EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Annual Financial Statements and
Independent Auditor's Report for the year ended
31 December 2014

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EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of EQUATE Petrochemical Company K.S.C.C ("the Company"), which comprise the statement of financial position as at 31 December 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company, and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and its Executive Regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2014 that might have had a material effect on the business of the Company or on its financial position.

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

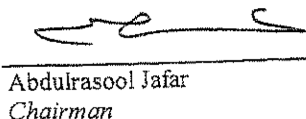
Kuwait
11 February 2015

EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

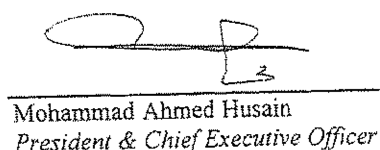
Statement of Financial Position as at 31 December 2014

	Notes	US $ '000 2014	US $ '000 2013
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,231,110	1,167,023
Intangible assets	4	47,219	54,677
Loans to related parties	13	909,924	1,083,594
		2,188,253	2,305,294
Current assets			
Inventories	5	121,110	114,922
Loans to related parties	13	173,670	164,410
Due from related parties	13	142,315	180,165
Prepayments and other receivables		21,264	16,812
Trade receivables	6	127,572	180,669
Cash and bank balances	7	809,380	979,465
		1,395,311	1,636,443
		3,583,564	3,941,737
EQUITY and LIABILITIES			
Shareholders' equity			
Share capital	8	700,000	700,000
Treasury shares	8	(450,000)	(450,000)
Statutory reserve	8	350,000	350,000
Remeasurement of retirement benefit obligation		(28,976)	(28,778)
Retained earnings		567,306	769,698
Total equity		1,138,330	1,340,920
Non-current liabilities			
Loans and borrowings	9	1,056,239	1,257,861
Deferred income	10	420,588	452,755
Retirement benefit obligation	11	230,505	218,083
Long term incentives		7,168	6,323
		1,714,500	1,935,022
Current liabilities			
Loans and borrowings	9	352,180	341,400
Deferred income	10	32,167	32,167
Long term incentives		7,442	3,361
Accruals and other liabilities	12	225,715	150,717
Due to related parties	13	55,179	107,660
Trade payables		58,051	30,490
		730,734	665,795
Total liabilities		2,445,234	2,600,817
Total equity and liabilities		3,583,564	3,941,737

The attached notes on pages 7 to 27 form an integral part of these financial statements.



Abdulrasool Jafar
Chairman



Mohammad Ahmed Husain
President & Chief Executive Officer

Statement of Profit or Loss and other Comprehensive Income – Year ended 31 December 2014

	Notes	US $ '000 2014	US $ '000 2013
Sales		1,802,025	2,039,567
Cost of sales	14	(1,243,301)	(1,276,257)
Gross profit		558,724	763,310
Management fee		8,628	7,970
Reservation right fees	10	32,167	32,167
General, administrative and selling expenses	15	(32,987)	(33,949)
Insurance claim	16	-	9,910
Other income/(expenses)		1,229	(1,690)
Foreign exchange gain/(loss)		3,749	(679)
Profit from operation		571,510	777,039
Finance income		15,192	15,786
Finance costs		(12,699)	(14,099)
Profit before statutory contributions and Board of Directors' remuneration		574,003	778,726
Contribution to KFAS		(5,725)	(7,787)
Contribution to Zakat		(901)	(1,168)
Board of Directors' remuneration		(80)	(79)
Net profit for the year		567,297	769,692
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligation		(198)	404
Other comprehensive (expenses)/income for the year		(198)	404
Total comprehensive income for the year		**567,099**	**770,096**
Earnings per share (Cents) - Basic and diluted	18	26.3	35.6

The attached notes on pages 7 to 27 form an integral part of these financial statements.

EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Statement of Changes in Shareholders' Equity – Year ended 31 December 2014

	US $ '000					
	Share capital	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Remeasurement of retirement benefit obligations**	**Total**
Balances as at 1 January 2013	700,000	(450,000)	350,000	576,707	(29,182)	1,147,525
Net profit for the year	-	-	-	769,692	-	769,692
Other comprehensive income	-	-	-	-	404	404
Total comprehensive income	-	-	-	769,692	404	770,096
Dividends paid (Note 8)	-	-	-	(576,701)	-	(576,701)
Balance as at 31 December 2013	700,000	(450,000)	350,000	769,698	(28,778)	1,340,920
Net profit for the year	-	-	-	567,297	-	567,297
Other comprehensive expense	-	-	-	-	(198)	(198)
Total comprehensive income	-	-	-	567,297	(198)	567,099
Dividends paid (Note 8)	-	-	-	(769,689)	-	(769,689)
Balance as at 31 December 2014	700,000	(450,000)	350,000	567,306	(28,976)	1,138,330

The attached notes on pages 7 to 27 form an integral part of these financial statements.

EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Statement of Cash Flows - Year ended 31 December 2014

	Note	US $ '000 2014	US $ '000 2013
Cash flows - operating activities			
Net profit for the year		567,297	769,692
Adjustments:			
Depreciation	3	151,061	157,930
Amortisation	4	12,183	11,712
Reservation right fees	10	(32,167)	(32,167)
Finance costs		12,699	14,099
Finance income		(15,192)	(15,786)
Provision/(write back) for obsolete and slow moving inventories	5	1,500	(3,000)
Provision for retirement benefit obligation	11	30,899	33,589
Foreign exchange gain on retirement benefit obligations	11	(9,147)	(280)
Provision for long term incentives		8,155	2,890
Loss on property, plant and equipment on disposal		721	-
Operating profit before working capital changes		728,009	938,679
(Increase)/decrease in inventories		(7,688)	2,261
Decrease/(increase) in due from related parties		37,713	(18,172)
Decrease in trade receivables		53,097	15,530
(Increase)/decrease in prepayments and other receivables		(4,510)	2,226
Decrease in insurance claim receivable		-	37,000
(Decrease)/increase in accruals and other liabilities		(3,558)	27,835
Long term incentives paid		(3,230)	(5,067)
(Decrease)/increase in due to related parties		(52,481)	10,586
Increase/(decrease) in trade payables		27,562	(21,218)
Retirement benefit obligation paid		(9,528)	(6,695)
Net cash from operating activities		765,386	982,965
Cash flows - investing activities			
Purchase of property, plant and equipment	3	(137,345)	(26,791)
Proceeds from sale of property, plant and equipment		9	-
Purchase of intangible assets	4	(4,725)	-
Investment in staff saving scheme		(3,714)	(7,437)
Placement of short term deposits		(98,308)	(202,114)
Long-term loans repaid by related parties		164,410	156,284
Finance income received		15,387	15,418
Net cash used in investing activities		(64,286)	(64,640)
Cash flows - financing activities			
Repayments of term debt	9	(191,400)	(181,940)
Loan origination fees paid		-	(6)
Finance costs paid		(12,118)	(13,483)
Dividends paid	8	(769,689)	(576,701)
Net cash (used in) financing activities		(973,207)	(772,130)
Net (decrease)/increase in cash and cash equivalents		(272,107)	146,195
Cash and cash equivalents at beginning of the year		533,460	387,265
Cash and cash equivalents at end of the year	7	261,353	533,460

The attached notes on pages 7 to 27 form an integral part of these financial statements.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("the Company") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. The Company is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

The Company is engaged in the manufacture and sale of ethylene glycol ("EG") and polyethylene ("PE"). The Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of related entities in Kuwait.

The address of the Company's registered office is Olympia Tower, 6th floor, Salmiya, Kuwait.

These financial statements were approved for issue by Board of Directors on 11 February 2015 and are subject to approval of shareholders at the forth coming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements are prepared under the historical cost convention or amortised cost basis except for the following material items in the statement of financial position:

Items	**Measurement basis**
Derivative financial instruments	Fair value
Retirement benefit obligation	Present value of the unfunded defined benefit obligation

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the following new and amended standards effective for the annual periods beginning on or after 1 January 2014.

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

These amendments effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The application of the amendment has had no impact on the disclosures or the amounts recognized in this financial statements,

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014. The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard does not have any impact on the financial position and performance of the Company.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. This standard does not have any impact on the financial position and performance of the Company.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. This standard does not have any impact on the financial position and performance of the Company.

2.2 New standards and interpretations issued but not yet effective

The following International Accounting Standard Board (IASB) Standards have been issued but are not yet mandatory, and have not been early adopted by the Company:

IFRS 9: Financial Instruments: Classification and Measurement

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The management of the Company is in the process of quantifying the impact of this standard.

The management of the Company is currently assessing the impact of the standard and does not anticipate any significant impact.

IFRS 14 – Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting standards both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. The standard was issued in January 2014 and applies to an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2017. This is not relevant to the Company and is not expected to have any impact on the financial position or performance of the Company.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to an annual financial statements beginning on or after 1 January 2017. The management of the Company is currently assessing the impact of the standard.

IAS 19 Defined Benefit Plans – Employee Contributions (Amendments)

The amendments to IAS 19 clarify how an entity should account for contributions made by employers or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent on the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' period of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' period of service.

The Company does not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Company's financial statements.

2.3 Functional and presentation currency

These financial statements are presented in United States Dollars ("US$") which is the Company's functional currency. All financial information presented in US$ has been rounded to the nearest thousand. A separate set of financial statements is prepared in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

2.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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, at the following annual rates:

Buildings and roads	5%
Plant and equipment	5% - 20%
Office furniture and equipment	20%
Vehicles	20%

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 a prospective basis.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the property, plant and equipment being replaced. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the statement of profit or loss when the expense is incurred. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

Assets 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, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The replacement costs of major components and overhaul costs which improve the economic benefit that can be generated are capitalised by the Company. The Company recognises and accounts for each component of its asset separately for depreciation. The component approach is also applied where regular major inspections of an asset are a condition of continuing to use it. The cost of each inspection is treated as a separate item (replacement) of property, plant and equipment provided recognition criteria are satisfied.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the statement of profit or loss.

At each reporting date, the Company reviews the carrying amounts of its tangible 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The 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.

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 statement of profit or loss.

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 statement of profit or loss.

2.5 Intangible assets

Intangible assets consist of technology and licences for the manufacture of ethylene, ethylene glycol and polyethylene.

Intangibles are measured at cost less accumulated amortisation and any accumulated impairment losses. The intangible assets are amortised from the date of commencement of commercial production on a straight-line basis over twenty years, except for the olefin technology, which is amortised over five years. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

At each reporting date, the Company reviews the carrying amounts of its 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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2.6 Financial instruments

Classification

The Company classifies its financial instruments as "loans and receivables" and financial liabilities other than at fair value through profit or loss. Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the contractual right to the cash flows from the financial asset expires or, when the Company transfers substantially all the risks and rewards of ownership and has not retained control. If the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchase 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.

Measurement

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.

Loans to related parties, due from related parties, trade receivables and cash and bank balances are classified as loans and receivables.

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortized cost using the effective yield method.

Loans and borrowings, due to related parties and trade payables are classified as financial liabilities other than at fair value through profit or loss

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the statement of profit or loss immediately. Foreign exchange forward contracts are treated as trading instruments and are stated at fair market value with gains or losses included in foreign exchange gain / (loss) in the statement of profit or loss within the period they occur.

Fair values

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments carried at amortised cost, other than short-term financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in statement of profit and loss.

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, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in statement profit and loss.

2.7 Inventories

Finished goods are measured at the lower of weighted average cost or 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.

Raw materials and catalysts are measured at weighted average cost net of allowance for slow-moving and obsolete items.

Spare parts are not intended for resale and are measured at weighted average cost after making allowance for slow-moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Net realisable value is the estimated selling price for inventories in the ordinary course of business less estimated costs of completion and selling expenses.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank current accounts and short term deposits with an original maturity of three months or less from the date of placement.

2.9 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the statement of changes in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in treasury shares reserve.

2.10 Retirement benefit obligation

The Company accounts for retirement benefits under IAS 19 "Employee Benefits". Benefits are payable to employees on completion of employment in accordance with the Kuwaiti Labour Law.

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Re-measurment of the Company's defined benefit obligation which mainly comprises actuarial gain and losses are recognised immediately in statement of other comprehensive income. Past service cost is recognised immediately in the period of plan amendment in the statement of profit or loss. Interest expense is determined on defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the defined benefit obligation during the period as a result of benefit payments. The liability is not externally funded.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

2.12 Revenue recognition

Sales net of applicable discounts, are recognised when the revenue is realised or realisable, has been earned, and collectability is reasonably assured. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer, which usually occurs at the time shipment is made. PE production is sold with freight paid by the Company and EG production is sold FOB ("Free On Board") shipping point. The transfer of the risks and rewards of ownership occurs when the product is delivered to the freight carrier. The Company's terms of sale are included in its contracts of sale, order confirmation documents and invoices. Freight costs are recorded as "Cost of Sales".

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.13 Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalisation rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used by the Company is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognised in the statement of profit or loss using the effective interest method in the period in which they are incurred.

2.14 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the lease.

2.15 Translation of foreign currencies

Transactions in foreign currencies are translated into US$ at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into US$ at rates of exchange prevailing at the statement of financial position date. The resultant exchange differences are recorded in the statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss.

2.16 Critical accounting judgements and key sources of estimation uncertainty

The Company bases its estimates and judgments on parameters available when the financial statements were prepared. Existing circumstances and judgments about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

The following are the critical accounting judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Retirement Benefit Obligation

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial valuations are based on a number of assumptions (Note 11) and require significant judgements made by the management. The management believes that the assumptions used in determining the retirement benefit obligation using actuarial valuation method are reasonable.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Company is US$ since the majority of the Company's transactions are denominated in US$. Sales and Purchases are also received and paid in US$.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

Impairment of loans and receivables

The Company's management periodically reviews items classified as loans and receivables to assess whether an allowance for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of other tangible and intangible assets and useful lives

The Company's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

During the year, the Company reviewed the estimated useful life over which its tangible assets are depreciated and intangible assets are amortised. The Company's management is satisfied that the estimates of useful life are appropriate. The depreciation and amortisation charged for the year may change significantly if actual life is different than the estimated useful life.

3. Property, plant and equipment

	US $ '000					
	Buildings and roads	**Plant and equipment**	**Office furniture and equipment**	**Vehicles**	**Assets under construction**	**Total**
Cost						
Balance at 1 January 2013	93,644	2,656,475	109,778	260	29,486	2,889,643
Additions	-	-	-	-	26,791	26,791
Transfers	1,424	26,924	-	-	(28,348)	-
Balance at 31 December 2013	95,068	2,683,399	109,778	260	27,929	2,916,434
Additions	-	-	-	-	215,878	215,878
Transfers	-	4,477	-	-	(4,477)	-
Disposals	-	(5,842)	-	-	-	(5,842)
Balance at 31 December 2014	95,068	2,682,034	109,778	260	239,330	3,126,470
Accumulated depreciation and impairment losses						
Balance at 1 January 2013	56,320	1,444,370	90,633	158	-	1,591,481
Charge for the year	4,799	145,395	7,700	36	-	157,930
Balance at 31 December 2013	61,119	1,589,765	98,333	194	-	1,749,411
Charge for the year	4,853	141,246	4,938	24	-	151,061
Related to disposals	-	(5,112)	-	-		(5,112)
Balance at 31 December 2014	65,972	1,725,899	103,271	218	-	1,895,360
Carrying amounts						
At 31 December 2013	33,949	1,093,634	11,445	66	27,929	1,167,023
At 31 December 2014	29,096	956,135	6,507	42	239,330	1,231,110

Assets under construction comprise of improvement projects for the existing plant. Such assets are not subject to depreciation until the improvements are tested and available and ready for use.

The Company's property, plant and equipment have been assigned as security for the term debt facility granted to the Company (Note 9).

Depreciation is allocated to cost of sales and general, administrative and selling expenses in order to reflect appropriately the way in which economic benefits are derived from the use of property, plant and equipment (Note 14 and Note 15).

The Company's plant was constructed on a land leased from Government of Kuwait and this renewable lease is valid until January 2020.

4. Intangible assets

	US $ '000	
	2014	**2013**
Cost		
Technology and licence contributed by Union Carbide Corporation ('UCC')	220,000	220,000
Licence fee paid to Parsons E&C Europe Ltd	216	216
Licence fee paid to Honeywell	107	107
Licence fees paid to UCC	18,306	13,581
Olefin technology	195	195
As at 31 December	238,824	234,099
Accumulated amortisation		
As at 1 January	179,422	167,710
Charge for the year	12,183	11,712
As at 31 December	191,605	179,422
Carrying amounts	47,219	54,677

During the year Company paid US$ 4.7 million to UCC towards increase in the annual licensed capacity of Linear low-density polyethylene (LLDPE) Resin from 312,500 MT to 344,000 MT. During the year US$ 12.2 million (2013: US$ 11.7 million) has been allocated to cost of sales (Refer Note 14)

5. Inventories

	US $ '000	
	2014	**2013**
Raw materials and consumables	47,779	39,899
Finished goods	22,684	37,447
Spare parts	52,447	37,876
	122,910	115,222
Provision for obsolete and slow moving inventories	(1,800)	(300)
	121,110	114,922

6. Trade receivables

	US $ '000	
	2014	**2013**
Trade receivables	127,674	180,771
Less: Provision for doubtful debts	(102)	(102)
	127,572	180,669

7. Cash and bank balances

	US $ '000	
	2014	**2013**
Cash balances	119	89
Bank balances	20,853	17,101
Term deposits	788,408	962,275
Total Cash and bank balances	809,380	979,465
Less: Deposits with original maturity more than 3 months	(512,558)	(414,250)
Less: Amount reserved relating to staff saving scheme (Note 12)	(35,469)	(31,755)
Cash and cash equivalent for the purpose of cash flows	261,353	533,460

All bank accounts of the Company are assigned as security for the Company's obligations under the term debt facility agreement (Note 9). The effective interest rate on time deposits as at 31 December 2014 was 0.75% (2013: 0.84%) per annum.

8. Share capital

The share capital of the Company comprises 2,160 million authorised, issued and fully paid up shares of Fils 100 each (2013: 2,160 million authorised, issued and fully paid up shares of Fils 100 each) (1,000 Fils equals 1 Kuwaiti Dinar).

Treasury Shares

The Company's treasury shares comprise the cost of the Company's own shares held. At 31 December 2014 and 2013, the Company held 113,612,868 shares which are 5.26% of the issued shares at a cost of US$ 450 million. This amount is debited in the statement of changes in equity.

Statutory reserve

As required by the Companies Law No. 25 of 2012 and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

During 2008, the Company discontinued the transfer to the statutory reserve upon the approval by the Board of Directors as the reserve reached 50% of the Company's paid up share capital.

Proposed Dividend

The Board of Directors proposed a cash dividend of US$ 567.3 million for the year ended 31 December 2014 (2013: US$ 769.7 million) which is subject to the approval of shareholders at the Annual General Assembly. This dividend has not been recorded in the accompanying financial statements, and will be recorded only once it has been approved by the shareholders. On 30 March 2014, the shareholders approved the dividends for the year ended 31 December 2013 and accordingly US$ 769.7 million (2013: US$ 576.7 million), representing 37.6 cents per share (2013: 28.2 cents per share), was paid by the Company.

9. Loans and borrowings

	US $ '000	
	2014	**2013**
Non-current portion of term debt	1,056,239	1,257,861
Current portion of term debt	202,180	191,400
Revolving loan	150,000	150,000
	352,180	341,400

The movement in term debt is as follows:

	US $ '000	
	2014	**2013**
Balance at 1 January	1,449,261	1,630,649
Payment during the year	(191,400)	(181,940)
Loan origination fee	558	552
Balance at 31 December	1,258,419	1,449,261

On 19 May 2006, the Company signed a US$ 2.5 billion term debt facility agreement with a consortium of banks which includes a term loan facility of US$ 2.2 billion and a revolving loan facility of US$ 300 million. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2009 and maturing in 15 June 2020. The coupon rate on this facility is LIBOR + 0.5% till 19 May 2013, LIBOR + 0.6% till 19 May 2016 and LIBOR + 0.7% till the maturity period and is payable on a monthly basis. The effective interest rate on the outstanding loan balance as at 31 December 2014 was 0.77% (2013: 0.75%) per annum. The facility is secured by a charge over the Company's property, plant and equipment and bank balances (Note 3 and 7).

As at 31 December 2014, the Company had available US$ 150 million (2013: US$ 150 million) of undrawn committed revolving borrowing facility in respect of which all precedent conditions had been met.

10. Deferred income

	US $ '000	
	2014	**2013**
Non-current portion of deferred income	420,588	452,775
Current portion of deferred income	32,167	32,167
	452,755	484,942

Deferred income represents reservation right fees received from Olefins II project entities for usage of utility plant relating to Olefins II project, to the extent of construction cost of utility plant incurred by the Company. The deferred income is amortised over the useful life of plant, which is 20 years.

11. Retirement benefit obligation

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 31 December 2014. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	**2013**
Economic assumptions		
Discount rate	5.00%	5.50%
Expected rate of increase in		
- Basic salary & variable allowances including overtime and incentives	6%	7.6% p.a in 2014 gradually reducing to 6% p.a over 5 years and level thereafter
- Average annual & quarterly incentives	20% p.a	17% p.a
Long-term inflation	4% p.a	4% p.a
Management variable incentive pay (as a percentage of basic salary)	Target percentage level	Target percentage level
Demographic assumptions		
Retirement age		
- Kuwaiti employees	Age 50	Age 50
- Non-Kuwaiti employees	Age 55	Age 55
Decrement		
- Mortality	None	None
- Turnover	Service related rates	Service related rates

The total expense recognised in the statement of profit or loss is as follows:

	US $ '000	
	2014	**2013**
Current service costs	15,132	20,051
Interest on obligation	15,767	13,538
	30,899	33,589

The total charge for the year, which has been included in the statement of profit or loss, is as follows:

	US $ '000	
	2014	**2013**
Cost of sales	25,955	28,215
General, administrative and selling expenses	4,944	5,374
	30,899	33,589

Movement in the retirement benefit obligation is as follows:

	US $ '000	
	2014	**2013**
Retirement benefit obligation as at 1 January	218,083	191,873
Included profit or loss		
Current and past service costs	15,132	20,051
Interest on obligation	15,767	13,538
	30,899	33,589
Included in other comprehensive income		
Remeasurment (gain)/loss		
- Experience adjustment	(4,928)	2,539
- Actuarial changes arising from changes in economic assumptions	5,126	(2,943)
	198	(404)
Benefits paid	(9,528)	(6,695)
Foreign currency translation adjustment	(9,147)	(280)
Retirement benefit obligation as at 31 December	230,505	218,083

A sensitivity analysis of possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below:

	US $ '000	
	2014	**2013**
	0.25% increase	**0.25% increase**
Discount rate	(4,866)	(5,674)
Basic salary & variable allowances including overtimes and incentives	5,006	5,049

12. Accruals and other liabilities

	US $ '000	
	2014	**2013**
Staff incentives	41,564	40,266
Staff saving schemes	33,212	30,515
Staff leave and other employee benefits	14,510	13,817
Accrual for KFAS and Zakat	6,302	8,907
Accrued turnaround and capital expense	81,210	865
Others	48,917	56,347
	225,715	150,717

13. Related party transactions

In the normal course of business the Company enters into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC and UCC's parent company The DOW Chemical Company ("DOW") and its affiliates.

EQUATE Marketing Company EC, Bahrain ("EMC"), which is owned by PIC and UCC, is the exclusive sales agent in certain territories for the marketing of PE and Styrene produced by the Company and The Kuwait Styrene Company K.S.C.C. ("TKSC") respectively. The Company reimburses all the actual expenses incurred by EMC.

On 1 February 2005, the Company signed a distribution agreement with MEGlobal International FZE Dubai ("MEG International FZE") as distributor for EG produced by the Company. MEG International FZE is a 50:50 joint ventures of PIC and DOW.

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects (“Olefins II projects”) in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consist of the EQUATE expansion project, and the incorporation and development of The Kuwait Olefins Company K.S.C.C. (“TKOC”), TKSC and Kuwait Aromatics Company K.S.C.C. (“KARO”). TKOC is owned by DEH (42.5%), PIC (42.5%), BPC (9%) and QPIC (6%). TKSC is a joint venture of DEH (42.5%) and KARO (57.5%). KARO is owned by PIC (40%), Kuwait National Petroleum Company K.S.C. (“KNPC”) (40%) and QPIC (20%).

On 2 December 2004, the Company signed a Materials and Utility Supply Agreement (“MUSA”) with TKOC, TKSC, KARO and PIC. Under the terms of the MUSA, the Company receives a reservation right fee from the above entities that equals the total capital construction costs incurred by the Company on the new utilities and infrastructure facilities under the Olefins II projects (Note 10).

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement (“OMSA”) with TKOC, TKSC, KARO and PIC. Under the terms of the OMSA, the Company provides operating, maintenance and other services to the above entities and for which the Company receives a fixed management fee over and above the actual operating cost.

On 2 December 2004, the Company signed an Ethylene Supply Agreement with TKOC. Under the terms of the agreement, the price per metric tonne of ethylene is paid to TKOC based on the quantities delivered by them at the contract price.

During 2005, services agreements were signed between DOW, PIC and the Company with TKOC, TKSC, KARO and PIC for the provision of various services to the Olefins II projects.

An agreement to amend the MUSA and service agreements (“primary agreements”) was signed between the parties to the primary agreements on 8 February 2006 releasing KARO from its obligations and liabilities under the primary agreements and appointing Kuwait Paraxylene Production Company K.S.C.C. (“KPPC”) in place of KARO to assume and perform all obligations of KARO as if KPPC were and had been a party to the primary agreements. KPPC is a 100% owned subsidiary of KARO.

On 31 May 2006, the Company signed term loan agreements with TKOC and TKSC, under which the Company will provide a US$ 1.5 billion term loan to TKOC and US$ 497 million term loan to TKSC. The term loans are repayable over a period of 11 years in biannual instalments starting from 15 December 2009 and carry coupon rate of LIBOR + 0.625% till 19 May 2013, LIBOR + 0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date.

All transactions with related parties are carried out on a negotiated contract basis.

The following is a description of significant related party agreements and transactions, other than described above:

a) Supply by UCC of technology and licences relating to manufacture of PE and EG;

b) Supply by PIC to the Company of certain minimum quantities of feed gas and fuel gas on a priority basis;

c) Supply by UCC, DOW and UNIVATION, a subsidiary of DOW, of certain catalysts to the Company;

d) Secondment of certain staff to the Company by DEH;

e) Supply by the Company of certain materials and services required by PIC to operate and maintain the polypropylene plant; and

f) Provision of various services by the Company to TKOC, TKSC, KPPC and PIC under Olefins II projects (as described above).

Details of significant related party transactions are disclosed below:

	US $ '000	
	2014	**2013**
a) Sales and management fee		
Polypropylene plant management fees from PIC	1,034	1,049
Olefins plant management fees from TKOC	3,474	3,493
Styrene plant management fees from TKSC	642	646
Aromatics Plant management fees from KPPC	3,477	2,781
Sales of EG to MEG International FZE	449,376	526,239
Operating cost reimbursed by PIC for running of Polypropylene plant	47,942	40,275
Operating and utility cost reimbursed by TKOC for running of Olefins plant	155,116	159,840
Operating and utility cost reimbursed by TKSC for running of Styrene plant	48,799	57,772
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	85,462	97,259
Interest income on long-term loans to TKOC and TKSC	10,685	11,973

	US $ '000	
	2014	**2013**
b) Purchases and expenses		
Feed gas and fuel gas purchased from KPC	381,312	421,954
Catalyst purchased from DOW	10,473	6,016
Catalyst purchased from UNIVATION	7,414	12,651
Operating costs reimbursed to EMC	4,686	4,002
Staff secondment costs reimbursed to DOW	3,909	1,602
Ethylene purchased from TKOC	77,649	90,133
c) Key management compensation		
Salaries and short term benefits	4,382	4,054
Terminal benefits	838	343

	US $ '000	
	2014	**2013**
d) Due from related parties		
Due from PIC	17,150	11,716
Due from UCC	332	414
Due from DOW	30	25
Due from TKOC	18,385	18,757
Due from TKSC	8,007	6,662
Due from KPPC	44,371	42,532
Due from KARO	14	12
Due from KPC	81	-
Due from Kuwait National Petroleum Company ("KNPC")	953	984
Due from SADARA	281	160
Due from MEG International FZE	52,711	98,903
	142,315	180,165
e) Loans to related parties		
Non-current portion		
TKOC	656,078	781,298
TKSC	253,846	302,296
	909,924	1,083,594
Current portion		
TKOC	125,220	118,544
TKSC	48,450	45,866
	173,670	164,410
Movement of long-term loans: TKOC		
Balance at 1 January	899,842	1,012,527
Payment during the year	(118,544)	(112,685)
Balance at 31 December	781,298	899,842
Movement of long-term loans: TKSC		
Balance at 1 January	348,162	391,761
Payment during the year	(45,866)	(43,599)
Balance at 31 December	302,296	348,162

	US $ '000	
	2014	**2013**
f) Due to related parties		
Due to KPC	40,103	83,338
Due to PIC	1,683	-
Due to Kuwait Oil Company K.S.C	1,391	1,324
Due to DOW	1,599	-
Due to KNPC	2,095	-
Due to KPPC	982	6,142
Due to EMC	38	398
Due to UNIVATION	-	1,022
Due to TKSC	301	2,955
Due to TKOC	6,987	12,481
	55,179	107,660

14. Cost of sales

	US $ '000	
	2014	**2013**
Materials	815,444	886,022
Distribution expenses	50,075	55,578
Staff cost	139,683	130,235
Depreciation and amortisation	162,122	168,519
Others	75,977	35,903
	1,243,301	1,276,257

15. General, administrative and selling expenses

	US $ '000	
	2014	**2013**
Staff costs	28,198	30,185
Depreciation	1,122	1,123
Others	3,667	2,641
	32,987	33,949

16. Insurance claim

During the previous year, the Company received an additional amount of US$ 9.910 million as part of the final settlement of insurance claim for property damage and business interruption on account of Ethylene Glycol unit I which was shut down for approximately three months due to a fire accident in a manufacturing unit on 31 July 2012.

17. Financial instruments

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

Financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Finance Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure to and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Company has significant credit risk exposure to banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	US $ '000	
	2014	**2013**
Bank balances	809,261	979,376
Trade receivables	127,572	180,669
Due from related parties	142,315	180,165
Loans to related parties	1,083,594	1,248,004
Other receivables	16,978	14,358

The average credit period on sales is 60 days except for some customers where a longer credit period has been approved. The average age of these receivables is 58 days (2013: 59 days). The Company has provided fully for all receivables over 120 days because historical experience is that, such receivables past due beyond 120 days are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and historical data of payment statistics.

As at 31 December 2014, cash and bank balances, trade receivables of US$ 127.572 million (2013: US$ 180.475 million) were not past due.

Included in the Company's trade receivables balance are debtors with a carrying amount of US$ NIL million (2013: US$ 0.194 million) which are past due at the reporting date for which the Company has not provided for as there has not been a significant change in credit quality of the debtors and the amounts are still considered recoverable by the management.

As at the reporting date, there are no collateral held by the Company against the trade receivables.

Ageing of past due but not impaired

	US $ '000	
	2014	**2013**
90 – 120 days	-	194
Total	-	194

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

There was no movement in the allowance for doubtful debts during the current year.

There are no single third party customer accounts in excess of 5% of the Company's sales for the year ended 31 December 2013. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	US $ '000	
	2014	**2013**
Domestic & Gulf Cooperation Council countries (GCC)	19,422	40,557
Asia	72,271	109,020
Europe	3,197	17,319
Other regions	32,682	13,773
	127,572	180,669

The table below shows the balance of 6 major counterparties including related parties with maximum exposure to credit risk (related to trade) at the reporting date:

31 December 2014

Counterparty	**Location**	**Carrying amount (US$'000)**
ME Global International FZE	Dubai	52,711
Rakha Al Khaleej International	Dubai	10,941
Polymed Trading FZE	Dubai	7,885
Shanghai Beston Plastics Co., Ltd.	China	7,458
Canyou Company Ltd	China	5,136
Tricon Dry Chemical, LLC	Turkey	4,345
ThongGuan Plastic and Paper	Malaysia	3,904

31 December 2013

Counterparty	**Location**	**Carrying amount (US$'000)**
ME Global International FZE	Dubai	98,903
Rakha Al Khaleej International	Dubai	14,723
Canyou Company Ltd	China	11,263
Shanghai Beston Plastics Co., Ltd.	China	9,578
Polymed Trading FZE	Dubai	7,872
Fuzhou Xinfu Petrochemical Co. Ltd.	China	5,131
Tricon Dry Chemical, LLC	Turkey	4,793

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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 Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	US $ '000					
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**	**Carrying amount**
As at 31 December 2014				-		
Trade payables	58,051	-	-	-	58,051	58,051
Due to related parties	55,179	-	-	-	55,179	55,179
Accruals and other liabilities	225,715	-	-	-	225,715	225,715
Loans and borrowings	360,709	220,530	726,195	127,839	1,435,273	1,408,419
Total	699,654	220,530	726,195	127,839	1,774,218	1,747,364
As at 31 December 2013						
Trade payables	30,490	-	-	-	30,490	30,490
Due to related parties	107,660	-	-	-	107,660	107,660
Accruals and other liabilities	150,717	-	-	-	150,717	150,717
Loans and borrowings	351,421	210,676	694,194	380,645	1,636,936	1,599,262
Total	640,288	210,676	694,194	380,645	1,925,803	1,888,129

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Foreign currency exposures are managed within approved policy parameters utilizing forward foreign exchange contracts. At the statement of financial position date, the Company had forward exchange contracts to buy and sell foreign currencies. As at 31 December 2014, the Company had following net notional forward exchange contracts (off balance sheet exposure):

	US $ '000	
	2014	**2013**
Long position		
Euro	-	44,112
KD	273, 196	373,723
Short position		
Euro	10,938	87,479
KD	-	198,511

The fair value of these forward exchange contracts was not significant at 31 December 2014. These contracts mature within one month from the statement of financial position date.

The Company's on balance sheet exposure to foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

31 December 2014 (US$'000)	Euro	Kuwaiti Dinar	Other
Assets	16,637	18,372	11,850
Liabilities	(653)	(392,490)	(83)
Net exposure	15,984	(374,118)	11,767

31 December 2013 (US$'000)	Euro	Kuwaiti Dinar	Other
Assets	39,541	37,795	5,224
Liabilities	(263)	(357,311)	(70)
Net exposure	39,278	(319,516)	5,154

The following exchange rates were applied to translate the monetary assets and liabilities at 31 December 2014:

(US$)	Reporting date Mid-spot rate	
	2014	**2013**
Euro	0.823	0.727
Kuwaiti Dinar	0.293	0.282

Foreign currency sensitivity analysis

As at 31 December 2014, if the US$ had weakened/strengthened by 5% against the Euro and Kuwaiti Dinar with all other variables held constant, profit for the year would have been lower/higher by US$ 17.897 million (2013: US$ 14.012 million).

Interest rate risk

The Company is exposed to interest rate risk as it borrows and places funds.

Interest rate sensitivity analysis

At 31 December 2014, if interest rates on US$ denominated borrowings had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been US$ 0.346 million (2013: US$ 0.373 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Company's exposure to interest rates on financial assets and financial liabilities are disclosed in Notes 7, 9 and 13 to the financial statements.

Determination of fair values

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. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The fair values of financial assets and liabilities, together with the currency amounts shown in the statement of financial position, are as follows:

	2014		2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	(US$'000)		**(US$'000)**	
Financial assets				
Cash and bank balances	809,380	809,380	979,465	979,465
Trade receivables	127,572	127,572	180,669	180,669
Due from related parties	142,315	142,315	180,165	180,165
Non-current portion of loans to related parties	909,924	909,924	1,083,594	1,083,594
Current portion of loans to related parties	173,670	173,670	164,410	164,410
Other receivable	16,978	16,978	14,358	14,358
Total	2,179,839	2,179,839	2,602,661	2,602,661

	US $ '000			
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	2014		**2013**	
Financial liabilities				
Trade payables	58,051	58,051	30,490	30,490
Due to related parties	55,179	55,179	107,660	107,660
Accruals and other liabilities	225,715	225,715	150,717	150,717
Non-current portion of loans and borrowings	1,056,239	1,056,239	1,257,861	1,257,861
Current portion of loans and borrowings	352,180	352,180	341,400	341,400
Total	1,747,364	1,747,364	1,888,128	1,888,128

18. Earnings per share

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period.

The weighted average number of shares outstanding during the period is as follows:

	US $ '000	
	2014	**2013**
Net profit for the year	567,297	769,692
No of shares (in actuals)	2,160,000,000	2,160,000,000
Earnings per share (in cents)	26.3	35.6

19. Commitments and contingent liabilities

The Company has a fixed gas purchase commitment with KNPC of approximately US$ 970,531 per day until the agreement is cancelled in writing by both parties.

In addition to the above, the Company had the following commitments and contingent liabilities outstanding as at 31 December:

	US $ '000	
	2014	**2013**
Letters of credit and letters of guarantee	2,064	19,388
Capital commitments	12,115	13,343

The commitments in respect of forward exchange contracts have been disclosed within foreign currency risk in Note 17 to the financial statements.

20. Operating lease

	US $ '000	
	2014	**2013**
Less than one year	1,007	1,007
Between one and five years	4,030	4,030
More than five years	4,328	4,661
	9,365	9,698

21. Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Company's approach to Capital Management during the year.

The capital structure of the Company consists of debt, which includes the loans and borrowings net of loans to related parties, cash and bank balances and equity, comprising issued capital, treasury shares, statutory reserves and retained earnings.