Kuwait Cement Company - K.S.C
and its subsidiaries
State of Kuwait

Consolidated Financial Statements
and Independent Auditors' Report
For the year ended 31 December 2008

PRICEWATERHOUSECOOPERS

MOORE STEPHENS

AL NISF & PARTNERS

Kuwait Cement Company K.S.C
and its subsidiaries
State of Kuwait

Consolidated Financial Statements
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For the year ended 31 December 2008

Contents **Page**

Independent auditors' report	1 - 2
Consolidated balance sheet	3
Consolidated statement of income	4
Consolidated statement of changes in equity	5 – 6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8 – 27

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Kuwait Cement Company – K.S.C
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Cement Company K.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group") which comprise the consolidated balance sheet as of 31 December 2008, and the consolidated statement of 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 notes.

Parent Company 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 the 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant 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 Parent Company 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.

Kuwait Cement Company – K.S.C
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors related to the financial statements, are in accordance therewith. We further report that we obtained the information that we required for the purpose of our audit and that the financial statements incorporate all the information that is required by the Commercial Companies Law of year 1960, as amended, and by the Parent Company's Articles of Association, that an inventory count was duly carried out and that to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the Group or on its consolidated financial Position.

Bader A. Al-Wazzan
Licence No. 62 A
Bader & Co. PricewaterhouseCoopers

Qais M. Al-Nisf
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Moore Stephens Al-Nisf & Partners
Member firm of Moore Stephens International

Kuwait
29 March 2009

Kuwait Cement Company K.S.C
and its subsidiaries
State of Kuwait

Consolidated Balance Sheet as of 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Assets			
Non-current asset			
Property, plant & equipment	5	12,807,223	8,429,771
Investment properties	6	1,126,313	1,212,657
Investments in associates	7	15,062,406	10,731,827
Available for sale investments	8	107,616,277	197,555,022
		136,612,219	217,929,277
Current assets			
Inventories	9	30,954,165	13,668,964
Properties held for trading		389,004	393,870
Debtors and other debit balances	10	12,185,438	9,900,266
Investments at fair value through profit and loss	11	17,726,890	106,089,575
Cash and cash equivalents	12	41,515,964	17,142,805
		102,771,461	147,195,480
Total assets		239,383,680	365,124,757
Equity and liabilities			
Equity			
Share capital	13	55,083,083	47,898,333
Share premium		5,154,935	5,154,935
Treasury shares	14	(12,978,814)	(10,289,246)
Gain on sale of treasury shares		445,592	105,616
Statutory reserve	15	31,700,720	31,251,240
Voluntary reserve	16	26,738,231	26,288,751
General reserve		18,930,128	18,930,128
Change in fair value reserve		(2,874,711)	137,739,425
Group's share in associates reserves	7	(490,094)	
Retained earnings		11,630,256	45,631,380
		133,339,326	302,710,562
Non -current liabilities			
Borrowings	17	38,797,790	11,200,000
End of service indemnity		1,498,381	1,290,948
		40,296,171	12,490,948
Current liabilities			
Borrowings	17	58,355,700	40,749,586
Creditors and other credit balances	18	7,392,483	9,173,661
		65,748,183	49,923,247
Total equity and liabilities		239,383,680	365,124,757

The accompanying notes on pages (8) to (27) are an integral part of these consolidated financial statements.

Rashid Abdul Aziz Al-Rashid
Chairman and Managing Director

Sulaiman Khalid Al-Ghunaim
Vice Chairman

Kuwait Cement Company K.S.C
and its subsidiaries
State of Kuwait

Consolidated statement of Income for the year ended 31 December 2008
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Sales		86,399,054	82,432,210
Cost of sales	19	(63,571,573)	(54,003,578)
Gross profit		22,827,481	28,428,632
Other operating income		373,847	80,617
Selling, general and administrative expenses		(2,991,313)	(2,557,450)
Foreign currency		(984,216)	2,207,683
Provision no longer required		-	59,781
Impairment of property, plant and equipment		-	(13,264,101)
Operating profit		19,225,799	14,955,162
Finance charges		(3,849,643)	(3,179,255)
Interest income		986,269	202,052
Net (loss)/ gain from investments at fair value through profit and loss	20	(12,496,536)	30,045,220
Net gain from available for sale investments	21	9,400,862	12,484,830
Impairment of available for sale investments	8	(9,642,698)	-
Net income from investment properties	22	37,502	45,717
Group's share of associates' results	7	833,250	2,152,876
Net profit before deductions		4,494,805	56,706,602
Zakat expense		-	(27,188)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(42,865)	(568,819)
National Labor Support Tax (NLST)		-	(1,146,226)
Board of directors' remuneration		(140,000)	(161,000)
Net profit for the year		4,311,940	54,803,369
Earnings per share (Fils)	23	8.06	102.22

The accompanying notes on pages (8) to (27) are an integral part of these consolidated financial statements.

Kuwait Cement Company K.S.C
and its subsidiaries
State of Kuwait

Consolidated Statement of Changes in Equity For the year ended 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Share capital	Share Premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change in fair value reserve	Retained Earnings	Total
Balance as of 31 December 2006	43,543,940	5,154,935	(6,749,329)	80,353	25,580,580	20,618,091	18,930,128	83,354,101	31,949,923	222,462,722
Change in fair value of investments	-	-	-	-	-	-	-	54,385,324	-	54,385,324
Net profit recognized directly in equity	-	-	-	-	-	-	-	54,385,324	-	54,385,324
Net profit for the year	-	-	-	-	-	-	-	-	54,803,369	54,803,369
Total profit recognized during the year	-	-	-	-	-	-	-	54,385,324	54,803,369	109,188,693
Bonus shares dividends (Note 25)	4,354,393	-	-	-	-	-	-	-	(4,354,393)	-
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(25,426,199)	(25,426,199)
Purchase of treasury shares	-	-	(3,606,047)	-	-	-	-	-	-	(3,606,047)
Sale of treasury shares	-	-	66,130	25,263	-	-	-	-	-	91,393
Transfer to reserves	-	-	-	-	5,670,660	5,670,660	-	-	(11,341,320)	-
Balance as of 31 December 2007	47,898,333	5,154,935	(10,289,246)	105,616	31,251,240	26,288,751	18,930,128	137,739,425	45,631,380	302,710,562

The accompanying notes on pages (8) to (27) are an integral part of these consolidated financial statements.

Kuwait Cement Company K.S.C
and its subsidiaries
State of Kuwait

Consolidated Statement of Changes in Equity For the year ended 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Share capital	Share Premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change in fair value reserve	Share in associates reserves	Retained Earnings	Total
Balance at 31 December 2007	47,898,333	5,154,935	(10,289,246)	105,616	31,251,240	26,288,751	18,930,128	137,739,425	-	45,631,380	302,710,562
Transferred to statement of income from sale of investment	-	-	-	-	-	-	-	(559,241)	-	-	(559,241)
Change in fair value of available for sale investments	-	-	-	-	-	-	-	(149,697,593)	-	-	(149,697,593)
Impairment of available for Sale investments	-	-	-	-	-	-	-	9,642,698	-	-	9,642,698
Share in associates reserves	-	-	-	-	-	-	-	-	(490,094)	-	(490,094)
Net Loss recognized directly in equity	-	-	-	-	-	-	-	(140,614,136)	(490,094)	-	(141,104,230)
Net profit for the year	-	-	-	-	-	-	-	-	-	4,311,940	4,311,940
Total (loss) / profit recognized during the year	-	-	-	-	-	-	-	(140,614,136)	(490,094)	4,311,940	(136,792,290)
Bonus shares dividends (Note 25)	7,184,750	-	-	-	-	-	-	-	-	(7,184,750)	-
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	-	(30,229,354)	(30,229,354)
Purchase of treasury shares	-	-	(3,107,653)	-	-	-	-	-	-	-	(3,107,653)
Sale of treasury shares	-	-	418,085	339,976	-	-	-	-	-	-	758,061
Transfer to reserves	-	-	-	-	449,480	449,480	-	-	-	(898,960)	-
Balance as of 31 December 2008	55,083,083	5,154,935	(12,978,814)	445,592	31,700,720	26,738,231	18,930,128	(2,874,711)	(490,094)	11,630,256	133,339,326

The accompanying notes on pages (8) to (27) are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows For the year ended 31 December 2008
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Cash flows from operating activities			
Net profit for the year		4,311,940	54,803,369
Adjustments:			
Depreciation and amortization		4,899,215	12,828,446
Impairment of property, plant and equipment		-	13,264,101
Impairment of available for sale investment		9,642,698	-
Net loss / (profit) from investments at fair value through profit and loss		12,400,192	(30,226,555)
Net profit from available for sale investments		(9,123,329)	(12,600,457)
Interest income		(986,269)	(202,052)
Group's share of associates' results		(833,250)	(2,152,876)
Doubtful debts		-	(59,781)
Finance charges		3,849,643	3,179,255
End of Service Indemnity		207,433	26,845
Operating profit before changes in working capital		24,368,273	38,860,295
Inventories		(17,285,201)	537,956
Properties held for trading		4,866	(49,763)
Debtors and other debit balances		(2,285,172)	(662,985)
Investments at fair value through profit and loss		22,876,052	3,169,087
Creditors and other credit balances		(2,054,672)	1,422,949
Notes payable		-	(174,337)
Net cash generated from operating activities		25,624,146	43,103,202
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(9,173,127)	(8,666,790)
Paid for purchase of available for sale investments		(16,753,304)	(2,270,106)
Proceeds from sale available for sale investments		7,769,473	-
Paid for purchase of associates		(4,497,189)	-
Interest income received		986,269	202,052
Cash dividends received		11,385,278	11,165,278
Net cash (used in)/ generated from investing activities		(10,282,600)	430,434
Cash flows from financing activities			
Sale of treasury shares		758,061	91,393
Purchase of treasury shares		(3,107,653)	(3,606,047)
Net proceeds/ (paid) from loans and bank facilities		45,203,907	(2,774,984)
Cash dividends paid		(30,206,764)	(25,245,675)
Finance charges paid		(3,615,935)	(3,213,918)
Net cash generated from/ (used in) financing activities		9,031,616	(34,749,231)
Net increase in cash and cash equivalents		24,373,159	8,784,405
Cash and cash equivalents at beginning of the year		17,142,805	8,358,400
Cash and cash equivalents at end of the year	12	41,515,964	17,142,805

The accompanying notes on pages (8) to (27) are an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Cement Company K.S.C. "Parent Company" is a Kuwaiti Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Company's shares have been listed on Kuwait Stock Exchange on 29 September 1984. The main objectives of the Parent Company are:

- Producing ordinary cement, sulphate resistant portland cement, portland cement for industrial purposes and all types of cement. Construction of factories and laboratories needed for achieving the Parent Company objectives. Dealing in all types of products, materials, tools and machinery relating to the Parent Company activities and transporting them locally or abroad.
- Utilize the financial surpluses available with the Parent Company by investing the same locally and internationally in financial and real estate portfolios managed by specialized companies and bodies.

The consolidated financial statements include the financial statements of "the Parent Company" and its subsidiaries (together referred to as the "Group"):

Name of Company	Shareholding (%)	Country of incorporation	Legal status
Shewikh Cement Co. (K.S.C.C)	100 %	Kuwait	K.S.C.C.
Amwaj International Real Estate Co. (K.S.C)	100 %	Kuwait	K.S.C.C.

The Parent Company head office is at Al - Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The consolidated financial statements were authorised for issue by the Board of Directors on ..... and The shareholders have the power to amend these consolidated financial statements after issuance at the annual general assembly.

2. Basis of preparation and significant accounting policies

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.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), and under the historical cost convention, modified by the fair value of investments "at fair value through profit and loss" and "available for sale investments".

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on the consolidated financial statements are disclosed in Note (4).

(a) Amendments and Interpretations effective in 2008

Amendments to IAS 39 – Financial Instruments: Recognition and Measurements & IFRS 7- Financial Instruments: Disclosures, permit reclassification of certain financial assets in rare circumstances. The amendment is effective prospectively from 1 July 2008.The group adopted the amendment from 1 July 2008 (See note 8)

(b) Interpretations effective in 2008 but not relevant

IFRIC 12, 'Service concession arrangements'; and
IFRIC 13, 'Customer loyalty programmes'.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', this interpretation does not have any impact on the group's financial statements, as the group does not have defined pension plans.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', this interpretation does not have any impact on the group's financial statements.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 23, 'Borrowing costs' (effective from 1 January 2009).
- IAS 1, 'Presentation of financial statements' (effective from 1 January 2009).
- IFRS 2, 'Share-based payment' (effective from 1 January 2009).
- IAS 32, 'Financial instruments: Presentation' (effective from 1 January 2009).
- IAS 27, 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 1, (Amendment), 'First time adoption of IFRS' (effective from 1 January 2009).
- IFRS 3, 'Business combinations' (effective from 1 July 2009).
- IFRS 5, 'Non-current assets held-for-sale & discontinued operations' (effective from 1 July 2009).
- IAS 28, 'Investments in associates' (effective from 1 January 2009).
- IAS 36, 'Impairment of assets' (effective from 1 January 2009).
- IAS 38, 'Intangible assets' (effective from 1 January 2009).
- IAS 19, 'Employee benefits' (effective from 1 January 2009).
- IAS 40, 'Investment property' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- IFRS 8, 'Operating segments' (effective from 1 January 2009)

The application of these standards will be made in the consolidated financial statements when these standards and interpretations become effective and are not expected to have a material impact on the consolidated financial statements of the Group.

2.2 Basis of consolidation

(A) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(B) Associates

Associate companies are entities over which the Group has significant influence but not control, generally, accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in consolidated statement of equity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of income.

2.3 Property, plant and equipment

Property, plant and equipment except the land are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets except for the land on a straight line basis, as follows:

Useful lives of property, plant and equipment are as follows:

	Years
Buildings	10-35
Machinery and equipment	7-25
Motor vehicles, computers and furniture	1-7

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' useful lives and depreciation method are reviewed periodically to ensure the compliance of the method and depreciation period with the expected economic benefits from these assets. In case of change in the estimated useful lives, these lives are changed from beginning of the financial year in which the change takes place.

Gain or losses resulting from the disposal of property, plant and equipment is included in the statement of income and represents the difference between the selling price and net carrying value of these assets.

Projects under construction are included in property, plant and equipment until they are completed and ready for their intended use. At that time they are reclassified under similar assets and the depreciation is calculated since then.

2.4 Investment properties

Investment properties held by the Group for capital appreciation or to earn rental income are classified under non current assets. Investments properties are carried out at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight line basis over their estimated useful lives from 10-20 years.

2.5 Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the period in which they arise. Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal for the impairment at each reporting date.

2.6 Financial Assets

Classification

The Group classifies its financial assets upon initial recognition based on the purpose of acquiring these financial assets. The Group classifies its financial assets as "at fair value through profit and loss", "loans and receivables" and "available for sale investments".

(A) *Financial assets at fair value through profit or loss*

This classification is divided into two sub categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. Financial assets held for trading are those assets acquired principally for the purpose of selling in the short term. The financial assets designated at fair value through profit and loss at inception are classified in this category, if they are managed and their performance is evaluated and internally reported on a fair value basis in accordance with risk management approved by the management or investment strategy.

(B) *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise in trade and other receivables and cash and cash equivalents in the balance sheet.

(C) *Available for sale investments*

These are non-derivative financial assets that are either designated in this category or not included in any of the above categories and are principally, those acquired to be held for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

Recognition and De-recognition

Regular purchases and sales of financial assets are recognised on the trade date- the date on which the Group commits to purchase or sell the financial instrument. Financial assets are derecognised when the right to receive cash flows from the assets has expired or has been transferred and the Group has substantially transferred all risks and rewards of ownership.

Measurement

Financial assets 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 is initially recognised at fair value and transaction costs are expensed in the statement of income. Subsequently, available for sale financial assets and financial assets at fair value through profit or loss are re-measured at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary and non monetary securities are recognised in profit or loss, while other changes are recognised in equity. When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are transferred to the statement of income.

Fair values

The fair values of quoted instruments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. The available for sale investment which its fair value can not be identified are recorded by cost less impairment.

Impairment in value

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets may be impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss- is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.9.

2.7 Inventories

Inventories are valued at the lower of cost or net realizable value after provision for slow moving obsolete, and damaged inventories. The cost of finished products includes raw materials, wages and overheads incurred in conversion of raw materials to finished products. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of sale transaction or costs to complete production. Cost of acquisition is determined using an average method and includes all expenditure incurred in acquisition of the inventories and bringing the inventories to their present location and condition.

2.8 Properties held for trading

The real estate acquired for resale are classified as held for trading and are carried out at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated selling costs.

2.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of income.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and demand deposits with banks and financial institutions, whose original maturities do not exceed three months from the date of placements.

2.11 Trade payables

Trade payables are recognized initially at fair value for goods or services received even if invoices are not received and subsequently measured at amortized cost using effective interest method.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Regarding the labour in other countries, the indemnity is calculated based on law defined in these countries. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2.15 Share capital

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings and then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.16 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Parent company's functional and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.17 Revenue recognition

Revenue recognized from sale of goods when the significant risks and rewards of ownership have been transferred to the buyer.

Investment income is recognized when the right to receive payment is established. Interest income from deposits is recognized by effective interest rate method. Other revenues are recognized on accrual basis.

2.18 Finance charges

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of that asset. Capitalization of borrowing costs is suspended during extended periods in which active development is interrupted. Capitalization of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other finance costs are recognised as expenditure in the period in which they are incurred.

2.19 Accounting for leases

Leases of properties and equipment in which the lessee assumes substantially all the benefits and risks of ownership are classified as finance leases. Leases of assets under which the lessor effectively retains all risks and benefits of ownership are classified as operating leases.

When the Group is the lessor

Assets leased to other parties by operating lease contracts, other than investment properties, are included in property, plant and equipment on the balance sheet, and are depreciated over the estimated useful lives for similar assets. Rental income is recognized on a straight-line basis over the contract period.

When the Group is the lessee

Rental operating cost of leased assets is recognized by the Group in the statement of income on a straight line basis over the period of lease contract.

2.20 Derivative financial instruments

The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The groups does not adopt accounting, and any realised and unreallised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

2.21 Cash dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

3. Financial risk management

3.1 Financial Risks

The activities of the group expose it to a Group of financial risks, which are market risks, which include (foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The group management for these financial risks is concentrated in continues evaluation of market conditions and trends and the management assessment for long and short-term market factors change.

(a) **Market Risk**

- *Foreign currency risk*

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US$ and Euro. The risk of foreign exchange resulting from future transactions from the derivative assets & liabilities with different currency other than the functional.

The Group has set policies to manage foreign currency risks represent in close monitoring to the change in currency rate in addition to monitoring the effect of such changes on the financial position of the group.

The following is the value of net position of USD Dollar of the financial date.

	Net position of the foreign currencies ($)	
	2008	**2007**
Net position of US$ currency	(47,770,191)	(16,515,970)

In case of decrease/ increase in US Dollar by 5% against the Kuwaiti Dinar assuming all other variables remain constant. The net profit of the Group would have been increased/ decreased by KD 4,913,452 as of 31 December 2008 (31 December 2007 KD 2,639,999).

Price risks

The Group is exposed to price risk through its investment classified on the consolidated financial statement as available for sales, or at fair value through profit or loss.

To manage this risk, the group diversifies its portfolio on the basis of allocating the assets on predetermined basis, continuous monitoring of market prices and management estimates of long term changes in fair value. Also the group keeps its investments at specialised investments companies which manage these investment. The Group monitors of these portfolios performance of the investment portfolios thought reviewing the monthly periodic report provided from the managers of these portfolios and takes the necessary action when required to minimize the fair value risk of the investments.

The table below summarises the impact of the decrease the KSE index on the net profit of the group and its equity. This analysis is based on the assumption that the KSE decreases by 5% with all other variables held constant.

	Impact on net profit		Impact on equity	
	2008	**2007**	**2008**	**2007**
Investments at fair value through profit and loss	504,988	4,475,440	-	-
Available for sale investments	-	-	4,860,538	9,310,730

Cash flow and fair value resulted from changes in interest rate risk:

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings.

Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The group's policy is to keep only Industrial Loans in fixed rate as which is preferential rates and to control its cash flows. During 2008 and 2007, the group's borrowings at variable rate were denominated in US$.
The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on the results of these scenarios' the group takes the required action.

At 31 December 2008, if interest rate on US Dollar borrowings had been 0.20% higher with all other variables held constant, profit for the year would have been KD 144,300 (KD 63,600 - 2007) lower.

(b) Credit Risks

The credit risk is the risk that the group will incur a loss because of its customers, counterparties failed to discharge their contractual obligation. The credit risk is highly concentrated in trade receivable and cash and cash equivalents, the group manages and follow up the credit risk as follows:

- Dealing with customers have well reputation and strong financial positions and related parties and government
- Diversification of the customer base and avoiding centralization.
- Obtaining guarantees from the customers issued from high credit reputation banks and letters of credit.
- Dealing with financial institutions with high credit reputation.

(c) Liquidity Risks

The liquidity risk is the risk that, the Group becomes unable to replay its liabilities when due. To minimize this risk, the management is securing different financing resources and monitoring the liquidity of assets on regular basis.

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. The board of directors has put appropriate from work to manage the liquidity of the Group. The Group manages the liquidity by keeping appropriate reserves and obtaining credit facilities as well as through continues monitoring of the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The table below shows the breakdown of the non-derivative liabilities for the year ended as of the balances sheet date based on the contractual dates.

Balances due within 12 months equal their carrying value as the effect of discounting is not significant.

The following are the maturity dates of financial liabilities of the group as of 31 December 2008.

	From 3 Months and one year	Between 1 to 3 years	More than 3 years
Liabilities			
Trade and other payables	7,392,483	-	-
Borrowings	60,689,929	-	-
Long term borrowings	-	39,217,115	2,913,027

The following are the maturity dates of financial liabilities of the Group as of 31 December 2007.

	From 3 months and one year	Between 1 to 5 years	More than 3 years
Liabilities			
Trade and other payables	9,173,661	-	-
Borrowings	42,338,819	-	-
Long term borrowings	-	8,178,190	4,199,610

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

During 2007, 2008, the Group's strategy was to maintain the gearing ratio close to 20%. The gearing ratios were as follows:

	2008	2007
Total borrowings	97,153,490	51,949,586
Less : Cash and cash equivalent	(41,515,964)	(17,142,805)
Net debt	55,637,526	34,806,781
Total equity	133,339,326	302,710,562
Total capital	188,976,852	337,517,343
Ratio	29.44 %	10.31 %

The increase in this percentage in year 2008 compared to year 2007 is due to the significant decrease in equity due to the decrease in changes in fair value reserve resulted from the decline in available for sale prices.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as investments at fair value and available-for sale securities) is based on last bid price in active market.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date. The Group uses the market of similar investments and the discounted cash flows or other techniques. The carrying value that they all short term less impairment provision of trade receivables and payables are assumed to approximate their fair values as they are short term. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market yield rate that is available to the Group for similar financial liabilities.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Critical accounting estimating and assumptions

Fair value of unquoted equity investments

Valuation techniques for unquoted equity investments is in which estimates are used representing the expected cash flows discount rates, return trades, adjusted local market prices, credit risks, related cost and other valuation techniques used by market participants.

The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note (2.5). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates mainly represents in the discount rate factor and the expected cash flows for the cash generating unit.

Impairment losses on loans, receivable and receivables

The Group reviews its loans, receivables and its trade receivables to assess impairment on regular basis. In determining whether an impairment loss should be recorded in the income statement, In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions. The methodology and assumptions used for estimating both the amount and timing if future cash flows are reviewed regularly to reduce any differences between loss estimated and the actual loss experienced.

4.2 Critical judgements in applying the entity's accounting policies

Impairment of available for sale financial assets

The Group follows the guidance of IAS (39) to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement from management. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial aspects.

5. Property, plant and equipment

	2008				
	Land and buildings	Machinery & equipment	Motor vehicles, computers and furniture	Projects under construction	Total
Cost					
At 1 January 2008	20,689,035	65,762,852	646,693	2,030,322	89,128,902
Additions during the year	341,897	290,996	7,781	8,532,453	9,173,127
Foreign currencies translation	5,625	38,142	2,509	-	46,276
At 31 December 2008	21,036,557	66,091,990	656,983	10,562,775	98,348,305
Accumulated depreciation and impairment					
At 1 January 2008	18,846,355	61,310,239	542,537	-	80,699,131
Charged during the year	1,148,726	3,626,008	38,137	-	4,812,871
Foreign currency translation	4,050	23,854	1,176	-	29,080
At 31 December 2008	19,999,131	64,960,101	581,850	-	85,541,082
Net carrying amount					
At 31 December 2008	1,037,426	1,131,889	75,133	10,562,775	12,807,223
At 31 December 2007	1,842,680	4,452,613	104,156	2,030,322	8,429,771

	2007				
	Land and buildings	Machinery & equipment	Motor vehicles, computers and furniture	Projects under construction	Total
Cost					
At 1 January 2007	20,676,604	60,014,403	633,105	5,127,238	86,451,350
Additions during the year	38,180	5,925,385	25,430	2,677,795	8,666,790
Foreign currencies translation	(25,749)	(176,936)	(11,842)	(9,840)	(224,367)
Closing projects under construction	-	-	-	(5,764,871)	(5,764,871)
At 31 December 2007	20,689,035	65,762,852	646,693	2,030,322	89,128,902
Accumulated depreciation and impairment					
At 1 January 2007	15,285,971	44,767,982	533,526	-	60,587,479
Charged during the year	374,662	6,587,756	14,813	-	6,977,231
Impairment in value	3,204,883	10,059,218	-	-	13,264,101
Foreign currency translation	(19,161)	(104,717)	(5,802)	-	(129,680)
At 31 December 2007	18,846,355	61,310,239	542,537	-	80,699,131
Net carrying amount					
At 31 December 2007	1,842,680	4,452,613	104,156	2,030,322	8,429,771
At 31 December 2006	5,390,633	15,246,421	99,579	5,127,238	25,863,871

5.1 Property, plant and equipment of KD 1 as of 31 December 2008 (KD 4,421,367 as of 31 December 2007) are pledged against bank facilities granted to the Group (Note 17).

5.2 Certain buildings are constructed on land leased for 25 years ending February 2020, renewable. During the year, the group signed agreements with suppliers to establish a new KILN factory. The total estimated cost for the signed contracts of KD 45,838,455 out of which KD 6,418,921 has been paid as advance till 31 December 2008.

5.3 During 2007, the group had written off projects under construction of KD 5,764,871 based on technical study prepared by the group's management, which indicated that such amounts would not increase the economic benefits of the related property and equipment.

5.4 Depreciation and closing the project under construction has been charged in the consolidated statement of income as follows:

	2008	2007
Cost of Sales	4,756,274	12,685,635
Selling, general and administrative expenses	56,597	56,467
	4,812,871	12,742,102

6. Investment properties

	2008	2007
Cost as of 1 January/ 31 December	1,989,744	1,989,744
Accumulated depreciation at 1 January	777,087	690,743
Depreciation for the year	86,344	86,344
Accumulated depreciation at 31 December	863,431	777,087
Net book value as of 31 December	1,126,313	1,212,657

The fair value of investment properties is KD 3,372,126 as of 31 December 2008 (KD 2,186,400 as of 31 December 2007).

7. Investment in associates

	Ownership percentage	2008	2007
Kuwait Rocks Company K.S.C.C.	30.00%	1,581,816	1,585,337
Marine Contracting and Services Company K.S.C.	33.37%	13,480,590	9,146,490
		15,062,406	10,731,827

The following is the movement of investment in associates' balances:

	2008	2007
Balance at beginning of the year	10,731,827	9,564,955
Additions during the year	4,497,189	-
Group's share in associate's results	833,250	2,152,876
Group's share in associate's reserves	(490,094)	-
Dividends received	(509,766)	(986,004)
Balance as of 31 December	15,062,406	10,731,827

7.1 The Group's shares in associates' results are recorded based on unaudited financial information for the period ended 30 September 2008.

7.2 The additions during the year represented in the subscription in the capital increase of Marine Contracting and Services Company (K.S.C.).

7.3 The investment balance in Marine Contracting and Services Company (K.S.C.) includes goodwill of KD 493,168 as of 31 December 2008 (KD 493,168 as of 31 December 2007).

7.4 The Group's share in assets, liabilities, revenue and net profit of associates as follow:

	Fair value	Assets	Liabilities	Company's revenues	Net profit
31 December 2008					
Kuwait Rocks Company K.S.C.C	Unquoted	2,909,100	1,327,284	5,190,326	131,478
Marine Contracting and Services Company K.S.C.C	30,580,881	37,580,150	24,593,507	10,100,193	701,772
31 December 2007					
Kuwait Rocks Company K.S.C.C	Unquoted	2,237,953	652,615	2,444,393	603,901
Marine Contracting and Services Company K.S.C.C	31,217,237	24,245,397	15,592,075	7,350,431	1,548,975

8. Available for sale investments

	2008	2007
Local quoted shares	97,210,753	186,214,596
Local unquoted shares	4,790,379	11,340,426
Foreign Funds	5,615,145	-
	107,616,277	197,555,022

8.1 The local investments include investments of KD 46,771,678 as of 31 December 2008 (KD 162,125,920 as of 31 December 2007). in National Industries Company K.S.C., a major shareholder in the group,

8.2 Available for sale investments include local investments of KD 4,594,798 (KD 10,767,196 as of 31 December 2007) stated at cost since their fair values can not be reliably measured and there were no active markets for such investments. The information available on these investments does not indicate to an existence of an impairment.

8.3 Foreign funds includes investment of KD 4,832,690 as of 31 December 2008 have been evaluated based on recent available reports from investment managers as no reports were available for these investments as of 31 December 2008.

8.4 Due to the deterioration of the local and international capital markets that occurred during the second half of 2008 and as allowed by the amendment to IAS 39 issued on 13 October 2008, the group reclassified its equity investments from fair value through profit and loss category to available for sale category with an amount of KD 10,114,003 from 1 July 2008, also during the last quarter the Group reclassified investments through profit and loss amounted to KD 40,802,816 to the available for sale category from that date.

The fair value of these investments reclassified is KD 34,173,140 as of 31 December 2008.

During the year ended 31 December 2008, the Group recorded loss from change in fair value of the investment at fair value through profit and loss transferred to the available for sale with an amount of KD 14,898,876 till the date of transfer.

8.5 As of 31 December, the group management has recorded impairment of KD 9,462,698 for the available for sale investments due to the significant decline in its fair value.

8.6 Available for sale investments include an amount of KD 3,465,250 as of 31 December 2008 (KD Nil as at 31 December 2007) pledged against credit facilities (Note 17).

8.7 The available for sale investments are denominated in the following currencies as at 31 December:

	2008	2007
Kuwaiti dinars	102,001,132	197,555,022
US Dollar	4,575,111	-
Sterling pound	445,826	-
EURO	594,208	-
	107,616,277	197,555,022

9. Inventory

	2008	2007
Raw Material	30,124,736	12,286,171
Finished Goods	692,691	516,501
Letter of Credit	136,738	866,292
	30,954,165	13,668,964

10. Debtors and other debit balances

	2008	2007
Amounts under collection at banks	3,906,862	2,849,924
Receivable against unconditional bank guarantees	3,108,355	2,411,730
Ministry of Commerce – Cement support difference delivered to people	2,049,768	1,284,870
Related parties (Note 26)	1,571,322	1,150,949
Other trade receivables	1,251,743	926,701
Total trade receivable	11,888,050	8,624,174
Other receivables	480,801	1,568,040
	12,368,851	10,192,214
Provision for doubtful debts	(613636)	(613,636)
	11,755,215	9,578,578
Prepaid expenses	147,341	104,505
Notes receivable	282,882	217,183
	12,185,438	9,900,266

10.1 The carrying amount of the debtors and other debit balances are approximately equal its fair value, as they are due in the short term, all the amounts are in Kuwaiti Dinar.

10.2 The group has set a credit period for the customers by maximum 90 days. The balances of customers which are not past due have amounted to KD 6,989,018 as of 31 December 2008 (31 December 2007 KD 7,164,309).

10.3 Trade receivables that are past due during 45 days but not impaired are KD 4,285,396 as of 31 December 2008 (KD 846,095 as of 31 December 2007).

10.4 The policy of the group is to test the impairment of receivables that are past due for more than 3 months. Provision of doubtful debts is determined for each customer individually based on the past experience, financial position and any other information that affect the possibility of collection.

10.5 Trade receivables that are post due and impaired are KD 613,636 as of 31 December 2008 (KD 613,666 as of 31 December 2007).

10.6 The following is the movement over the provision for doubtful debts:

	2008	2007
Balance at 1 January	613,636	673,417
Provision no longer required	-	(59,781)
Balance as of 31 December	613,636	613,636

10.7 Other items of debtors and other debit balances did not included assets should impaired. The maximum amount exposed to credit risks at the financial statements that the fair value to each item shown above.

11. Investments at fair value through profit and loss

	2008	2007
Local investments	10,099,749	89,508,803
Foreign investments	7,627,141	16,580,772
	17,726,890	106,089,575

11.1 Foreign investments includes investment of KD 7,066,350 as of 31 December 2008 evaluated based on recent available reports from investment managers as no reports were available for these investments as of 31 December 2008 (KD 5,132,348 as of 31 December 2007).

11.2 Investments at fair value through profit and loss includes KD 667,920 as of 31 December 2008 (Nil as of 31 December 2007) the fair value from forward contract to buy 20,000,000 euro at 1 June 2009.

11.3 The investments are denominated in the following currencies as at 31 December:

	2008	2007
Kuwaiti Dinars	10,099,749	89,173,472
US Dollars	7,534,810	14,949,409
Sterling pound	92,331	903,251
Euro	-	728,101
Other	-	335,342
	17,726,890	106,089,575

12. Cash and cash equivalents

	2008	2007
Cash on hand and at banks	2,600,242	1,623,332
Cash at investment portfolios	3,487,190	4,063,598
Deposits at banks	35,241,248	10,966,039
Cheques under collections	187,284	489,836
	41,515,964	17,142,805

12.1 The weighted average interest rate on deposit at banks is 5.5% as of 31 December 2008 (as of 31 December 2007 – 6.2%).

12.2 Deposits at banks are matured within 3 months.

13. Share capital

The ordinary general assembly meeting held on 16 April 2008, approved distribution of bonus shares at 15 % of share capital. Accordingly, the authorized, issued and fully paid share capital is KD 55,083,083 comprises of 550,830,830 shares (2007: KD 47,898,333 comprises of 478,983,330 shares) with nominal value of 100 fils each. The commercial register is amended by this increase on 9 July 2008.

14. Treasury shares

	2008	2007
Number of shares (share)	16,491,291	12,836,340
Percentage to issued shares (%)	2.99	2.68
Market value	9,235,123	17,714,149

15. Statutory reserve

In accordance with the Commercial Companies Law for the year 1960 and its amendment and the Parent Company's Articles of Association, 10% of the net profit for the year before contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax, Board of Directors' remuneration and Zakat is transferred to the statutory reserve. The General Assembly may resolve to discontinue such annual transfers when the statutory reserve reaches 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 capital to be made in years when accumulated profits are not sufficient for the payment of such dividend.

16. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of profit is transferred to the voluntary reserve. Such transfers can be discontinued by a resolution taken by the shareholders in the annual general assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of the voluntary reserve.

17. Borrowings

	2008	2007
Current portion		
Bank facilities	11,326,700	3,429,188
Loans	47,029,000	37,320,398
	58,355,700	40,749,586
Non-current portion		
Loans	38,797,790	11,200,000
Total borrowings	97,153,490	51,949,586

17.1 Certain loans are secured by property, plant and equipment (Note 5) and available for sale investments (note 8). In addition, the loan terms prevent the group from distributing profits if the percentage of current assets to current liabilities is less than (1-1.5). The group is not allowed to pledge any moveable and immoveable assets without prior written approval from the bank.

17.2 The effective interest rate on borrowings as of 31 December 2008 is 4% (31 December 2007: 3.9%).

17.3 The borrowings are dominated in the following currencies as of 31 December:

	2008	2007
Kuwaiti Dinars	47,193,370	15,584,950
US Dollars	49,960,120	36,364,636
	97,153,490	51,949,586

18. Creditors and other credit balances

	2008	2007
Suppliers	3,151,558	2,865,041
Contractors – preparation of clincker factory	63,020	105,709
Advance payments	592,127	498,276
Accrued expenses	1,628,743	1,547,938
Accrued interest	709,666	475,957
Kuwait Foundation for the Advancement of Science "KFAS"	44,782	570,888
National labor support tax	-	2,206,414
Zakat	2,846	27,317
Accrued staff leave	289,527	266,767
Dividends payable to shareholders	413,162	390,572
Notes payable	32,038	120,916
Others	465,014	97,866
	7,392,483	9,173,661

19. Cost of sales

	2008	2007
Raw materials	53,225,299	40,723,419
Change in final product	1,423,196	187,907
Salaries and benefits	2,256,495	2,095,172
Rents	345,479	325,152
Closing project under construction	-	5,764,871
Maintenance and spare parts	5,975,052	4,573,027
Other	346,052	334,030
	63,571,573	54,003,578

20. Net (loss)/ gain from investments at fair value through profit and loss

	2008	2007
Unrealized (loss)/ gain	(15,362,943)	18,168,711
Realized gain	793,129	8,949,820
Cash dividends	2,169,622	3,108,024
Management fees	(96,344)	(181,335)
	(12,496,536)	30,045,220

21. Net gain from available for sale investments

	2008	2007
Realized gain	972,505	5,529,207
Cash dividends	8,705,890	7,071,250
Managements fees	(277,533)	(115,627)
	9,400,862	12,484,830

22. Net income from investment properties

	2008	2007
Rental income	160,177	163,129
Maintenance expenses	(36,331)	(31,069)
Depreciation	(86,344)	(86,343)
	37,502	45,717

23. Earnings per share

Earnings per share is calculated by dividing the net profit for the year by the weighted average of the ordinary shares which is determined based on the number of the outstanding issued shares during the year, taking into consideration treasury shares. The computation of earnings per share is as follows:

	2008	2007
Net profit for the year	4,311,940	54,803,369
Weighted average number of outstanding shares during the year (share)	534,723,651	536,133,676
Earnings Per Share (in fils)	8.06	102.22

Earnings per share for the year ended 31 December 2007 have been restated, to include the bonus shares issued by the general Assembly of shareholders on 16 April 2008.

24. Staff cost

Staff cost includes wages, salaries, leave salaries, end of service's indemnity and other staff benefits of KD 5,260,196 for the year ended 31 December 2008 (KD 4,725,818 for the year ended 31 December 2007).

25. Proposed dividend

On 16 April 2008, the General Assembly meeting has approved the financial statement for the year ended 31 December 2007 and approved cash dividends of 65 fils per share after deducting the treasury share and approved bonus share at 15% the share capital 2007 for the year ended 2007.

On 29 March 2009 The Board of Director has proposed cash dividend of 10 fils per share after deducting the treasury share and approved bonus share of 5 % of the share capital For the year ended 200. These dividends will be deducted from the retained earnings next year.

Proposed dividends are subject to the approval of the shareholders in the annual general assembly meeting.

26. Related party transactions

Related parties comprise of the group's shareholders who have representative in the Board of Directors, Board of Directors, key management personnel, associates, and subsidiaries Companies. In the ordinary course of business, the group has undertaken transactions with related parties during the year ended 31 December 2008. The related parties transactions and the outstanding balances related to these parties are as follows:

	2008	2007
Consolidated balance sheet		
Debtors and other debit balances (note 10)	1,571,322	1,150,949
Indemnity	350,657	294,572
Consolidated statement of income		
Sales	5,187,455	4,892,107
High management benefits		
Remuneration and executive committee	120,000	120,000
Salaries and other benefits	814,600	783,120

Transactions with related parties are subject to approval of the shareholders at the general assembly meeting.

27. Capital liabilities and commitments

	2008	2007
Contingent liabilities		
Letters of guarantee	248,847	248,847
Capital commitments		
Letters of credits	26,299,604	4,436,467
Uncalled subscription relating to available for sale investments	183,431	183,431
Uncalled subscription relating to investments in funds	1,725,221	1,725,221
Contracts for importing raw materials	10,130,290	8,825,700
Projects under construction	39,419,534	2,030,321

28. Segment financial information

Segment information is presented in respect of the Group's business and geographical segments.

Primary segment information: Business segments

The Group has determined the following two major business segments for internal reporting purposes:

- Manufacturing Sector
- Investment Sector

	2008		
	Manufacturing sector	Investment sector (net)	Total
Segment revenues	87,378,700	(1,238,653)	86,140,047
Segment expenses	(68,152,901)	-	(68,152,901)
Impairment from available for sale investment	-	-	(9,642,698)
Unallocated expenses			(4,032,508)
Net profit			4,311,940
Segments assets			239,383,680
Segment liabilities			106,044,354

	2007		
	Manufacturing sector	Investment sector (net)	Total
Segments revenues	84,858,231	44,930,695	129,788,926
Segments expenses	(56,638,968)	-	(56,638,968)
Impairment of property, plant and equipment			(13,264,101)
Un allocated expenses			(5,082,489)
Net profit			54,803,369
Segments assets			365,124,757
Segments liabilities			62,414,195

Secondary segment information: Geographical segments

	2008		
	Revenues	Assets	Liabilities
Inside Kuwait	94,126,478	222,307,527	33,902,729
Outside Kuwait	4,510,105	17,076,153	72,141,625
	98,636,583	239,383,680	106,044,354

Secondary segment information: Geographical segments

	2007		
	Revenues	**Assets**	**Liabilities**
Inside Kuwait	127,350,953	343,831,850	27,288,981
Outside Kuwait	2,437,973	21,292,907	35,125,214
	129,788,926	365,124,757	62,414,195

29. Comparative figures

Some of the comparative figures are reclassified to conform to current presentation of consolidated financial statements as of 31 December 2008.