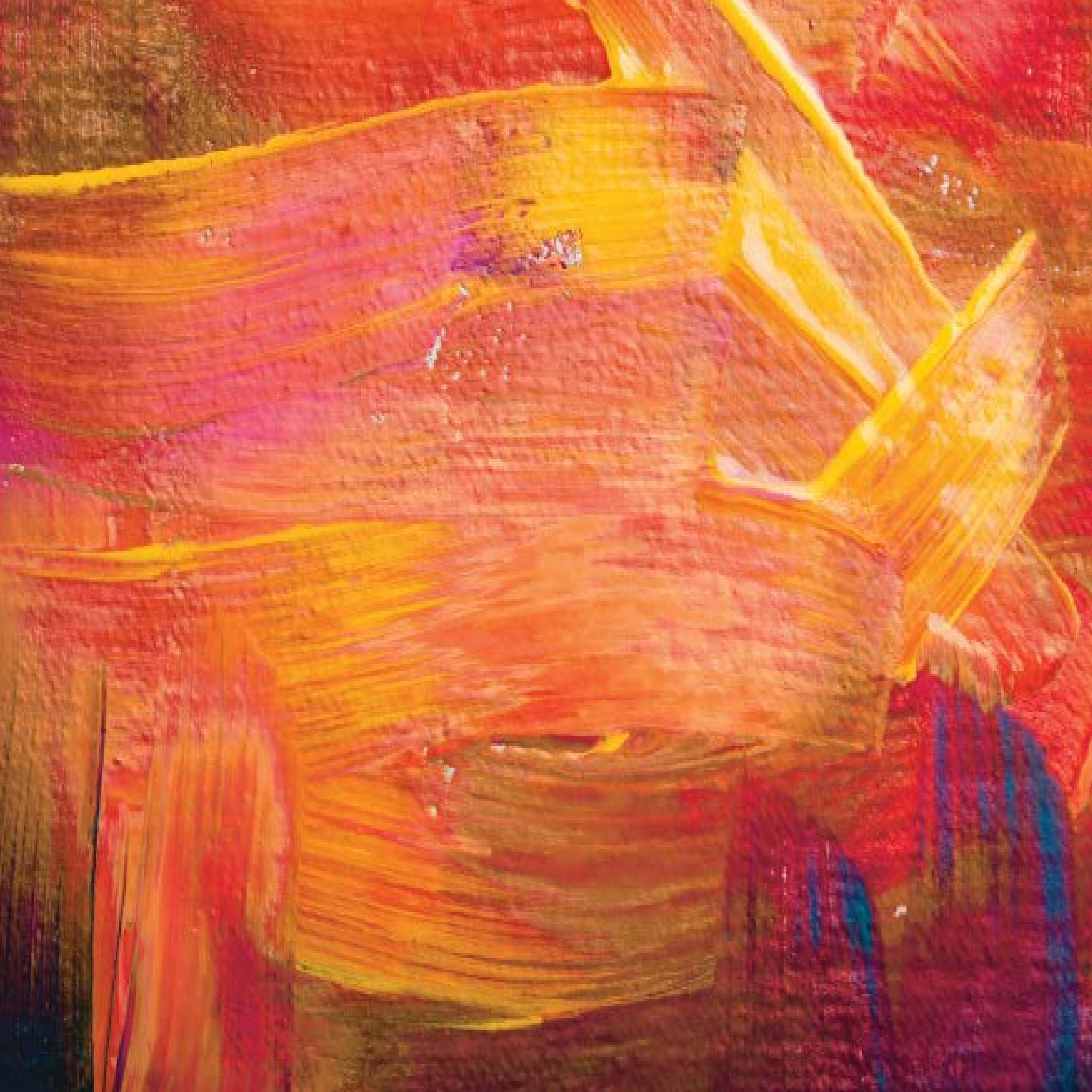
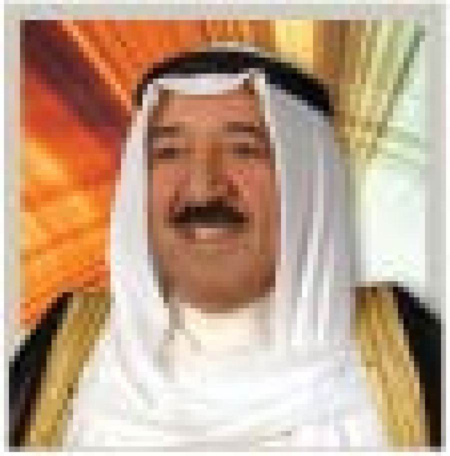
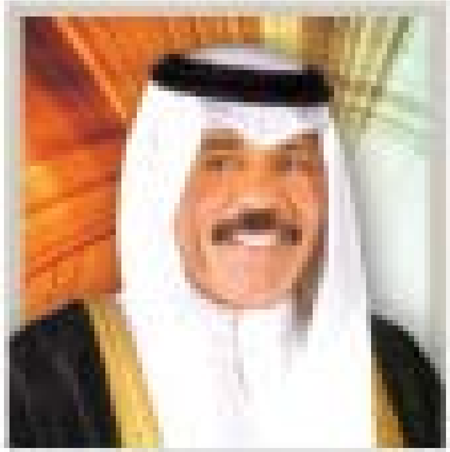
COVER



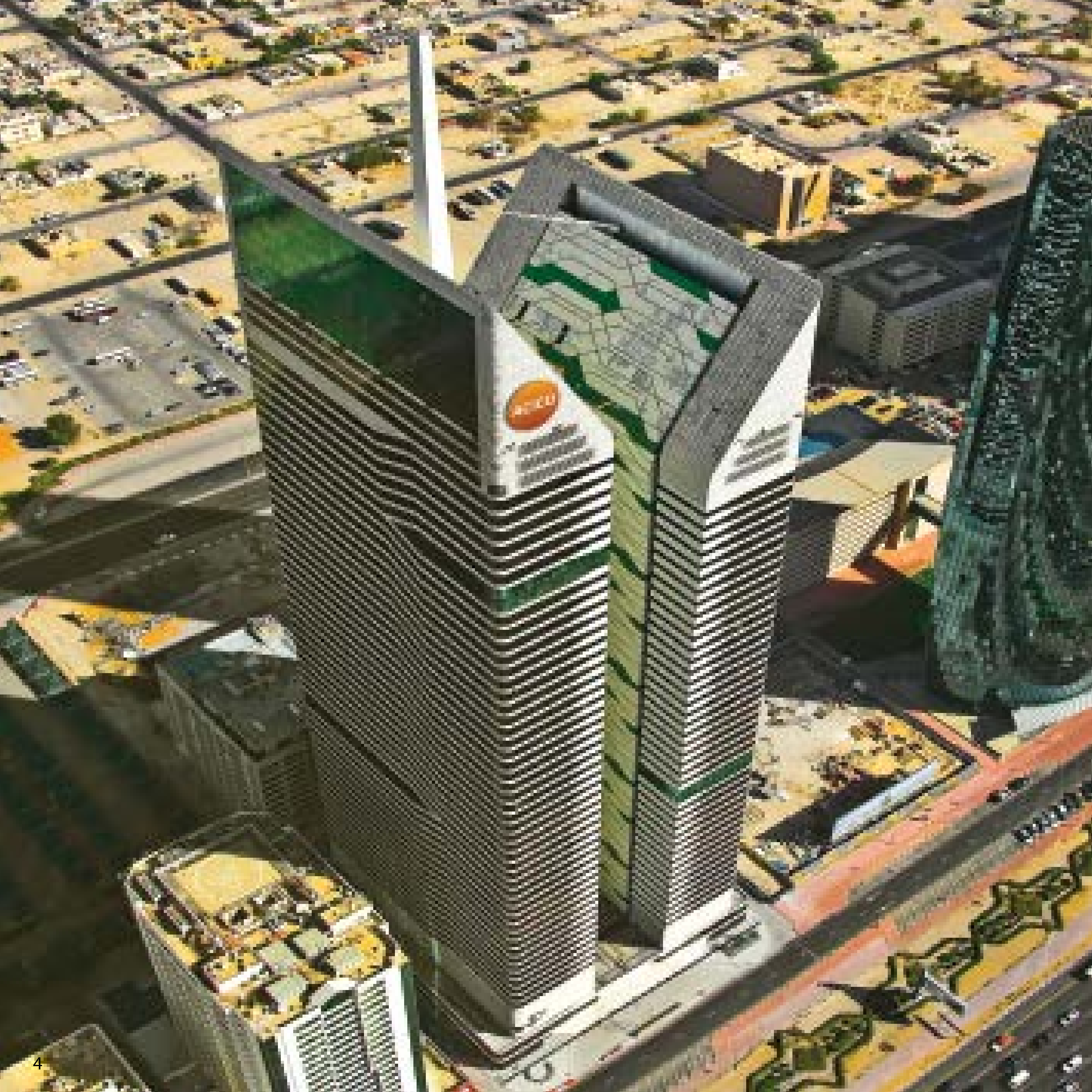


His Highness
Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah
The Amir of Kuwait



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



Contents

Cover photo by: Sarah Hasan Alsayegh
Email: info@salsayegh.com

Board Of Directors

The Board of Directors comprises the following:

Abdulaziz Ahmad Al-Ayoub
Chairman

Ghassan Ahmad Saud Al-Khaled
Deputy Chairman and CEO

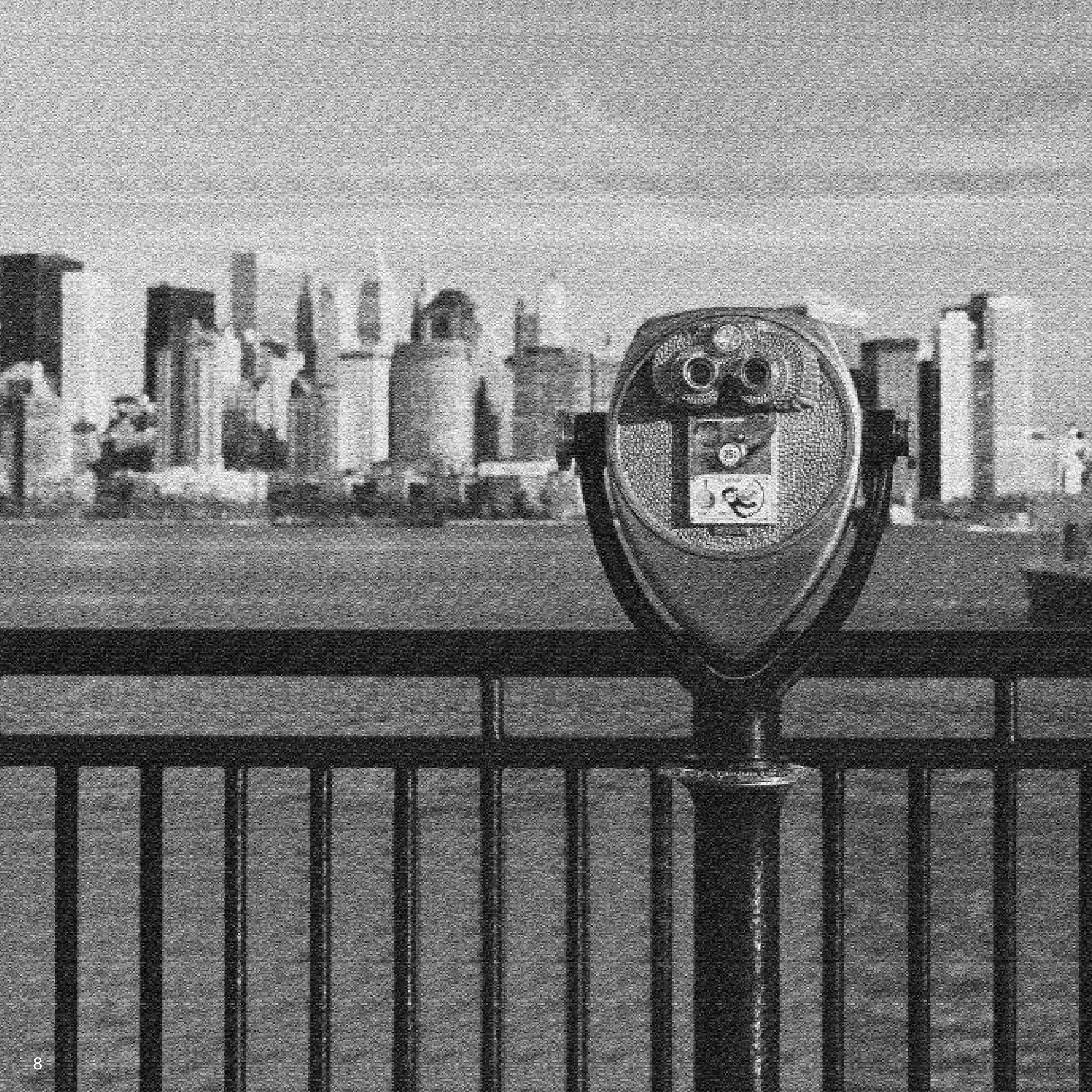
Walid Ahmad Saud Al-Khaled
Member

Faisal Yousef Al-Majed
Member

Ahmad Faisal Al-Refaie
Member

Faten Farouk Al-Naqeeb
Member

Ahmad Ghassan Ahmad Saud 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 all,

I am delighted to meet you once again to present you with the annual financial report of ACICO Industries for the year ending December 31, 2013.

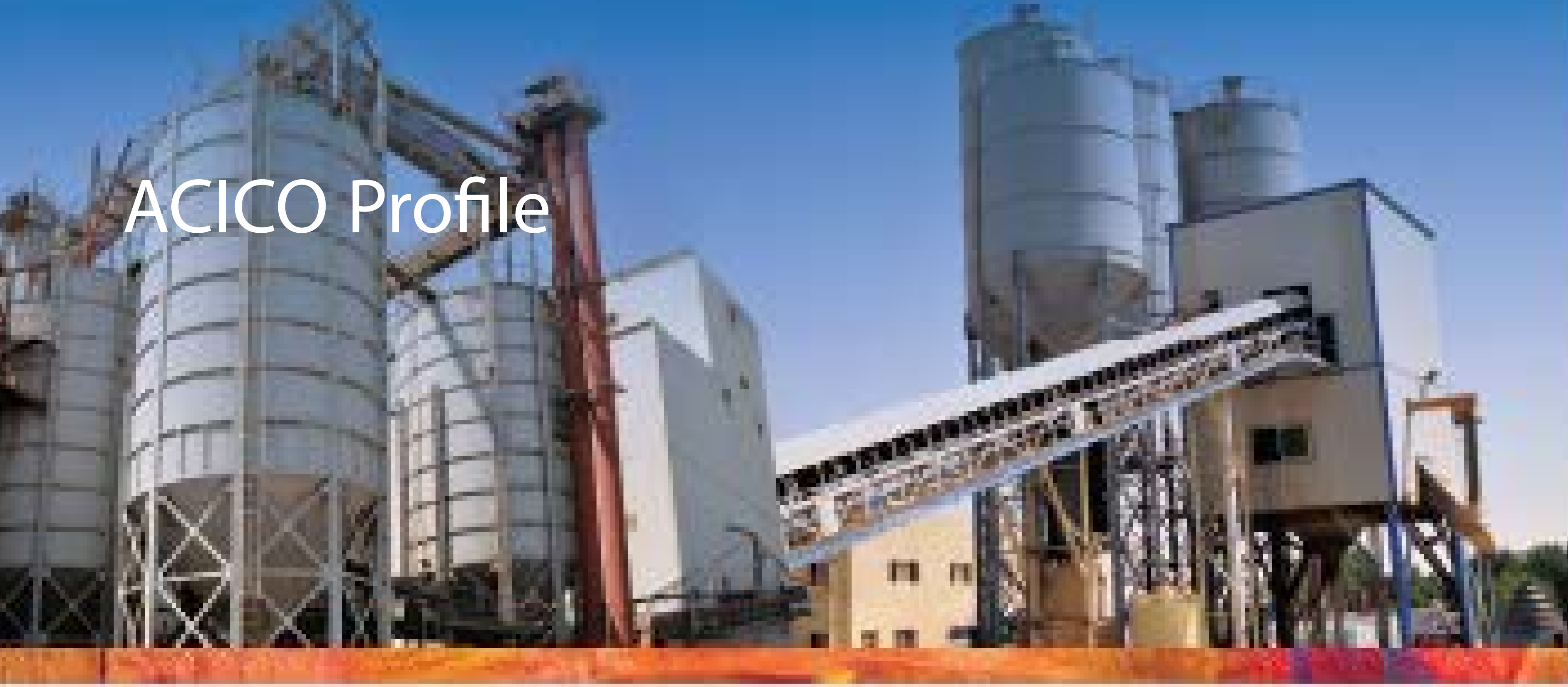
I am pleased to state that the year 2013 is the year of achievements and the beginning of reaping the fruits. Our accomplishments and financial report illustrate adequately enough our resolve and determination to proceed with our success and preserve our valuable shareholders' equities. The Executive Management played a pivotal role in the adoption of decisive resolutions in critical moments which were instrumental in realizing our positive outcomes. We managed to maintain our domestic and regional status through clarity of our goals, thoughtful and precise analysis of the requirements of each stage of work which helped us rely on adopting the appropriate plans to attain the desired targets.

We worked during 2013 to rely on integrating our various sectors to achieve the best results; this consolidated our image and reputation as a Kuwait company that seeks to render services to the people of the entire Gulf region by contributing to the various development schemes of the countries where we operate.

In a quick review to our financial statements, ACICO managed to increase its annual operations revenues in 2013 to KD 53.762 million (KD 40.480 million in 2012) that yielded net profits by KD 6.414 million and thus ACICO earning per share (EPS) scored 25.88 fils (10.66 for 2012). As for the company assets this year, they scored KD 250.378 million up from 242.445 million in 2012.

Allow me to express my deepest appreciation for all the Company employees for their essential role in achieving all our results due to their high professionalism and dedication. Please allow me again to promise you that we shall keep up our success pathway through our distinguished products and quality services which are in the service of all.

AbdulAziz Ahmad Al Ayoub
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:

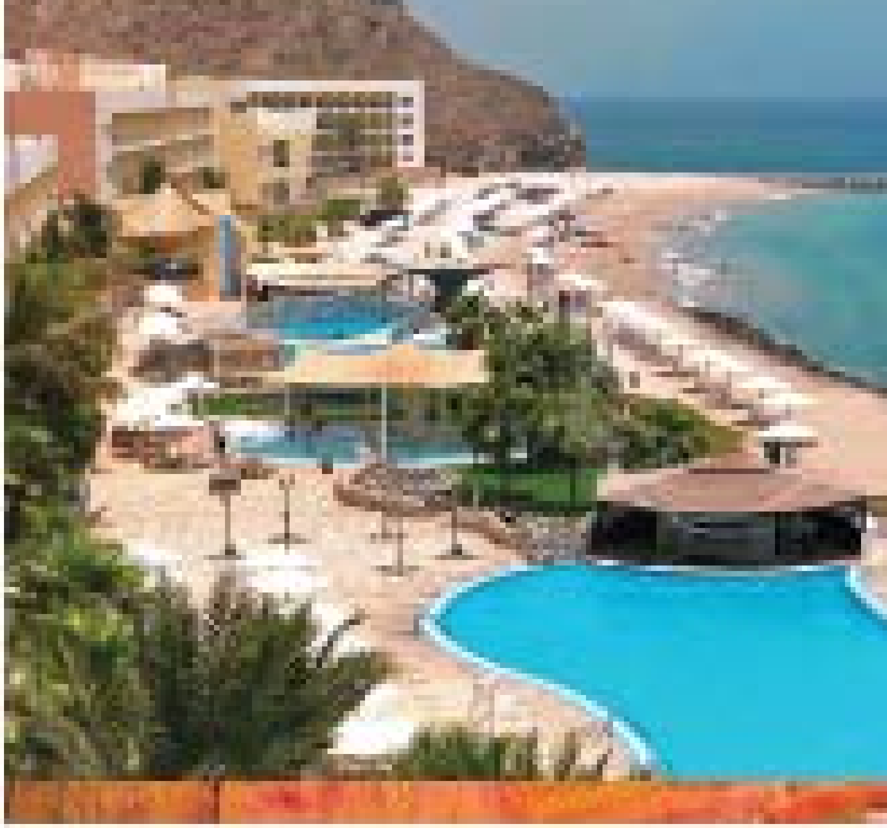
Radisson Royal Dubai Hotel located in Sheikh Zayed Street, it comprises 60 floors and 471 rooms and suites which is exemplary in terms of its fantastic design and innovative execution.

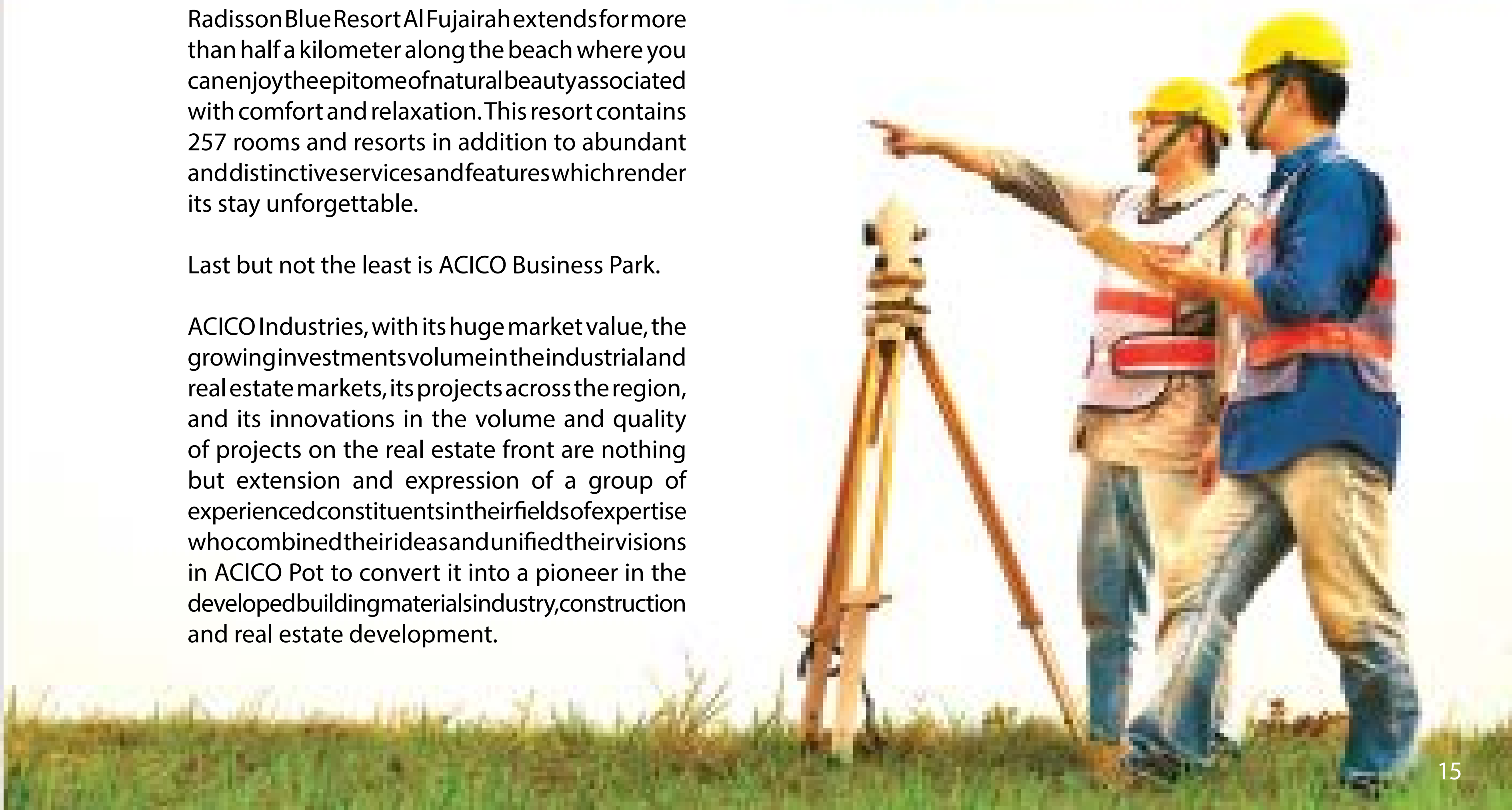
Nasima Hotel Apartments Tower is also designed to be the destination for excellence seekers, both at residential and commercial levels, through its distinguished location at Sheikh Zayed Street in addition to its services which convert staying therein immortal joyful memories.

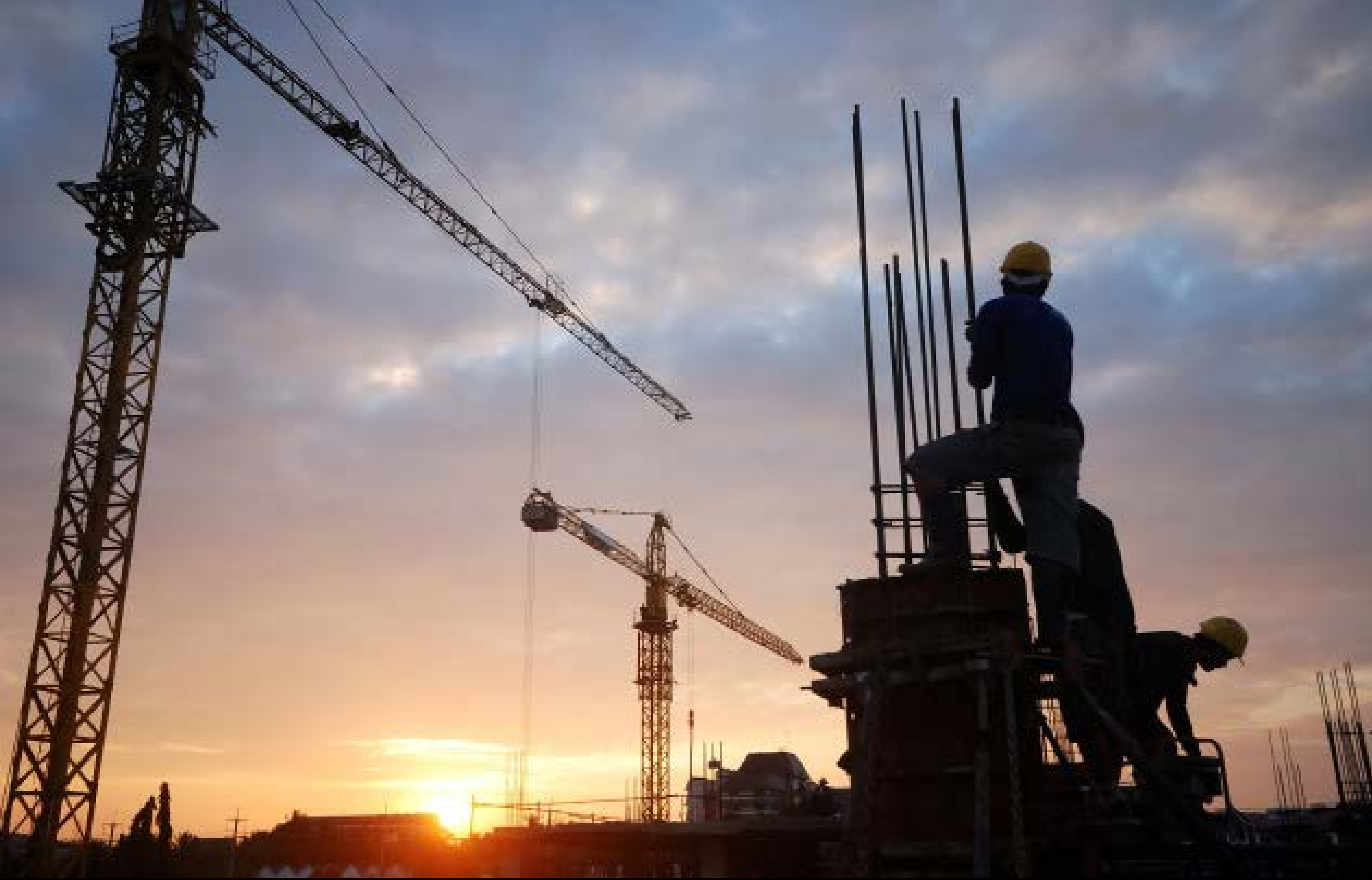
Radisson Blue Resort Al Fujairah extends for more than half a kilometer along the beach where you can enjoy the epitome of natural beauty associated with comfort and relaxation. This resort contains 257 rooms and resorts in addition to abundant and distinctive services and features which render its stay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







2013… the Return to Leadership

The success path, which is a source of pride to ACICO, was and still is based on a number of main factors including, but not limited to, its strategic planning, the human factor, and integration among its various sectors. Thanks to these factors, the company managed to maintain its steadiness and achieve continued successes.

ACICO's plan in 2013 called for concentrating efforts to achieve several strategic goals. It studied several available investment opportunities which would realize our aspirations for the forthcoming phase. It conducted extensive studies for the local and neighboring markets. The findings made ACICO realize that it is under obligation to contribute actually to the building process of the communities and in the development process as a whole.

Geographic Diversity and Risk Distribution

During recent years, the world has witnessed numerous economic crises which affected the economic growth in general and the development of companies in particular. However, we, at ACICO, were not affected due to the sound decisions made by the company management in identifying its strategy and objectives to safeguard against the local and global markets fluctuation risks through diversifying the operational and geographic sectors. This policy protected the position of the company both locally and regionally and helped it to stand strongly before a lot of the economic dilemmas which struck the world.

The geographic diversity policy adopted by the company played a major role in benefiting from the neighboring markets by diversifying investment through the integrated sectors; this enabled us to seize many opportunities and convert them to important assets which helped us realize the shareholders' aspirations. We identified the appropriate investment fields and the fixed ratios for each investment field while at the same time defining the investment plans which accomplish the desired goals at high efficiency.

The diversified geographic investment process achieved many advantages like economic abundance, increasing the company activities and operations as well as its abilities to offer more services that attract more clients; it also led to distributing risks and increasing safety level, which consequently was reflected positively on the security and safeguarding shareholders' equities.

In light of the accomplished results through implementing our investment plans, ACICO is moving forward to achieve its goals; we invest in a number of assets and our investments are diversified both locally and regionally in a manner that conforms to the geographic diversification schemes.

ACICO and Governance

ACICO Group is committed in the adherence to all laws and established regulations in The State of Kuwait, and has since its inception consistently complied with all new instructions issued by the various oversight and regulatory entities, which in turn resulted in the compliance with all the laws and guidelines issued by these supervision and regulatory entities.

ACICO group is committed to preventing the occurrence of any violations or the inconsistent application of these governmental and regulatory issued requirements, which only points to the groups astounding policies on transparency, compliance and fair dealing, these factors are in fact the cornerstone for the company's operations from the Board of Directors, Executive Management down to the numerous operational departments.

Since the issuance of Law No. 7 for 2010 and its bylaw regarding the establishment of the Capital Markets Authority (CMA) and the regulation of the capital markets activities, the Compliance Department has adopted effective and efficient steps to develop and activate the companies' governance concepts which lead to the regulation of policies and procedures among the board of directors, shareholders, stakeholders and supervising entities by defining the responsibilities and obligations of the Board of Directors and the Executive Management of the company, while taking into consideration the safeguarding of shareholders' equities and related parties as well as observing transparency and conflict of interest avoidance.

ACICO group recognizes that the CMA issued Law No. 25 for 2013 regarding the governance of companies which are subject to its supervision, is an integral part of the CMA regulations. This law is composed of (11) principles which companies licensed to deal in securities and all listed companies must comply with.

ACICO reiterates that the rational application of the disclosure rules, and the abidance of board of directors and the executive management of these companies is imperative in order to carry out the activities in a manner that conforms to the shareholders' interests.

Doing so, will result in a positive impact on the economic environment in Kuwait and will create an increasingly efficient capital market which will ultimately transform Kuwait to the economic hub sought by both domestic and international investors.

Since the date that these instructions were issued, the Compliance Department at ACICO Group was mobilized with the ultimate goal of full implementation.

The Compliance team conducted presentations and training workshops for the Board members, the Executive Management as well as employees in order to educate the Group on the significance of these rules and the roadmap for application.

The Compliance Department is in constant communication with the CMA for enquiries and opinion pertinent to such rules.

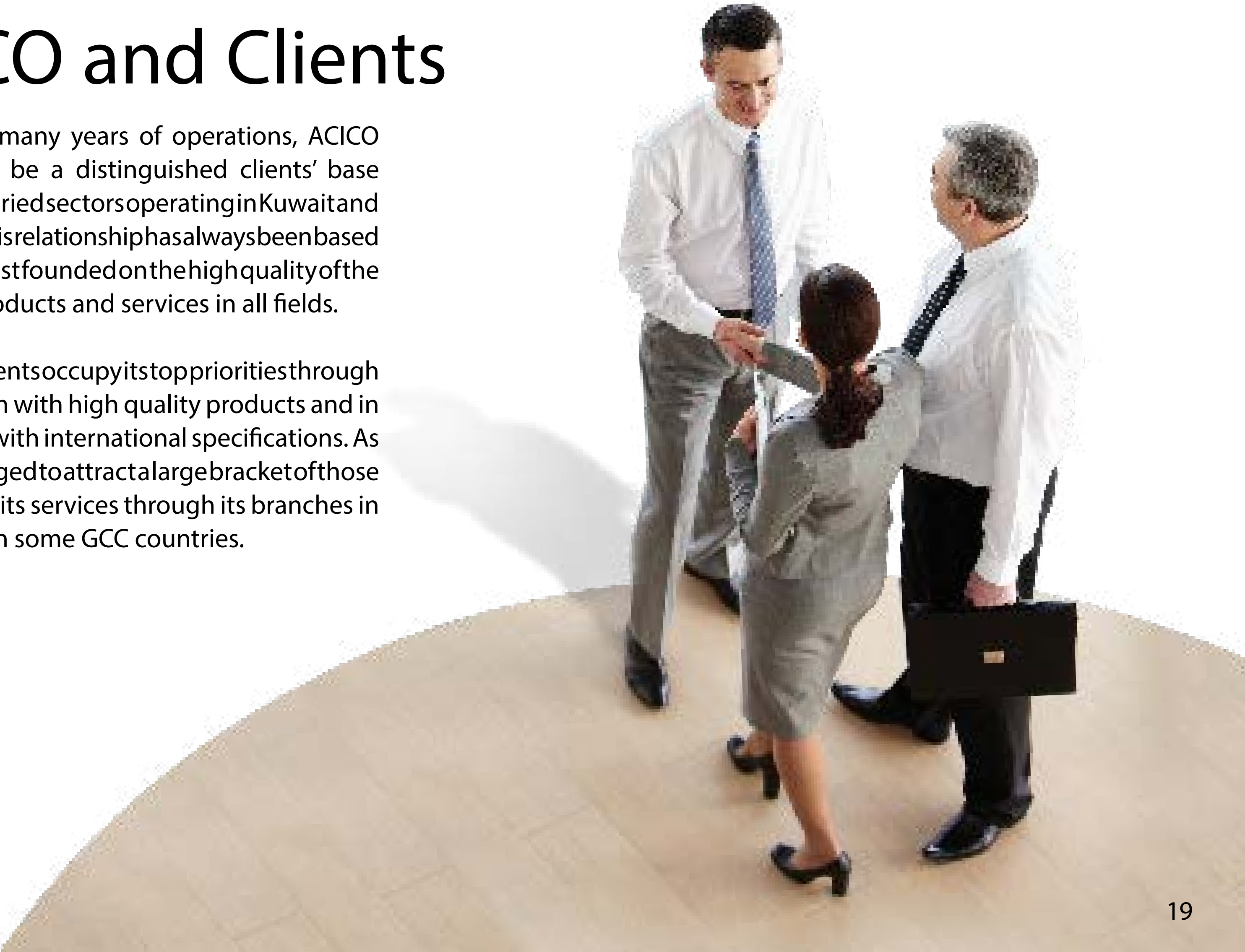
In light of the above, the Compliance Department conducted the following procedures:

• Setting up the Board of Directors' committees to supervise the application of the relevant regulations;
• Preparing the required governance reports and submitting them to CMA on the predetermined dates;
• Submitting recommendations to the Board of Directors in relation to the appointment of the Board Secretary, Investors' Affairs Unit and the Risk Unit; and
• Implementing all governing principles.

ACICO and Clients

Through its many years of operations, ACICO managed to be a distinguished clients' base through its varied sectors operating in Kuwait and the region. This relationship has always been based on mutual trust founded on the high quality of the company products and services in all fields.

For ACICO, clients occupy its top priorities through offering them with high quality products and in compliance with international specifications. As such, it managed to attract a large bracket of those interested in its services through its branches in Kuwait and in some GCC countries.



Consolidated Financial Statements

for the year ended December 31, 2013
with
Independent Auditors' Report

Contents

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, 2013 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) as of December 31, 2013, 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, 2013 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
March 26, 2014

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2013	2012
Cash and cash equivalents	3	1,721,146	1,935,310
Accounts receivable and other debit balances	4	8,723,307	8,624,298
Gross amount due from customers for contract work	5	1,309,898	306,332
Due from related parties	6	5,163,918	6,085,061
Inventories	7	4,997,022	5,489,109
Investments available for sale	8	1,620,256	1,886,496
Investment in associates	9	12,639,662	12,529,808
Investment in unconsolidated subsidiary	10	50,000	-
Investment properties	11	172,441,618	171,852,550
Right of utilization of leasehold land		416,451	473,907
Fixed assets	12	41,294,988	32,762,366
Goodwill	13	-	500,000
Total assets		250,378,266	242,445,237
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	14	2,991,659	3,264,169
Accounts payable and other credit balances	15	11,173,862	9,881,176
Gross amount due to customers for contract work	5	677,188	430,298
Due to related parties	6	997,011	1,389,457
Term loans	16	90,154,272	83,951,606
Murabaha payable	17	53,006,099	57,188,566
Dividends payable to shareholders		932,338	1,510,313
Provision for end of service indemnity	18	1,756,577	1,266,666
Total liabilities		161,689,006	158,882,251
Equity:			
Share capital	19	24,878,829	24,878,829
Share premium	20	24,426,446	24,426,446
Statutory reserve	21	9,609,994	8,939,021
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		32,707	(125,044)
Foreign currency translation adjustments		(397,553)	(396,707)
Retained earnings		23,492,349	19,607,593
Equity attributable to parent company's shareholders		84,199,873	79,487,239
Non-controlling interests		4,489,387	4,075,747
Total equity		88,689,260	83,562,986
Total liabilities and equity		250,378,266	242,445,237

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

Abdul Aziz Al Ayoub
Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Operating income	23	44,381,404	35,223,055
Operating cost	23	(32,749,047)	(25,219,504)
Net real estate income	24	9,380,446	5,256,864
Gross profit from operations		21,012,803	15,260,415
General and administrative expenses	25	(4,843,206)	(3,764,073)
Selling expenses		(621,393)	(641,495)
Depreciation and amortization	23	(247,474)	(209,530)
Income from operations		15,300,730	10,645,317
Group's share of results from associates	9	357,397	193,548
Gain from re-measurement of previously held interes associate	9	286,082	-
Gain from bargain purchase	2	349,728	-
Impairment loss of goodwill	13	(500,000)	(500,000)
Net investment income	26	681,989	493,147
Finance charges	23	(7,014,665)	(7,726,731)
Provision for doubtful debts	4	(2,063,767)	(54,300)
Foreign exchange loss		(32,202)	(24,470)
Other income		99,122	114,979
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		7,464,414	3,141,490
Contribution to Kuwait Foundation for the Advancement of Sciences	27	(26,597)	(800)
National Labor Support Tax	28	(214,581)	(64,274)
Contribution to Zakat	29	(55,005)	(4,607)
Board of Directors' remuneration	30	-	(15,000)
Net profit for the year		7,168,231	3,056,809
Attributable to:			
Parent company's shareholders		6,413,542	2,641,382
Non-controlling interests		754,689	415,427
Net profit for the year		7,168,231	3,056,809
		Fils	Fils
Earnings per share attributable to parent company's shareholders	31	25.88	10.66

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Net profit for the year		7,168,231	3,056,809
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(341,895)	(412,354)
Group's share of other comprehensive income from associates	9	157,751	161,888
Other comprehensive loss for the year		(184,144)	(250,466)
Total comprehensive income for the year		6,984,087	2,806,343
Attributable to:			
Parent company's shareholders		6,570,447	3,035,241
Non-controlling interests		413,640	(228,898)
Total comprehensive income for the year		6,984,087	2,806,343

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, 2013

(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, 2011	23,694,122	24,426,446	8,666,415	(432,774)	2,589,875	(286,932)	(628,678)	19,603,236	77,631,710	4,304,645	81,936,355
Total comprehensive income (loss) for the year	-	-	-	-	-	161,888	231,971	2,641,382	3,035,241	(228,898)	2,806,343
Bonus shares	1,184,707	-	-	-	-	-	-	(1,184,707)	-	-	-
Cash dividends	-	-	-	-	-	-	-	(1,179,712)	(1,179,712)	-	(1,179,712)
Transfer to statutory reserve	-	-	272,606	-	-	-	-	(272,606)	-	-	-
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 (Note 32)	-	-	-	-	-	-	-	(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

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, 2013
(All amounts are in Kuwaiti Dinars)

	2013	2012
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	7,464,414	3,141,490
Adjustments:		
Depreciation	2,160,684	1,721,768
Amortization	57,456	57,456
Change in fair value of investment properties	(194,108)	703,700
Group's share of results from associates	(357,397)	(193,548)
Gain from re-measurement of previously held interest in associate	(286,082)	-
Gain from bargain purchase	(349,728)	-
Impairment loss of goodwill	500,000	500,000
Net investment income	(681,989)	(493,147)
Finance charges	7,014,665	7,726,731
Provision for doubtful debts	2,063,767	54,300
Provision for end of service indemnity	606,612	291,836
Gain on sale of fixed assets	(20,192)	(24,632)
Foreign currency translation adjustments	(393,243)	(505,952)
	17,584,859	12,980,002
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(2,062,987)	783,526
Gross amount due from customers for contract work	(1,003,566)	(251,205)
Due from related parties	512,488	(1,106,655)
Inventories	725,693	(877,871)
Accounts payable and other credit balances	559,164	(3,687,026)
Gross amount due to customers for contract work	246,890	(279,354)
Due to related parties	(3,768,182)	(1,771,709)
Payment for end of service indemnity	(153,504)	(122,431)
Net cash generated from operating activities	12,640,855	5,667,277

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.) FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

	2013	2012
Cash flows from investing activities:		
Paid for purchase of investment properties	(394,960)	(32,941)
Cash dividends received from associate	349,982	-
Proceeds from sale of investments available for sale	77,532	-
Paid for purchase of fixed assets	(4,207,837)	(2,506,796)
Proceeds from sale of fixed assets	84,752	27,093
Paid for acquisition of investment in subsidiary	(572,996)	-
Paid for acquisition of investment in unconsolidated subsidiary	(50,000)	-
Tawaroq income received	870,697	602,147
Dividend income received	-	12,500
Net cash used in investing activities	(3,842,830)	(1,897,997)
Cash flows from financing activities:		
Net movement on due to banks	(272,510)	(4,230,557)
Net movement on term loans	5,328,670	16,110,570
Net movement on Murabaha payable	(4,621,881)	(6,566,836)
Finance charges paid	(7,014,665)	(7,726,731)
Cash dividends paid	(2,435,788)	(1,757,527)
Net cash used in financing activities	(9,016,174)	(4,171,081)
Net decrease in cash and cash equivalents	(218,149)	(401,801)
Cash and cash equivalents at the beginning of the year	1,935,310	2,337,111
Effect of consolidation of a subsidiary	3,985	-
Cash and cash equivalents at the end of the year (Note 3)	1,721,146	1,935,310

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.

According to the shareholders' General Assembly meeting held on May 18, 2008, the name of the Company was changed from Aerated Concrete Industries Co. K.S.C. (Closed) to be ACICO Industries Co. K.S.C. (Public). The amendment was registered in the Commercial register on May 25, 2008.

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 490 as at December 31, 2013 (2012 – 450 employees).

The Companies Law was issued on November 26, 2012 by the Decree No. 25 of 2012 "the Companies Law", and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by the Law No. 97 of 2013. The Executive Charter of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in article No. (3) of the Executive Charter, all companies have a grace period of one year from the Executive Charter's publication date to comply with the new amended law requirements.

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 March 26, 2014. 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.

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 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, 2013:

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories:

a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss

b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 16 Property, plant and equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventories, otherwise if they meet definition of inventories as per IAS 2. The amendments are effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in associates and joint ventures.

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other entities, IAS 28 Investments in Associates has been renamed to be IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in Joint Ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

This IFRS
a) defines fair value
b) sets out in a single IFRS a framework for measuring fair value
c) Requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.
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 accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(x).

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:

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". These are effective for annual periods beginning on or after January 1, 2014. These amendments are not expected to have any material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

The standard, which will be effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. These amendments are not expected to have any material impact on the consolidated financial statements.

Amendments to IFRS 10, IFRS 12 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014. These amendments are not expected to have any material impact on the consolidated financial statements.

b) rinciples of consolidation

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

Name of Subsidiaries	Country of incorporation	Percentage of holding	
		2013	2012
Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiary	Kuwait	75%	75%
ACICO Arabia for General Trading & Contracting – W.L.L.	Kuwait	60%	60%
ACICO for Construction - K.S.C. (Closed)	Kuwait	75%	75%
ACICO Kuwait Company - W.L.L.	Kuwait	99%	99%
Aerated Concrete Industries Company - Saudi Arabia - W.L.L.	Saudi Arabia	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.

On 1 April 2013, the Parent Company acquired 55% of Aerated Concrete Industries Company Saudi Arabia – W.L.L. which was formerly accounted as an investment in associate with 45% ownership. The acquisition resulted in associate becoming a wholly owned subsidiary. The fair value of identifiable assets, liabilities and gain from bargain purchase are as follows:

	Fair value
Cash and cash equivalents	3,985
Accounts receivable and other debt balances	99,789
Inventories	233,606
Fixed assets	6,503,601
Accounts payable and other credit balances	(437,339)
Due to related parties	(3,375,736)
Murabaha payables	(439,414)
Loans and due to banks	(873,996)
Provision for end service indemnity	(36,946)
Net fair value of assets and liabilities	1,677,550
Percentage of ownership	100%
	1,677,550
Consideration paid	(572,996)
Transferred from investment in an associate (Note 9)	(754,826)
Gain from bargain purchase	349,728

The consolidated financial statements for the Group as of December 31, 2013 includes the following information related to Aerated Concrete Industries Company Saudi Arabia - W.L.L. and the comparative figures for the year ended December 31, 2012 do not include such information.

Consolidated statement of financial position

	2013
Assets:	
Cash and cash equivalents	46,752
Accounts receivable and other debit balances	86,734
Inventories	375,417
Fixed assets	5,733,521
Liabilities:	
Accounts payable and other credit balances	474,482
Loans	735,593
Provisions for end of service indemnity	43,224

Consolidated statement of profit or loss

	2013
Operating income	1,850,141
Operating costs	(1,466,882)
General and administrative expenses	(177,204)
Depreciation and amortization	(5,989)
Other income	1,692
Finance charges	(29,809)
Provision for doubtful accounts	(21,201)

c) Financial instruments

Financial assets and financial liabilities are recogonized 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 and cash equivalents, receivables, investments available for sale, due from / to related parties, due to banks, term loans, murabaha payable and payables.

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) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at banks, short-term bank deposit highly liquid with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) 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.

3) 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.

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.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either;

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

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.

4) 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.

5) 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.

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.

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". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate.

The Group recognizes 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 a long term lease agreement. The Group amortizes the lease value over the lease period for 20 years.

j) Fixed assets

The initial cost of fixed assets 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 fixed assets 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 fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets 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 fixed assets 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 fixed assets.

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 period.

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.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(f).

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. 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.

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- Sale of goods

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.

b- Rendering of services

Revenue is recognized when the service is rendered.

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.

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.

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.

Finance Lease

(i) 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.

t) Foreign currency

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 which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. 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 asset is 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

Dividend distribution to the parent company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

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) 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.

2) 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 marketability 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.

3. Cash and cash equivalents

	2013	2012
Cash on hand and at banks	1,721,146	1,157,000
Fixed deposits	-	778,310
	1,721,146	1,935,310

There is no material difference between the fair value and the carrying value of cash and cash equivalents.

4. Accounts receivable and other debit balances

	2013	2012
Trade receivables (a)	8,324,362	6,910,794
Provision for doubtful debts (b)	(2,847,841)	(914,782)
	5,476,521	5,996,012
Cheques under collection	836,489	1,151,833
Advance payments	1,147,659	240,690
Prepaid expenses	610,291	449,365
Refundable deposits	149,835	272,100
Others	502,512	514,298
	8,723,307	8,624,298

a) Trade receivables

As of December 31, 2013, trade receivables amounting to KD 2,556,838 (2012 – KD 914,782) were impaired and provided for. The remaining provision for doubtful debts amounting to KD 291,003 (2012 – Nil) were provided against certain other debit balances. The Group expects to recover a portion of these receivables.

The aging analysis of these trade receivables is as follows:

	Neither past due nor impaired		Impaired	
	1 – 6 months	6 – 12 months	Over one year	Total
2013	4,309,355	1,458,169	2,556,838	8,324,362
2012	5,044,879	951,133	914,782	6,910,794

Trade receivables which are impaired and past due for more than one year include an amount of KD 1,404,201 which represents a portion from the group's claim for rental loss for which a final award from Dubai International Arbitration Center had been issued in favor of the group and the amount is still under collection.

b) Provision for doubtful debts

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	914,782	860,482
Provision for the year	2,063,767	54,300
Utilized in the year	(130,810)	-
Foreign currency translation adjustments	102	-
Balance at the end of the year	2,847,841	914,782

c) 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.

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

	2013	2012
Contract costs incurred to date plus recognized profits	5,857,378	2,511,312
Progress billings	(5,224,668)	(2,635,278)
	632,710	(123,966)
Represented by:		
Gross amount due from customers for contract work	1,309,898	306,332
Gross amount due to customers for contract work	(677,188)	(430,298)
	632,710	(123,966)

6. 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	Other related parties	2013	2012
Due from related parties	307,274	2,407,049	2,449,595	5,163,918	6,085,061
Due to related parties	81,035	145,659	770,317	997,011	1,389,457
Transactions included in the consolidated statement of profit or loss					
Operating income	-	-	-	-	38,096
Operating cost	-	186,577	-	186,577	1,235,495

Compensation to key management personnel	2013	2012
Short term benefits	296,400	273,600
Termination benefits	24,536	21,888
Board of Directors' remuneration	-	15,000

7. Inventories

	2013	2012
Raw materials	1,603,234	3,069,140
Finished goods	1,256,881	1,274,733
Spare parts	2,338,907	1,347,236
	5,199,022	5,691,109
Provision for slow moving inventory	(202,000)	(202,000)
	4,997,022	5,489,109

8. Investments available for sale

	2013	2012
Investment in real estate fund	-	82,096
Investment in unquoted shares	1,620,256	1,804,400
	1,620,256	1,886,496

The movement during the year is as follows:

	2013	2012
Balance at the beginning of the year	1,886,496	2,007,996
Disposals	(82,096)	-
Impairment loss in value	(184,144)	(121,500)
Balance at the end of the year	1,620,256	1,886,496

Investments available for sale are denominated in the following currencies

	2013	2012
Kuwaiti Dinar	1,523,705	1,765,801
Bahraini Dinar	96,551	120,695
	1,620,256	1,886,496

It was not possible to reliably measure the fair value of investment in unquoted shares amounting to KD 1,620,256 (2012 - KD 1,804,400) 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	Ownership percentage % 2013	Ownership percentage % 2012	2013	2012
Aerated Concrete Industries Company - Qatar - W.L.L.	Qatar	49	49	1,397,721	1,683,040
Al-Masaken International for Real Estate Development - K.S.C. (Public)	Kuwait	35	35	8,707,980	8,408,830
Al-Masaken United Real Estate Co. K.S.C. (Closed)	Kuwait	11.81	11.81	2,515,698	2,359,578
ACICO Kuwaiti Syria Company - W.L.L.	Syria	50	50	18,262	18,262
ACICO International for Contracting - W.L.L.	UAE	45	45	1	1
Aerated Concrete Industries Company - Saudi Arabia - W.L.L. (a)	Saudi Arabia	-	45	-	60,097
				12,639,662	12,529,808

The movement during the year is as follows:	2013	2012
Balance at the beginning of the year	12,529,808	12,172,768
Transferred to a subsidiary	(60,097)	-
Group's share of results from associates	357,397	193,548
Group's share of other comprehensive income from associates	157,751	161,888
Cash dividends received from associate	(349,982)	-
Foreign currency translation adjustments	4,785	1,604
Balance at the end of the year	12,639,662	12,529,808

a) During the year ended December 31, 2013, the parent company acquired 55% of Aerated Concrete Industries Company Saudi Arabia – W.L.L. which was formerly accounted as an investment in associate as of December 31, 2012, and so the Group had re-measured its previously held interest in associate which generated gain from re-measurement of KD 286,082 being the difference between the fair value of previously held interest in associate at the date of acquisition of KD 754,826 and carrying value of KD 468,744.

As of December 31, 2013 the fair value of the Group's investment in Al Masaken International For Real Estate Development K.S.C. (Public) amounted to KD 5,600,000 (2012 – KD 3,500,000)

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.

Summarized financial information for associates are as follows:

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

Summarized statement of financial position	2013	2012
Current assets	532,084	596,324
Non-current assets	9,672,949	9,774,215
Current liabilities	(1,355,240)	(1,338,937)
Non-current liabilities	(5,997,302)	(5,596,826)
Net Assets	2,852,491	3,434,776
Group's ownership percentage	49%	49%
Carrying value of Aerated Concrete Industries Company - Qatar - W.L.L.	1,397,721	1,683,040

Summarized Statement of profit or loss	2013	2012
Operating income	994,362	1,212,260
Operating cost	(1,049,171)	(1,278,952)
Other expenses	(584,599)	(774,858)
Other income	47,357	52,592
Net loss	(592,051)	(788,958)
Dividend received	-	-

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

Summarized statement of financial position	2013	2012
Current assets	18,654,789	14,990,315
Non-current assets	15,702,386	13,911,305
Current liabilities	(5,637,441)	(1,160,546)
Non-current liabilities	(3,683,350)	(3,559,404)
Net Assets	25,036,384	24,181,670
Group's ownership percentage	35%	35%
Other adjustments	(54,755)	(54,755)
Carrying value of Al-Masaken International for Real Estate Development -K.S.C.(Public)	8,707,980	8,408,830

Summarized Statement of profit or loss	2013	2012
Operating income	4,006,206	5,287,894
Operating cost	(3,933,380)	(5,274,250)
Other expenses	(613,224)	(466,674)
Other income	1,958,322	1,535,172
Net profit	1,417,924	1,082,142
Dividend received	349,982	-

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

Summarized statement of financial position	2013	2012
Current assets	8,912,579	6,272,175
Non-current assets	15,355,498	17,532,058
Current liabilities	(2,899,559)	(3,754,380)
Non-current liabilities	(67,097)	(70,361)
Net Assets	21,301,421	19,979,492
Group's ownership percentage	11.81%	11.81%
Carrying value of Al-Masaken United Real Estate Co. - K.S.C. (Closed)	2,515,698	2,359,578

Summarized Statement of profit or loss	2013	2012
Operating income	1,654,912	2,399,298
Operating cost	(129,618)	(779,926)
Other expenses	(253,063)	(275,278)
Other income	8,275	47,001
Net profit	1,280,506	1,391,095
Dividend received	-	-

The group's share in the contingent liabilities of the associates amounted to KD 164,666 as of December 31, 2013 (2012 – KD 233,909)

10. Investment in unconsolidated subsidiary

Name of the subsidiary	Country of Incorporation	2013	2012
ACICO Food Concepts Restaurants Co. W.L.L.	Kuwait	50,000	-

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

11. Investment properties

	Investment properties	Investment properties under progress	2013	2012
Balance at the beginning of the year	170,546,250	1,306,300	171,852,550	172,523,309
Additions	44,164	350,796	394,960	32,941
Transferred from investment properties under progress	1,657,096	(1,657,096)	-	-
Changes in fair value of investment properties	194,108	-	194,108	(703,700)
Balance at the end of the year	172,441,618	-	172,441,618	171,852,550

Investment properties with fair value of KD 153,426,912 (2012 - KD 57,225,660) are pledged against term loans and Murabaha payable.

Investment properties with fair value amounting to KD 111,925,875 are in process to be pledged against Murabaha payable.

The fair value of investments properties for the Group as of December 31, 2013 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, 2012 with respect to guidelines for fair value of investment properties.

In estimating the fair value of investment properties, the Group had used discounted cash flow method; considering the nature and usage of the investment properties.

Following is the description of valuation techniques used and key inputs to valuation

Class of investment property	Valuation technique	Level 3	Total
Residential, offices and hotels investment properties	Discounted cash flow method	172,441,618	172,441,618
		172,441,618	172,441,618

12. Fixed assets

	Buildings	Machinery and equipments	Motor vehicles	Tools	Furniture and fixtures	Software	Capital work in progress	Total
Cost:								
As of December 31, 2012	13,078,114	28,824,599	3,569,691	222,590	733,848	596,807	2,299,932	49,325,581
Effect of consolidation of a subsidiary	2,079,281	5,184,290	81,848	-	25,419	-	22,771	7,393,609
Additions	-	221,303	1,339,568	32,326	57,081	3,631	2,553,928	4,207,837
Disposals	-	(90,000)	(91,613)	(372)	-	-	-	(181,985)
Transferred from capital work in progress	1,167,260	1,640,471	-	-	-	-	(2,807,731)	-
Foreign currency translation adjustments	19,349	41,722	464	-	453	225	67	62,280
As of December 31, 2013	16,344,004	35,822,385	4,899,958	254,544	816,801	600,663	2,068,967	60,807,322
Accumulated depreciation:								
As of December 31, 2012	3,829,755	9,391,108	2,262,417	198,321	574,438	307,176	-	16,563,215
Effect of consolidation of a subsidiary	263,237	528,344	81,847	-	16,580	-	-	890,008
Charge for the year	837,588	635,964	479,850	32,835	79,158	95,289	-	2,160,684
Related to disposals	-	(45,901)	(71,320)	(204)	-	-	-	(117,425)
Foreign currency translation adjustments	5,003	9,734	463	-	428	224	-	15,852
As of December 31, 2013	4,935,583	10,519,249	2,753,257	230,952	670,604	402,689	-	19,512,334
Net book value:								
As of December 31, 2013	11,408,421	25,303,136	2,146,701	23,592	146,197	197,974	2,068,967	41,294,988
As of December 31, 2012	9,248,359	19,433,491	1,307,274	24,269	159,410	289,631	2,299,932	32,762,366

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 1,970,666 (2012 – KD 1,569,694).

Fixed assets with net book value of KD 9,752,295 (2012 – KD 5,677,789) are first degree pledged against term loan.

13. Goodwill

	Amount
Balance at December 31, 2011	1,000,000
Impairment loss	(500,000)
Balance at December 31, 2012	500,000
Impairment loss	(500,000)
Balance at December 31, 2013	-

14. Due to banks

Annual interest rate on bank overdrafts varies from 1% to 2.5% (2012 – from 1% to 2.5%), over the Central Bank of Kuwait discount rate.

15. Accounts payable and other credit balances

	2013	2012
Trade payable	6,526,233	6,321,433
Advance payments from customers	516,400	470,316
Post dated cheques	84,439	56,313
Subcontractors' retention payables	226,038	243,265
Accrued staff leave	422,525	222,423
Deposits from others	285,556	274,327
Payable to Kuwait Foundation for Advancement of Sciences	370,103	342,213
National Labor Support Tax payable	621,502	406,921
Zakat payable	371,238	277,155
Board of Directors' remuneration payable	42,000	62,000
Provision for maintenance work	389,999	162,011
Accrued expenses and others	1,317,829	1,042,799
	11,173,862	9,881,176

There is no material difference between the fair value and the carrying value of accounts payable and other credit balances.

16. Term loans

	2013	2012
Current portion	10,894,982	1,800,000
Non-current portion	79,259,290	82,151,606
	90,154,272	83,951,606

The term loans carry interest rate ranging from 1.5% to 3% (2012 – 2% to 3.5%) per annum over the Central Bank of Kuwait discount rate as of December 31,2013 .

The loans are guaranted as follows:

	2013	2012
First degree pledge for Investment properties	109,310,425	20,711,700
First degree pledge for fixed assets	9,752,295	5,677,789
	119,062,720	26,389,489

17.Murabaha payable

	2013	2012
Murabaha payable	53,938,604	58,652,315
Less:deferredfinancecost	(932,505)	(1,463,749)
	53,006,099	57,188,566

Murabaha payable carries average finance charges ranging from 3% to 5% per annum (2012 – 3%).

Investmentpropertywithfairvalueof KD44,116,487 (2012–KD36,513,960) are pledged against Murabaha payable, joint guarantee from the subsidiaries with a percentage ranging from 60% to 100%.

Mortgages against Murabaha payable had been restructured by second degree mortgage for investment property with fair value of KD 93,079,250 and first degree mortgage for investment property with fair value of KD 18,846,625 as of December 31, 2013. The mortgage procedures have not yet been completed till the date of the consolidated financial statements.

18. Provision for end of service indemnity

	2013	2012
Balance at the beginning of the year	1,266,666	1,097,331
Effect of consolidation of a subsidiary	36,946	-
Charge for the year	606,612	291,836
Paid during the year	(153,504)	(122,431)
Foreigncurrencytranslationadjustments	(143)	(70)
Balance at the end of the year	1,756,577	1,266,666

19. Share capital

Authorized issued and paid up capital consist of 248,788,290 shares (2012 – 248,788,290 shares) of 100 fils each and all shares are in cash.

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

	2013	2012
Number of shares	969,335	969,335
Percentageofissuedshares	0.39%	0.39%
Market value (KD)	271,414	219,070
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. Segment reporting

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

	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	118,356	-	129,118	247,474	-	247,474
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

	December 31, 2012					
	Industrial	Real estate	Contracting	Total	Entries to eliminate inter-company transactions / Non controlling interest	Total
Operating income	53,013,646	-	5,207,823	58,221,469	(22,998,414)	35,223,055
Operating cost	43,028,595	-	4,154,411	47,183,006	(21,963,502)	25,219,504
Net real estate income	-	5,256,864	-	5,256,864	-	5,256,864
Net profit for the year	4,878,595	(2,111,354)	289,568	3,056,809	(415,427)	2,641,382
Finance charges	989,995	6,706,616	30,120	7,726,731	-	7,726,731
Depreciation and amortization	190,903	-	18,627	209,530	-	209,530
Total assets	61,404,189	184,309,347	1,064,326	246,777,862	(4,332,625)	242,445,237
Total liabilities	12,330,320	140,667,016	3,994,565	156,991,901	1,890,350	158,882,251

24. Net real estate income

	2013	2012
Change in fair value of investment properties	194,108	(703,700)
Net rental income	9,186,338	5,960,564
	9,380,446	5,256,864

25. General and administrative expenses

General and administrative expenses include staff cost amounting to KD 3,178,936 (2012 – KD 2,094,304).

26. Net investment income

	2013	2012
Tawaroq Income	870,697	602,147
Impairment loss in value of investments available for sale	(184,144)	(121,500)
Realized loss on sale of investment available for sale	(4,564)	-
Dividend income	-	12,500
	681,989	493,147

27. 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.

28. 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.

29. 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.

30. Board of Directors' remuneration

The Board of Directors' meeting held on March 26, 2014 proposed a remuneration for Board of Director's members amounting KD 15,000 for the year ended December 31, 2013.

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

31.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:

	2013	2012
Net profit for the year attributable to Parent Company's shareholders	6,413,542	2,641,382
	Shares	Shares
Number of shares outstanding:		
Number of issued shares at beginning of the year	248,788,290	248,788,290
Weighted average number of treasury shares	(969,335)	(969,335)
Weighted average number of shares outstanding at end of the year	247,818,955	247,818,955
	Fils	Fils
Earnings per share attributable to parent company's shareholders	25.88	10.66

32. Proposed dividends and bonus shares

Cash dividend

The Board of Directors' meeting held on March 26, 2014 recommended a cash dividend of 10 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 March 26, 2014 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 16, 2013 approved the cash dividends of 7.5 fils per share for the year ended December 31, 2012.

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

		Ownership interests held by the NCI %		Non-controlling interests balance		
Name of subsidiary	Country of incorporation	2013	2012	2013	2012	Principal activities
ACICO Arabia for General Trading & Contracting – W.L.L.	Kuwait	40%	40%	2,987,436	3,108,522	General trading and contracting
ACICO for Construction K.S.C. (Closed)	Kuwait	25%	25%	2,243,080	1,716,465	Concrete constructions and contracting

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

	2013	2012
Current assets	255,556	1,024,879
Current liabilities	(466,454)	(1,968,856)
Net current assets	(210,898)	(943,977)
Non - current assets	9,202,332	9,334,810
Non-current liabilities	(1,522,845)	(619,527)
Net non-current assets	7,679,487	8,715,283
Net Assets	7,468,589	7,771,306

Summarized Statement of profit or loss and other comprehensive income

	2013	2012
Revenue	-	407,905
Net loss for the year	(323,540)	(450,905)
Other comprehensive income	-	-
Total comprehensive loss for the year	(323,540)	(450,905)
Loss attributable to non-controlling interest	(129,416)	(180,362)

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

Summarized statement of financial position

	2013	2012
Current assets	15,792,788	13,349,151
Current liabilities	(13,081,668)	(11,932,800)
Net current assets	2,711,120	1,416,351
Non-current assets	11,200,323	8,809,727
Non-current liabilities	(4,939,124)	(3,360,218)
Net non-current assets	6,261,199	5,449,509
Net Assets	8,972,319	6,865,860

Summarized Statement of profit or loss and other comprehensive income

	2013	2012
Revenue	28,392,455	20,839,912
Net profit for the year	3,501,563	2,325,920
Other comprehensive income	-	-
Total comprehensive income for the year	3,501,563	2,325,920
Profit attributable to non-controlling interest	875,391	581,480

34. Legal cases

At the date of consolidated statement of financial position, there are legal cases from the Group against others and the Group's management believes that these legal cases have no material impact on the consolidated financial position, based on that, the Group's management did not account provisions for these legal cases.

35. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, 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
2013			
Due to banks	± 50 basis points	± 2,991,659	±14,958
Term loans	± 50 basis points	± 90,154,272	±450,771
Murabahapayable	± 50 basis points	± 53,006,099	±265,030
2012			
Due to banks	± 50 basis points	± 3,264,169	± 16,321
Term loans	± 50 basis points	± 83,951,606	± 419,758
Murabahapayable	± 50 basis points	± 57,188,566	± 285,943

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
2013			
AED	± 5.00%	± 16,177	± 373,429
SAR	± 5.00%	± 7,537	± 74,511

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated comprehensive income
2012			
AED	± 5.00%	± 22,545	± 388,565

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 bank deposits or other investments that are readily realizable.

Maturity Table for financial liabilities

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

2012

Financial liabilities	1-3 months	3-12 months	Over 1 year	Total
Due to banks	-	3,264,169	-	3,264,169
Term loans	-	1,800,000	82,151,606	83,951,606
Accounts payable and other credit balances	427,220	9,453,956	-	9,881,176
Murabaha payable	-	4,144,337	53,044,229	57,188,566
Due to related parties	-	-	1,389,457	1,389,457
Dividends payable to shareholders	1,510,313	-	-	1,510,313
Total	1,937,533	18,662,462	136,585,292	157,185,287

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.

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

	2013		2012	
Market Indices	Change in equity price %	Effect on other comprehensive income	Change in equity price %	Effect on other comprehensive income
Real Estate Fund Manager's report	±5%	-	±5%	± 4,105

Fair value measurement

The Group measures financial assets such as investments available for sale at fair value.

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.
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 2	Total
2013		
Investments available for sale	-	-
2012	**Level 2**	**Total**
Investments available for sale	82,096	82,096

At December 31, the fair values 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 cash and cash equivalents, receivables, due from / to related parties and payables 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

36. 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 (including current and non current borrowings as shown in consolidated statement of financial position) less cash and cash equivalent. 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:

	2013	2012
Due to banks	2,991,659	3,264,169
Loans and Murabaha payable	143,160,371	141,140,172
Less: cash and cash equivalents	(1,721,146)	(1,935,310)
Net debt	144,430,884	142,469,031
Total equity	88,689,260	83,562,986
Total capital resources	233,120,144	226,032,017
Gearing Ratio	61.96%	63.03%

37. Contingent liabilities

	2013	2012
Letters of guarantee	3,407,978	5,495,895
Letters of credit	1,163,233	156,013
	4,571,211	5,651,908

38. Comparative figures

Certain of the prior year amounts have been reclassified to conform to the amounts of current year presentation. Reclassification has no impact on net equity and net profit.