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Shuaiba Industrial Company K.P.S.C. and its subsidiary
Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2013

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P.O. Box : 636, Safat - 13007 Kuwait
Tel : + 965 - 22412880 / 22410885
Fax: + 965 - 22454248
Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
E-Mail: alateeqi@ateeqicpas.com
Website: www.ateeqicpas.com

Al Johara Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait
Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS' OF SHUAIBA INDUSTRIAL COMPANY K.P.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Shuaiba Industrial Company K.P.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 auditors consider 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Kuwait Companies Law No. 25 of 2012, as amended, and by the Parent Company's Articles and Memorandum of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Kuwait Companies Law No. 25 of 2012, as amended, nor of the Parent Company's Articles and Memorandum of Association, have occurred during the year that might have had a material effect on the business of the Group or its consolidated financial position.

Barrak Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Qais M. Al-Nisf
License No. 38-A
BDO Al Nisf & Partners

Kuwait: 12 February 2014

Shuaiba Industrial Company K.P.S.C. and its subsidiary
Kuwait

Consolidated statement of financial position

As at 31 December 2013

	Notes	2013 KD	2012 KD
Assets			
Non-current assets			
Property, plant and equipment	5	8,831,688	8,922,487
Investment in associate	6	2,550,930	2,353,846
Available for sale financial assets	7	36,843	188,741
		11,419,461	11,465,074
Current assets			
Inventories	8	3,258,961	3,122,689
Trade receivables	9	2,618,960	1,785,685
Other receivables	10	130,525	105,731
Due from related party	23	-	66,000
Financial assets at fair value through profit or loss	11	347,740	477,997
Cash and cash equivalents	12	1,766,750	1,544,999
		8,122,936	7,103,101
Total assets		19,542,397	18,568,175
Equity and Liabilities			
Equity			
Share capital	13	6,137,405	6,137,405
Share premium	14	2,294,444	2,294,444
Statutory reserve	15	1,653,044	1,505,648
Voluntary reserve	16	1,562,036	1,414,640
Treasury shares	17	(253,265)	(253,265)
Treasury shares reserve		404,979	404,979
Fair value reserve		-	(31,696)
Foreign currency translation reserve		20,668	16,216
Retained earnings		4,579,106	4,091,889
Total equity		16,398,417	15,580,260
Non-current liabilities			
Non current portion of term loan	18	477,941	677,941
Provision for staff indemnity		408,119	348,538
		886,060	1,026,479
Current liabilities			
Trade and other payables	19	2,057,920	1,556,671
Current portion of term loan	18	200,000	200,000
Notes payable		-	204,765
		2,257,920	1,961,436
Total liabilities		3,143,980	2,987,915
Total equity and liabilities		19,542,397	18,568,175

The notes on pages 8 to 34 form an integral part of these consolidated financial statements.

Wael Yousef Saleh AlSaqabi
Chairman

Shuaiba Industrial Company K.P.S.C. and its subsidiary
Kuwait

Consolidated statement of income

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
Revenue		13,198,348	9,882,189
Cost of sales		(10,572,008)	(7,725,922)
Gross profit		2,626,340	2,156,267
Unrealised loss on financial assets at fair value through profit or loss		(147,159)	(56,807)
Realised gain / (loss) on sale of financial assets at fair value through profit or loss		86,592	(31,679)
Gain on sale of available for sale financial assets		38,877	-
Share of results of associate	6	295,164	392,213
Investment income		-	1,500
Foreign exchange loss		(25,769)	(10,736)
Other income		73,715	24,838
General and administrative expenses	20	(636,878)	(563,182)
Selling and distribution expenses		(749,667)	(676,390)
Finance costs		(40,156)	(38,130)
Impairment loss on available for sale financial assets	7	(103,500)	(122,800)
Provision for doubtful debts	9	(39,923)	-
Reversal of provision for doubtful debts	9	19,533	-
Reversal of impairment on property, plant and equipment		40,184	-
Reversal of provision for slow moving and obsolete inventories	8	31,604	-
Profit on disposal of property, plant and equipment		5,003	404
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration		1,473,960	1,075,498
KFAS		(13,266)	(9,679)
NLST		(36,849)	(26,850)
Zakat		(16,716)	(11,257)
Board of Directors' remuneration		(25,000)	(15,000)
Profit for the year		1,382,129	1,012,712
Basic and diluted earnings per share (fils)	22	23.03	16.87

The notes on pages 8 to 34 form an integral part of these consolidated financial statements.

Shuaiba Industrial Company K.P.S.C. and its subsidiary
Kuwait

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013 KD	2012 KD
Profit for the year	1,382,129	1,012,712
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated statement of income:		
Available for sale financial assets:		
-Change in fair value	(32,927)	(28,625)
- Gain on sale of available for sale financial assets transferred to consolidated statement of income	(38,877)	-
-Transferred to consolidated statement of income on impairment	103,500	122,800
- Share of associates other comprehensive income	2,462	17,124
Foreign currency translation adjustments	1,990	42,791
Other comprehensive income for the year	36,148	154,090
Total comprehensive income for the year	1,418,277	1,166,802

The notes on pages 8 to 34 form an integral part of these consolidated financial statements.

Shuaiba Industrial Company K.P.S.C. and its subsidiary
Kuwait

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2012	5,845,147	2,294,444	1,398,098	1,307,090	(253,265)	404,979	(125,871)	(43,699)	3,586,535	14,413,458
Profit for the year	-	-	-	-	-	-	-	-	1,012,712	1,012,712
Other comprehensive income for the year	-	-	-	-	-	-	94,175	59,915	-	154,090
Total comprehensive income for the year	-	-	-	-	-	-	94,175	59,915	1,012,712	1,166,802
Issue of bonus shares	292,258	-	-	-	-	-	-	-	(292,258)	-
Transfer to reserves	-	-	107,550	107,550	-	-	-	-	(215,100)	-
Balance at 31 December 2012	6,137,405	2,294,444	1,505,648	1,414,640	(253,265)	404,979	(31,696)	16,216	4,091,889	15,580,260
Profit for the year	-	-	-	-	-	-	-	-	1,382,129	1,382,129
Other comprehensive income for the year	-	-	-	-	-	-	31,696	4,452	-	36,148
Total comprehensive income for the year	-	-	-	-	-	-	31,696	4,452	1,382,129	1,418,277
Dividend (see note 27)	-	-	-	-	-	-	-	-	(600,120)	(600,120)
Transfer to reserves	-	-	147,396	147,396	-	-	-	-	(294,792)	-
Balance at 31 December 2013	6,137,405	2,294,444	1,653,044	1,562,036	(253,265)	404,979	-	20,668	4,579,106	16,398,417

The notes on pages 8 to 34 form an integral part of these consolidated financial statements.

Shuaiba Industrial Company K.P.S.C. and its subsidiary
Kuwait

Consolidated statement of cash flows

For the year ended 31 December 2013

	Note	2013 KD	2012 KD
Operating activities			
Profit for the year		1,382,129	1,012,712
Adjustments for:			
Depreciation		446,039	367,035
Finance costs		40,156	38,130
Provision for staff indemnity		76,145	55,097
Impairment loss on available for sale financial assets		103,500	122,800
Provision for doubtful debts		39,923	-
Reversal of provision for doubtful debts		(40,184)	-
Reversal of impairment on property, plant and equipment		(19,533)	-
Reversal of provision for slow moving and obsolete inventories		(31,604)	-
Gain on sale of available for sale financial assets		(38,877)	-
Profit on disposal of property, plant and equipment		(5,003)	(404)
Realised (gain) / loss on financial assets at fair value through profit or loss		(86,592)	31,679
Unrealised loss on financial assets at fair value through profit or loss		147,159	56,807
Share of results of associate		(295,164)	(392,213)
		1,718,094	1,291,643
Movements in working capital:			
Inventories		(104,668)	(608,266)
Trade receivables		(853,665)	(15,344)
Other receivables		(24,794)	15,638
Due from related party		66,000	1,030
Trade and other payables		464,538	369,498
Notes payables		(204,765)	(1,094,903)
Cash generated / (used in) from operations		1,060,740	(40,704)
Staff indemnity paid		(16,547)	(3,427)
Net cash from / (used in) operating activities		1,044,193	(44,131)
Investing activities			
Purchase of financial assets at fair value through profit or loss		(277,586)	(275,493)
Proceed from sale of financial assets at fair value through profit or loss		347,276	99,009
Purchase of property, plant and equipment		(317,489)	(394,873)
Proceeds from sale of available for sale financial assets		118,971	-
Proceeds from disposal of property, plant and equipment		11,442	405
Dividend received from an associate		100,540	177,115
Net cash used in investing activities		(16,846)	(393,837)
Financing activities			
Receipt of term loan		-	2,050,170
Repayment of term loan		(200,000)	(1,686,631)
Dividends paid		(561,152)	-
Finance costs paid		(42,413)	(33,975)
Net cash (used in) / from financing activities		(803,565)	329,564
Effect of foreign currency translation		(2,031)	(14,330)
Net increase / (decrease) in cash and cash equivalents		221,751	(122,734)
Cash and cash equivalents at beginning of the year		1,544,999	1,667,733
Cash and cash equivalents at end of the year	12	1,766,750	1,544,999

The notes on pages 8 to 34 form an integral part of these consolidated financial statements.

1. General information

Shuaiba Industrial Company K.P.S.C. ("the Parent Company"), is a public shareholding company incorporated in 1978 under the Laws of the State of Kuwait and is listed on the Kuwait Stock Exchange.

The Group comprises of the Parent Company and its subsidiary (see note 3.3).

The Parent Company is engaged in the manufacture and sale of paper products. At the annual general assembly held on 29 March 2010, the shareholders approved the Group to conduct its activities in accordance with Islamic Sharia Principles.

The address of the Parent Company's registered office is P.O. Box, 10088, Shuaiba 65451, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved and authorized for issue by the Parent Company's board of directors on 12 February 2014. and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

The Kuwait Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960, as amended. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree).

According to articles 2 and 3 of the Decree, Executive Regulations, which were issued by the Ministry of Commerce and Industry on 26 September 2013 and published in the Official Gazette on 6 October 2013, determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended, within a period of one year from date of its issuance in the Official Gazette.

2. Adoption of new and revised standards

Standards, Amendments and Interpretation effective in the current year

The Group has adopted the following new and amended standards as of 1 January 2013. The adoption of these standards, amendments and interpretation did not have any effect on Group's financial statements and did not lead to material changes in Group's accounting policies.

Amendments to IFRS 7: "Financial Instruments : Disclosures" - Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 "Financial Instruments: Presentation". The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment has no impact on the Group's financial position or performance on adoption.

2. Adoption of new and standards (continued)

IFRS 10: "Consolidated Financial Statements "

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including : (a) the investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the Group's financial position or performance on adoption.

IFRS 11: "Joint Arrangements "

IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 12: "Disclosures of Interest in Other Entities "

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 13: "Fair Value Measurement "

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

Amendments to IAS 1: "Presentation of Financial Statements" - Items of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g. net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

2. Adoption of new and revised standards (continued)

Amendments to IAS 19: "Employee Benefits (Revised 2011)" - Accounting for Employee Benefits
The amendments to IAS 19 change the accounting for defined benefits plans and termination benefits. The most significant change relates to the accounting for changes in defined benefits obligations and plan assets. The amendments require recognition of changes in defined benefits obligations and fair value changes of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

In case of the Group, the transition to IAS 19 had no impact on the Group's consolidated financial position or performance.

Standards, Amendments and Interpretation issued but not yet effective and not early adopted

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group. The application of these standards, amendments and interpretations upon effective date is not expected to have a material impact on the Group's financial statements.

IFRS 9: "Financial Instruments" (Effective or annual periods beginning on or after 1 January 2015)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

A revised version of IFRS 9 incorporating revised requirements a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It also permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.
The revised version also removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

2. Adoption of new and revised standards (continued)

Amendments to IFRS 10, 12 and IAS 27 : On Consolidation for Investment Entities (Effective or annual periods beginning on or after 1 January 2014)
These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

Amendments to IAS 36: "Impairment of Assets" - On Recoverable Amount Disclosures (Effective or annual periods beginning on or after 1 January 2014)
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3. Significant accounting policies

3.1 Basis of preparation
These consolidated financial statements have been prepared under the historical cost convention, except for available sale financial assets and financial assets at fair value through profit or loss that are stated at fair value.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Statement of compliance
These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations, and applicable requirements of Ministerial Order No. 18 of 1990.

3.3 Basis of consolidation
The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2013 (see below). All subsidiaries have a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Parent Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

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. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and unrealised profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the consolidated statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

Details of the wholly owned subsidiary is as follows:

Name of subsidiary	Principal activity	Ownership interest	Place of incorporation and operation
Advance Technologies (International Agencies) Co. W.L.L	Commercial agencies	99%	Kuwait

3. Significant accounting policies (continued)

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, finance costs capitalised in accordance with the Group's accounting policy (see finance costs policy).

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.5 Impairment of non- financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income, 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 (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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income, 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.

3. Significant accounting policies (continued)

3.6 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee generally accompanying a shareholding of between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income attributable to equity holders of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of 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 recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes resulting from other comprehensive income of the associate or items recognised directly in the associate's or equity of the Group, as applicable.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. Significant accounting policies (continued)

3.6 Investment in associates (continued)

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

3.7 Financial assets

Classification, initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as "loans and receivables" ,"financial assets at fair value through profit or loss ," and "available for sale financial assets". the classification depends on the purpose for which financial assets were acquired and it is determined at initial recognition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of income.

A "regular way" purchase of financial assets is recognised using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Group has not classified any of its financial assets as held to maturity.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets as fair value through profit or loss

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

3. Significant accounting policies (continued)

3.7 Financial asset (continued)

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are remeasured and carried at amortised cost using the effective yield method, less impairment. Loans and receivables include Cash and Cash equivalents, Trade receivables and Due from related parties.

Cash and cash equivalents
Cash on hand, bank demand account balances, time deposits with banks whose maturines do not exceed a period of three months from acquisition date and cash balance with portfolio manager are classified as cash and cash equivalents.

Amortised cost
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective yield method. The effective yield method amortisation and the losses arising from impairment are recognised in the consolidated statement of income.

Available for sale financial assets
Available for sale financial assets include equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available for sale financial assets are measured at fair value with unrealised gain or loss recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recycled to the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income.

Available for sale financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For equity investments classified as Available for Sale Financial Assets (AFS), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant accounting policies (continued)

3.7 Financial asset (continued)

Certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective yield. Individual impairment is identified at counterparty specific level; following objective evidence the financial asset is impaired. This may be after an interest or principal payment is defaulted or when a contract covenant is breached. The present value of estimated cash flow recoverable is determined after taking into account any security held.

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

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

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

3.8 Financial liabilities

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as "other than at fair value through statement of income". These are subsequently remeasured at amortised cost. Financial liabilities include Term loans, Notes payable and Trade and other payables.

Term Loans and notes payables

Term loans and notes payable are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, term loans and notes payable are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated statement of income over the period of the loans and notes payable on an effective yield basis.

3. Significant accounting policies (continued)

3.8 Financial liabilities (continued)

Trade and other payables
Liabilities are recognised for amount to be paid in the future for goods or services received, whether billed or not. Notes payables, trade and other payables are subsequently measured at amortised cost using the effective yield method.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised.

3.9 Inventories
Finished goods are stated at the lower of weighted average cost and net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Spare parts are not intended for resale and are valued at cost after making allowance for any slow moving items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of purchased cost or net realisable value using the weighted average method after making provision for any slow moving stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

3.10 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued.

Statutory and voluntary reserves represents amounts transferred from profits in accordance with Kuwait Companies Law and the Parent Company's articles of association (Note 15 and 16).

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve. Gains or losses or certain financial instruments are included in fair value reserve for available for sale financial assets.

Retained earnings include all current and prior period retained profits.

Dividends are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3. Significant accounting policies (continued)

3.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognized in equity. When the treasury shares are sold, 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 and then to reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and 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.

3.12 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date, and approximates the present value of the final obligation.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.14 Revenue recognition

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

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant accounting policies (continued)

3.14 Revenue recognition (continued)

Yield income is recognised on an accrual basis using the effective yield method.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

3.15 Finance costs

Finance costs primarily comprise interest on the Group's financing. Finance costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recognised in the consolidated statement of income in the period in which they are incurred.

3.16 Foreign currency translation

The consolidated financial statements are presented in currency (KD), which is also the functional currency of the Parent Company.

Transactions and balances

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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 the consolidated statement of income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Group companies

The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the reporting date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

3.17 Contribution to Kuwait Foundation for the Advancement of Sciences

The Parent Company is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Parent Company's contributions to KFAS are recognised as an expense in the period during which the Parent Company's contribution is legally required. KFAS is imposed at 1% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

3. Significant accounting policies (continued)

3.18 National Labour Support tax

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

3.19 Zakat

The Group has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. Zakat is imposed at 1% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

3.20 Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent asset are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

3.21 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

4. Significant accounting judgements and estimation uncertainity

Accounting judgements

In the process of applying the Group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Impairment of investments

The Group treats available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as financial assets at fair value through profit or loss or as available for sale financial assets.

Classification of investments as financial assets at fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through profit or loss. All other investments are classified as available for sale.

4. Significant accounting judgements and estimation uncertainity (continued)

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment of trade receivables
An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade receivables were KD 2,692,858 (2012: KD 1,841,393), and the allowance for doubtful debts was KD 73,898 (2012: KD 55,708). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognized in the consolidated statement of income.

Useful lives of tangible assets
As described in note 3.4, the Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

5. Property, plant and equipment

	Leasehold land	Buildings	Machinery	Furniture and fixtures	Motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance at 1 January 2012	555,000	2,050,831	5,016,668	558,912	221,793	3,052,242	11,455,446
Additions	-	81,245	17,464	30,565	7,325	258,275	394,874
Transfers	-	1,411,596	1,798,478	59,270	30,824	(3,300,168)	-
Disposals	-	-	-	(1,149)	(6,700)	-	(7,849)
Foreign currency exchange difference	-	25,811	30,410	722	505	-	57,448
Balance at 31 December 2012	555,000	3,569,483	6,863,020	648,320	253,747	10,349	11,899,919
Additions	-	-	-	-	-	317,489	317,489
Transfers	-	30,988	-	79,428	21,400	(131,816)	-
Disposals	-	-	-	-	(54,048)	-	(54,048)
Foreign currency exchange difference	-	1,980	2,253	(178)	44	(2)	4,097
Balance at 31 December 2013	555,000	3,602,451	6,865,273	727,570	221,143	196,020	12,167,457
Accumulated depreciation							
Balance at 1 January 2012	-	607,754	1,372,167	453,652	184,345	-	2,617,918
Charge for the year	-	107,932	198,417	43,215	17,471	-	367,035
Relating to disposal	-	-	-	(1,149)	(6,699)	-	(7,848)
Foreign currency exchange difference	-	137	151	21	18	-	327
Balance at 31 December 2012	-	715,823	1,570,735	495,739	195,135	-	2,977,432
Charge for the year	-	136,451	234,743	56,191	18,654	-	446,039
Relating to disposals	-	-	-	-	(47,609)	-	(47,609)
Reversal of impairment	-	-	(40,184)	-	-	-	(40,184)
Foreign currency exchange difference	-	27	43	18	3	-	91
Balance at 31 December 2013	-	852,301	1,765,337	551,948	166,183	-	3,335,769
Carrying amount							
As at 31 December 2013	555,000	2,750,150	5,099,936	175,622	54,960	196,020	8,831,688
As at 31 December 2012	555,000	2,853,660	5,292,285	152,581	58,612	10,349	8,922,487
Annual depreciation rates	-	3.33%	3.33%	20%	20%	-	

The Group's certain property, plant and equipment have been assigned as security for the term loan facility granted to the Group (see note 18). The buildings are constructed on the leasehold land from the government of Kuwait and the government of Dubai.

6. Investment in associate

Name of associate	Country of incorporation	Ownership interest (%) 2013	Ownership interest (%) 2012	Carrying value 2013	Carrying value 2012
		%	%	KD	KD
Yanbu Saudi Kuwaiti Paper Product Company Limited	Saudi Arabia	40	40	2,550,930	2,353,846

Summarised financial information in respect of the Group's associate is set out below:

	2013	2012
	KD	KD
Associate's financial position:		
Total assets	7,344,032	6,804,497
Total liabilities	966,707	919,882
Net assets	6,377,325	5,884,615
Group's share of net assets of associate	2,550,930	2,353,846
Revenues	7,422,308	7,388,516
Profit	737,909	980,534
Group's share of results of associate	295,164	392,213
Group's share of other comprehensive income	2,462	17,124

7. Available for sale financial assets

	2013	2012
	KD	KD
Quoted securities	-	151,898
Unquoted securities	36,843	36,843
	36,843	188,741

Unquoted securities amounting to KD 36,843 (2012: KD 36,843) are carried at cost since their fair values could not be measured reliably. The management is not aware of any impairment of these investments.

The Group has recognised an impairment loss of KD 103,500 (2012: KD 122,800) in respect of available for sale financial assets.

8. Inventories

	2013	2012
	KD	KD
Raw materials	2,505,011	2,680,095
Finished goods	221,058	303,916
Spare parts	184,202	169,454
Packing materials	7,047	29,519
Goods-in-transit	439,793	69,459
	3,357,111	3,252,443
Allowance for slow moving inventories	(98,150)	(129,754)
	3,258,961	3,122,689

9. Trade receivables

	2013	2012
	KD	KD
Trade receivables	2,692,858	1,841,393
Allowance for doubtful debts	(73,898)	(55,708)
	2,618,960	1,785,685

Movement in the allowance for doubtful debts:

	2013	2012
	KD	KD
Balance at beginning of the year	55,708	135,588
Provision for doubtful debts	39,923	-
Amounts written back to consolidated statement of income during the year	(19,533)	-
Provision used	(2,200)	(79,880)
Balance at end of the year	73,898	55,708

At the reporting date, 41% of the net trade receivables are due from 10 customers (2012 - 48% of the net trade receivables are due from 10 customers).

At 31 December 2013, trade receivables amounting to KD 47,847 (2012: KD 91,544) were past due but not considered to be impaired. The ageing analysis of these receivables is as follows:

Ageing of past due but not impaired trade receivable

	2013	2012
	KD	KD
91 – 120 days	32,989	1,003
121 – 180 days	14,858	4,512
181 – 360 days	-	86,029
Total	47,847	91,544

At 31 December 2013, trade receivables of KD 2,571,113 (2012: KD 1,694,141) are neither past due nor impaired.

10. Other receivables

	2013	2012
	KD	KD
Advance to suppliers	9,398	-
Prepayments	80,951	65,215
Deposits	19,182	20,267
Staff receivables	17,530	16,646
Others	3,464	3,603
	130,525	105,731

11. Financial assets at fair value through profit or loss

	2013	2012
	KD	KD
Trading:		
Local quoted securities	249,740	379,497
Local funds	98,000	98,500
	347,740	477,997

Financial assets at fair value through profit or loss are managed by a portfolio manager, under a portfolio management agreement.

12. Cash and cash equivalents

	2013	2012
	KD	KD
Cash at bank and on hand	1,339,010	912,241
Short term deposits	425,000	576,806
Cash balance with portfolio manager	2,740	55,952
	1,766,750	1,544,999

The Group's short term deposits with banks yield at an average rate of 0.62% (2012: 0.55% to 1.125%) per annum and mature within 90 days from the date of deposit.

13. Share capital

The authorized, issued and fully paid up share capital is KD 6,137,405 (2012: KD 6,137,405) consisting of 61,374,047 (2012: 61,374,047) shares of 100 fils each and all shares are in cash.

14. Share premium

The share premium account is not available for distribution.

15. Statutory reserve

In accordance with the Kuwait Companies Law, and the Parent Company's articles of association, 10% of the profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount

16. Voluntary reserve

As required by the Parent Company's articles of association, 10% of the profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by resolution of shareholders in the annual general assembly meeting upon recommendation by the board of directors. There are no restrictions on the distribution of this reserve.

17. Treasury shares

	2013	2012
Number of shares	1,361,956	1,361,956
Percentage of issued shares	2.22%	2.22%
Market value (KD)	347,299	242,428
Cost (KD)	253,265	253,265

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

18. Term loan

	2013 KD	2012 KD
Current portion	200,000	200,000
Non-current portion	477,941	677,941
	677,941	877,941

Term loan from a local bank carries finance cost at 3.5% (2012: 3.5%) per annum and is repayable as follows:

	2013 KD	2012 KD
Payable in 1 year or less	200,000	200,000
Payable in 1-2 years	197,941	200,000
Payable in 2-5 years	280,000	477,941
	677,941	877,941

Certain Group's property, plant and equipment are pledged as collateral against the term loans obtained from the local bank (see note 5).

19. Trade and other payables

	2013	2012
	KD	KD
Trade payables	1,465,141	1,167,032
Dividend payable	106,291	67,323
Employees' accrued leave pay	74,050	63,785
Advance from customers	34,452	14,952
KFAS payables	13,266	9,679
NLST payable	37,035	26,850
Zakat payable	17,391	11,257
Board of Directors' remuneration payable	25,000	15,000
Staff bonus	125,185	101,072
Accrued expenses	118,567	50,675
Accrued finance cost	5,778	8,035
Others	35,764	21,011
	2,057,920	1,556,671

20. General and administrative expenses

	2013	2012
	KD	KD
Staff costs	448,469	370,467
Depreciation	28,150	24,802
Rent	11,098	11,018
Repair and maintenance	19,073	19,844
Professional fees	15,066	48,239
Others	115,022	88,812
	636,878	563,182

21. Staff costs and depreciation

Staff costs and depreciation charges are included in the consolidated statement of income under the following categories:

	2013	2012
	KD	KD
Staff costs:		
Cost of sales	794,144	629,265
General and administrative expenses	448,469	370,467
Selling and distribution expenses	148,785	149,480
	1,391,398	1,149,212
Depreciation:		
Cost of sales	416,843	340,983
General and administrative expenses	28,150	24,802
Selling and distribution expenses	1,046	1,250
	446,039	367,035

22. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	2013	2012
Profit for the year (KD)	1,382,129	1,012,712
Weighted average number of shares outstanding:		
Number of issued shares	61,374,050	61,374,050
Less: Weighted average number of treasury shares	(1,361,956)	(1,361,956)
Weighted average number of shares outstanding	60,012,094	60,012,094
Basic and diluted earnings per share (fils)	23.03	16.87

23. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management. Balances and transactions with related parties are as follows:

	2013 KD	2012 KD
Balances:		
Due from related party	-	66,000
Transactions:		
Key management compensation		
• Salaries and other short-term benefits	99,460	76,144
• Post employment benefits	10,385	5,885

24. Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The management has grouped the Group's products into the following operating segments:

Industrial Packaging Division: Produces and supplies multi-wall paper sacks for industrial use.

Consumer Packaging Division: Produces and supplies various types of superior value and high quality bags and wrapping sheets to major regional and international flagships and chains.

Flexible Packaging Division: Produces and supplies multi-ply printed and laminated films, including aluminium foil lamination.

Trading Division: Aims at importing and trading various types of paper related products such as photo copier paper, offset paper, NCR, coated paper and ink.

24. Segment reporting (continued)

The following is an analysis of the Group's revenue and results by operating segments for the year:

	2013	2012	2013	2012
	KD	KD	KD	KD
	Revenue		Segment results	
Industrial Packaging Division	9,067,146	6,109,029	1,662,024	1,307,286
Commercial Packaging Division	3,048,117	2,601,139	838,684	697,215
Flexible Packaging Division	870,940	906,240	105,577	121,732
Trading Division	212,145	265,781	20,055	30,034
	13,198,348	9,882,189	2,626,340	2,156,267
Unrealized loss on financial assets at fair value through profit or loss			(147,159)	(56,807)
Realized gain / (loss) on sale of financial assets at fair value through profit or loss			86,592	(31,679)
Gain on sale of available for sale financial assets			38,877	-
Share of results of associate			295,164	392,213
Investment income			-	1,500
Foreign exchange loss			(25,769)	(10,736)
Other income			73,715	24,838
General and administrative expenses			(636,878)	(563,182)
Selling and distribution expenses			(749,667)	(676,390)
Finance costs			(40,156)	(38,130)
Impairment loss on available for sale financial assets			(103,500)	(122,800)
Provision for doubtful debts			(39,923)	-
Reversal of provision for doubtful debts			19,533	-
Reversal of impairment on property, plant and equipment			40,184	-
Reversal of provision for slow moving and obsolete inventories			31,604	-
Profit on disposal of property, plant and equipment			5,003	404
KFAS			(13,266)	(9,679)
NLST			(36,849)	(26,850)
Zakat			(16,716)	(11,257)
Board of directors' remuneration			(25,000)	(15,000)
Profit for the year			1,382,129	1,012,712

The following is an analysis of the Group's revenue and segment results by geographical area for the year:

	2013	2012	2013	2012
	KD	KD	KD	KD
	Revenue		Segment results	
Kuwait	4,351,764	4,095,661	1,201,365	1,160,677
GCC	6,201,730	3,564,234	953,601	570,483
Asia	1,260,203	1,010,574	215,936	206,503
Africa	1,384,651	1,211,720	255,438	218,604
	13,198,348	9,882,189	2,626,340	2,156,267

For the purpose of monitoring segment performance the Group does not allocate its total assets and liabilities between segments.

25. Financial instruments

The Group in the normal course of business uses various types of financial instruments. The information on financial risks and fair value of these financial instruments is set out below:

a. Capital risk management

The Group's objective when managing capital are to safeguard the its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of term loan, notes payable, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

b. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the consolidated financial statements.

c. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of activities. The maximum credit risk exposure is not materially different from the carrying values in the consolidated financial statements.

d. Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets at fair value through profit or loss and available for sale financial assets. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

25. Financial instruments (continued)

d. Equity price risk (continued)

	Change in equity price 2013	Effect on profit before deduction 2013	Effect on other comprehensive income 2013	Change in equity price 2012	Effect on profit before deduction 2012	Effect on other comprehensive income 2012
	KD	KD	KD	KD	KD	KD
Kuwait and others	+5%	17,387	-	+5%	23,900	7,595

e. Yield rate risk

Yield rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market yield rates. Term loan and notes payable at fixed yield rates expose the Group to fair value yield rate risk.

f. Foreign currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group incurs foreign currency risk on sales, purchases and certain investments that are denominated in a currency other than Kuwaiti Dinars. As at the reporting date the group had the following net long exposure denominated in foreign currencies:

	2013	2012
	KD	KD
US Dollar	435,345	363,488
Saudi Arabian Riyals	79,956	42,157
UAE Dirhams	250,454	64,697
Omani Riyal	81,363	32,496
Euro	60,203	564,064

g. Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

25. Financial instruments (continued)

g. Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2013	Less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	KD	KD
Term loan	31,911	-	173,867	197,941	280,000	683,719
Trade and other payables	664,978	1,265,295	121,869	-	-	2,052,142

At 31 December 2012	Less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	KD	KD
Term loan	32,860	-	175,175	200,000	477,941	885,976
Trade and other payables	880,109	486,482	182,045	-	-	1,548,636
Notes payable	-	204,765	-	-	-	204,765

h. Fair value measurement

Fair value represents 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.

a) Valuation techniques

An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The most widely used valuation techniques are the market approach, price to book value, dividend yield method and other valuation techniques.

b) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 : inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 : inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : inputs are unobservable inputs for the asset or liability.

25. Financial instruments (continued)

h. Fair value of financial instruments (continued)

b) Fair value measurements recognised in the consolidated statement of financial position (continued)

31 December 2013	Level 1	Level 2	Total
	KD	KD	KD
Financial assets at fair value through profit or loss			
Local quoted securities	249,740	-	249,740
Local funds	-	98,000	98,000
Total	249,740	98,000	347,740

31 December 2012	Level 1	Level 2	Total
	KD	KD	KD
Financial assets at fair value through profit or loss			
Local quoted securities	379,497	-	379,497
Local funds	-	98,500	98,500
Total	379,497	98,500	477,997
Available-for-sale financial assets			
Quoted securities	151,898	-	151,898
Total	151,898	-	151,898

26. Commitments and contingent liabilities

	2013	2012
	KD	KD
Letters of credit	376,778	909,120
Letters of guarantee	12,520	147,033

Operating lease commitments

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	2013	2012
	KD	KD
Not later than one year	34,089	33,150
Later than one year but not later than five years	132,356	122,600

27. Annual general assembly meeting

The Annual General Assembly held on 22 April 2013, approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2012 and approved a cash dividend of 10% equivalents to 10 fils per share (2011: Nil) to the shareholders of record as of the date of the Annual General Assembly.

During the board meeting held on 12 February 2014, the Board of Directors have proposed a cash dividend of 12% equivalent to 12 fils per share (2012: 10% equivalent to 10 fils per share) and bonus share of 5% equivalent to 5 share for each 100 share (2012: Nil).

This proposal is subject to the approval of shareholders' at the annual general assembly meeting.