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 2009

Kuwait Cement Company K.S.C
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For the year ended 31 December 2009

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Independent auditors' report to the shareholders of Kuwait Cement Company K.S.C
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Cement Company K.S.C (Closed) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 parent company's management, as well as evaluating the overall presentation of the financial statements.

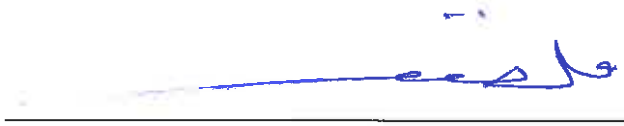
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

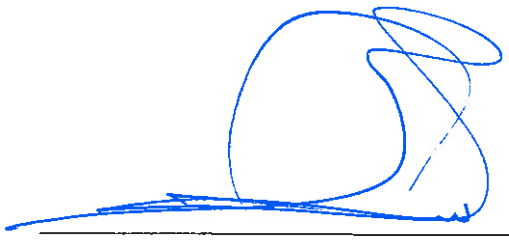
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on 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 and the related information included in the Board of Directors' report in relation to these financial statements agree with the books of accounts of the Parent Company. We further report that we obtained the information and explanations 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 1960, as amended, and by the Parent Company's Articles of Association. An inventory was duly carried out and that, to the extent of information made available to us, no violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the year ended 31 December 2009 that might have a material effect on the consolidated financial position of the Group or on its results of operation.





Qais Al-Nisf
Licence No. 38 "A"
Moore Stephens Al Nisf & Partners
Member firm of Moore Stephens International

Bader A. Al-Wazzan
Licence No. 62 "A"
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Kuwait: 18 March 2010

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

Consolidated statement of financial position
As at 31 December 2009

	Note	2009 KD	2008 KD
Assets			
Non-current assets			
Property, plant and equipment	6	65,770,817	12,807,223
Investment properties	7	1,039,971	1,126,313
Investments in associates	8	14,816,073	15,062,406
Available for sale investments	9	84,277,642	107,616,277
		165,904,503	136,612,219
Current assets			
Inventories	10	24,237,155	30,954,165
Property held for trading		-	389,004
Debtors and other debit balances	11	8,877,826	12,185,438
Investments at fair value through profit or loss	12	12,022,492	17,726,890
Cash and cash equivalents	13	38,016,725	41,515,964
		83,154,198	102,771,461
Total Assets		249,058,701	239,383,680
Equity and liabilities			
Equity			
Share capital	14	57,837,237	55,083,083
Share premium		5,154,935	5,154,935
Treasury shares	15	(12,978,814)	(12,978,814)
Gain from sale of treasury shares		445,592	445,592
Statutory reserves	16	33,060,865	31,700,720
Voluntary reserves	17	28,098,376	26,738,231
General reserve		18,930,128	18,930,128
Change in fair value reserve		(6,417,843)	(2,874,711)
Group's share in associates' reserves		(617,567)	(490,094)
Retained earnings		13,625,659	11,630,256
Total equity		137,138,568	133,339,326
Liabilities			
Non-current liabilities			
Loans and bank facilities	18	54,937,790	38,797,790
Provision for employees' end of service indemnity		1,543,592	1,498,381
		56,481,382	40,296,171
Current liabilities			
Loans and bank facilities	18	26,233,493	58,355,700
Payables and other credit balances	19	29,205,258	7,392,483
		55,438,751	65,748,183
Total equity and liabilities		249,058,701	239,383,680

The notes on pages 8 to 35 form an integral part of these consolidated financial statements.

Rashed Abdulaziz Al-Rashed
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 2009

	Note	2009 KD	2008 KD
Sales		61,792,064	86,399,054
Cost of sales	20	(41,074,274)	(63,571,573)
Gross profit		20,717,790	22,827,481
Selling, general and administrative expenses		(3,509,516)	(2,991,313)
Recovery of impairment of property, plant and equipment	6	24,116,733	-
Impairment of inventory	10	(6,226,893)	-
Provision for doubtful debts	11	(2,057,038)	-
Other operating income		122,926	373,847
Net income of investment properties	21	35,616	37,502
Loss from foreign exchange differences		(499,368)	(984,216)
Operating Profit		32,700,250	19,263,301
Finance costs		(2,894,430)	(3,849,643)
Interest income		420,021	986,269
Net losses of investments at fair value through profit or loss	22	(479,009)	(12,496,536)
Net gains from available for sale investments	23	2,917,346	9,400,862
Impairment of available for sale investments	9	(18,554,864)	(9,642,698)
Impairment of property held for trading		(389,004)	-
Group's share of associates' results	8	(118,860)	833,250
Net profit before deductions		13,601,450	4,494,805
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(128,776)	(42,865)
National Labor Support Tax (NLST)		(301,529)	-
Zakat Expense		(203,903)	-
Board of director's remuneration		(154,000)	(140,000)
Net profit for the year		12,813,242	4,311,940
Earnings per share (fils)	24	22.84	7.68

The notes on pages 8 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income
For the year ended 31 December 2009

	2009	2008
	KD	KD
Net profit for the year	12,813,242	4,311,940
Other comprehensive income/(expense):		
Unrealized losses from available for sale investments	(20,464,588)	(149,697,593)
Transferred to statement of income from sale of available for sale investments	(1,633,408)	(559,241)
Impairment of available for sale investments	18,554,864	9,642,698
Group's share in associates' reserves	(127,473)	(490,094)
Other comprehensive expenses	(3,670,605)	(141,104,230)
Total comprehensive income/(expense)	9,142,637	(136,792,290)

The notes on pages 8 to 35 form 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 2009

	Share capital	Share premium	Treasury shares	Gain from sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2009	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
Total comprehensive (expenses) / income	-	-	-	-	-	-	-	(3,543,132)	(127,473)	12,813,242	9,142,637
Cash dividends (note 26)	-	-	-	-	-	-	-	-	-	(5,343,395)	(5,343,395)
Bonus shares (note 26)	2,754,154	-	-	-	-	-	-	-	-	(2,754,154)	-
Transfers to reserves	-	-	-	-	1,360,145	1,360,145	-	-	-	(2,720,290)	-
Balance at 31 December 2009	57,837,237	5,154,935	(12,978,814)	445,592	33,060,865	28,098,376	18,930,128	(6,417,843)	(617,567)	13,625,659	137,138,568
Balance at 1 January 2008	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
Total comprehensive (expenses) / income	-	-	-	-	-	-	-	(140,614,136)	(490,094)	4,311,940	(136,792,290)
Cash dividends (note 26)	-	-	-	-	-	-	-	-	-	(30,229,354)	(30,229,354)
Bonus shares (note 26)	7,184,750	-	-	-	-	-	-	-	-	(7,184,750)	-
Transfers to reserves	-	-	-	-	449,480	449,480	-	-	-	(898,960)	-
Purchase of treasury shares	-	-	(3,107,653)	-	-	-	-	-	-	-	(3,107,653)
Sale of treasury shares	-	-	418,085	339,976	-	-	-	-	-	-	758,061
Balance at 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 notes on pages 8 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows
For the year ended 31 December 2009

	Note	2009 KD	2008 KD
Cash flows from operating activities			
Net profit for the year		12,813,242	4,311,940
Adjustments:			
Depreciation		1,244,563	4,899,215
Recovery of impairment of property, plant and equipment		(24,116,733)	-
Impairment of inventory		6,226,893	-
Provision for doubtful debts		2,057,038	-
Finance costs		2,894,430	3,849,643
Interest income		(420,021)	(986,269)
Net losses of investments at fair value through profit or loss		472,341	12,400,192
Net gains from available for sale investments		(3,074,052)	(9,678,395)
Impairment of available for sale investments		18,554,864	9,642,698
Impairment of property held for trading		389,004	-
Group's share of associates' results		118,860	(833,250)
Provision for employees' end of service indemnity		45,211	207,433
Net operating profit before working capital changes		17,205,640	23,813,207
Decrease/(increase) in inventories		490,117	(17,285,201)
Decrease in property held for trading		-	4,866
Decrease/(increase) in debtors and other debit balances		1,250,574	(2,285,172)
Decrease in investments at fair value through profit or loss		5,224,187	22,876,052
Increase/(decrease) in payables and other credit balances		4,912,712	(2,054,675)
Net cash from operating activities		29,083,230	25,069,077
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,514,165)	(9,173,127)
Investment in an associate		-	(4,497,189)
Purchase of available for sale investments		(4,740,361)	(16,753,304)
Proceeds on sale of available for sale investments		8,073,874	8,324,539
Dividends received		989,048	11,385,278
Interest income received		420,021	986,269
Net cash used in investing activities		(7,771,583)	(9,727,534)
Cash flows from financing activity			
Payment of dividends		(5,309,582)	(30,206,764)
Sale of treasury shares		-	758,061
Purchase of treasury shares		-	(3,107,653)
Net (paid)/proceed from loans and bank facilities		(15,982,207)	45,203,907
Finance cost paid		(3,519,097)	(3,615,935)
Net cash (used in)/generated from financing activities		(24,810,886)	9,031,616
Net (decrease)/increase in cash and cash equivalents		(3,499,239)	24,373,159
Cash and cash equivalents at the beginning of year		41,515,964	17,142,805
Cash and cash equivalents at the end of the year	13	38,016,725	41,515,964

The notes on pages 8 to 35 form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Cement Company KSC "Parent Company" is a Kuwaiti Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The company's shares were listed on the 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 company's objectives. Dealing in all types of products, materials, tools and machinery relating to the company's activity and transferring them locally or abroad.
- Utilize the financial surpluses available with the Parent Company by investing the surplus 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 following subsidiaries, collectively referred to as the "Group":

Company Name	Shareholding percent	Country of incorporation	Legal entity
Shuwaikh Cement Company	100%	Kuwait	K.S.C. (Closed)Company
Amwaj Real Estate Company	100%	Kuwait	K.S.C. (Closed)Company

The Company is located in Kuwait and the address of its head office is Al - Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

These consolidated financial statements were authorized for issuance by the Board of Directors on 18 March 2010. The shareholders at the annual General Assembly meeting have the power to amend these consolidated financial statements after issuance.

2. Adoption of new and revised international financial reporting standards (IFRSs)

2.1 *Standards and Interpretations adopted by the Group*

The following new and revised Standards and Interpretations have been adopted by the Group as of 1 January 2009:

- IAS 1 (revised) 'Presentation of Financial Statements' - effective 1 January 2009. The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Group has elected to present the 'Statement of comprehensive income' in two statements: the 'Statement of income' and a 'Statement of comprehensive income'. The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the reported results or financial position of the Group.

2. Adoption of new and revised international financial reporting standards (IFRSs) (continued)

2.1 *Standards and Interpretations adopted by the Group (continued)*

- IFRS 7 'Financial Instruments - Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. As the change in accounting policy only results in additional disclosures, there is no impact on the results of the Group.
- IFRS 8 'Operating Segments'- effective 1 January 2009. The new standard which replaced IAS 14 'Segment Reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any change in the Group's reportable segments and had no impact on the reported results or financial position of the Group.
- IAS 23 'Borrowing Costs' (Revised 2007). The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Group's accounting policy to capitalize borrowing costs incurred on qualifying assets.
- IAS 40 (revised 2008) 'Investment Property'- effective 1 January 2009. The revised standard has included within its scope investment property in the course of construction. The revised standard had no impact on the previously or currently reported results of the Group.

2.2 *Standards and Interpretations in issue not yet adopted by the Group*

• IAS 27 (revised), *'Consolidated and Separate Financial Statements'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 39 (revised), *'Financial Instruments: Recognition and Measurement'*	Effective for annual periods beginning on or after 1 July 2009
• IFRS 3 (revised), *'Business Combinations'*	Effective for annual periods beginning on or after 1 July 2009
• IFRS 5 (revised), *'Non-current Assets Held for Sale and Discontinued Operation'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 38 (amendment), *'Intangible Assets'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 1 (amendment), *'Presentation of Financial Statements'*	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 17 *'Distributions of Non-cash Assets to Owners'*	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 18, *'Transfers of Assets from Customers'*	Effective for annual periods beginning on or after 1 July 2009
• IAS 24 (amendment), *'Related Party Transactions'*	Effective for annual periods beginning on or after 1 January 2011
• IFRS 9 *'Financial Instruments'*	Effective for annual periods beginning on or after 1 January 2013
• Annual improvements 2009	Effective for annual periods beginning on or after 1 July 2009

The Management anticipates that the adoption of these Standards, amendments and interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

3. Basis of Preparation and Significant Accounting Policies

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

3.1 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 or loss" and "available for sale investments".

The preparation of 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 in the Group. 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 (5).

3.2 Basis of consolidation of financial statements

A) Subsidiaries

Subsidiaries are those companies whose financial and operational policies are controlled by the Group. Control exists when the Group has 50% of voting rights in these subsidiaries. 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.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and the liabilities incurred at the date of acquisition, plus costs directly attributable to the acquisition.

The assets, liabilities and contingent liabilities acquired are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest in the acquired entity. The excess of the cost of acquisition over the fair value of assets and liabilities is charged as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

Inter-group balances, transactions and unrealized gains between group companies are eliminated. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment of the assets transferred.

Accounting policies adopted by the subsidiaries may be changed as necessarily in order to unify the accounting policies adopted by the group.

The group's policy in accounting for transactions with non-controlling interests is to consider them as transactions with third parties outside the group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the statement of income. Purchases from non-controlling 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.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Basis of consolidation of financial statements (continued)

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 recognized at cost. The Group's investment in associates includes goodwill identified on acquisition net of any impairment loss.

The Group's share in the business results of an associate post acquisition is recognized in the consolidated statement of income, and the group's share of movements in reserves is recognized 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 transactions provide evidence of an impairment of the assets transferred.

Accounting policies adopted by the associates may be changed where necessary in order to ensure consistency with the accounting policies adopted by the group.

Gains and losses arising from decrease of shareholding percentage in associates are recognized directly in the consolidated statement of income.

3.3 Property, plant and equipment

Property, plant and equipment except land are stated at cost less accumulated depreciation and impairment losses. Land is carried at cost less impairment losses. The cost of property, plant and equipment comprises purchase price, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been placed into operation, such as repairs, maintenance and overhaul costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment.

Depreciation is charged on a straight-line basis over the estimated useful lives.
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

Property, plant and equipment amount is written down to its recoverable amount if the carrying amount is less than its recoverable amount.

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. A change in the estimated useful life of a property, plant and equipment is applied at the beginning of the year of change prospectively.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.3 Property, plant and equipment (continued)

Gain or losses resulting from the disposal of property, plant and equipment is included in the consolidated 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 from that date.

3.4 Investment properties

Investment properties held by the Group for capital appreciation or to earn rental are classified under non current assets. Investments properties are carried 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.

3.5 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 recognized in the consolidated statement of income for the year in which they arise. At the date of consolidated financial statements, non financial assets are reviewed with the exception of previously impaired goodwill because this impairment may be reversed.

3.6 Financial assets

Classification

The group determines the proper classification for its financial assets on acquisition based on the purpose of acquiring these financial assets. Financial assets have been classified as financial assets at fair value through profit or loss, loans and receivables, and available for sale investments.

A) Assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon acquisition. Assets held for trading are those assets acquired for the purpose of selling them in the short term. Financial investments at fair value through income statement upon acquisition are classified when managed and its performance is evaluated upon the fair value basis pursuant to risk management strategy and the investment strategy approved by the management.

B) Loans and receivables

These are non-derivative financial assets with fixed or determinable maturity that are not quoted in active markets. The Group's loans and receivables comprise in trade receivables and cash and cash equivalents in consolidated statement of financial position.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.6 Financial assets (continued)

C) Available for sale assets

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 derecognition

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Group commits to sell or purchase the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial investments entered at fair value through the income statement. Financial assets carried at fair value through statement of income are initially recognised at fair value and transaction costs are expensed in the consolidated statement of income. Subsequently, the available for sale assets and financial assets are recognized at fair value through the profit or loss. Loans and receivables are carried at amortised cost using the effective interest method.

Realized and unrealized gains and losses generated from change in the fair value of the assets are recognized at fair value through the consolidated statement of income for the period in which such changes occurred. Changes in the fair value of monetary and non-monetary instruments classified as available-for-sale investments are recognised in consolidated statement of equity. Changes in the fair value of monetary instruments denominated in a foreign currency and classified as available-for-sale investments are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the amount of the instrument.

The translation differences on monetary instruments are recognised in the consolidated statement of income, while other translation differences of non monetary instruments are recognised in the statement of equity. The change in the fair value of available for sale monetary and non monetary instruments is recognized in the consolidated statement of equity. When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are transferred to the consolidated statement of income.

Impairment

The group assesses at the date of each statement of financial position whether there is objective evidence that an asset or a similar group of assets may be impaired. In case of investment of equity instruments classified as available for sale investments, the consistent or significant impairment of such investments is taken into consideration when determining where is an indication of impairment. If any such evidence exists, the total cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in previous years is removed from equity and recognised in the income statement. Impairment losses of equity instruments are not reserved again in the income statement. Determination of the impairment of receivables is described in note 3.9.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.7 Inventories

Inventories are valued at the lower of cost or net realizable value after provision for slow moving obsolete and damaged inventory. The cost of finished goods includes raw materials, wages and overheads incurred in conversion of raw materials to finished goods. Net recoverable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses or production. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and status.

3.8 Property held for trading

Properties acquired and developed for future sale are classified as properties held for trading, and recognized at the lower of cost or net recoverable value. The net recoverable value is the selling price less development and selling costs.

3.9 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect these due amounts according to the collection terms. The provision amount is calculated as the difference between the receivables value and present value of future cash flows using the original yield rate. The present value of assets is impaired by the provision, and the losses are recognized in the consolidated statement of income. When the receivables are considered to be uncollectible, they are written off against the provision for trade receivables. On subsequent collection of written off amounts, they are credited in the consolidated statement of income.

3.10 Cash and cash equivalents

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

3.11 Payables

Trade payables are initially measured at fair value of the goods and services received, whether billed or not, and they are later measured at amortized cost using the effective interest rate.

3.12 Loans

Loans are initially recognized at fair value less the incurred transaction costs. Loans are later measured at amortized cost. Any difference between proceeds "less transaction costs" and the redemption value is recognized in the consolidated statement of income over the borrowing period using the effective interest rate.

Loans are classified as current liabilities unless the Group has an unconditional right to defer the repayment of liabilities for a period not less than 12 months after the date of consolidated financial statements.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.13 Employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law and employment contracts with staff. As for employees in other countries, the end of service indemnity is calculated as per the laws of these countries. This liability, which is unfunded, has been computed as the amount payable as a result of involuntary termination on the consolidated financial position date. The management expects this method to produce a reliable approximation of the present value of the Group's liability.

3.14 Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

3.15 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 till the date of the consolidated statement of financial position. Treasury shares are accounted for by cost method, i.e. the cost of purchased shares are credited in equity. When the treasury shares are reissued, the then resulted gains are credited to a separate account in the consolidated statement of equity (gain on sale of treasury shares), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance of that account. Any excess losses are charged to retained earnings and then to reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account.

3.16 Foreign currency

Functional and presentation currency

Items included in the consolidated financial statements of each of the group's companies are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in currency (KD), which is also the functional currency of the Parent Company 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. Exchange difference 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 consolidated statement of income.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.17 Revenue recognition

Revenue from sale of goods is recognised 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 an accrual basis.

3.18 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. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. Capitalisation 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.

3.19 Leases

Leases of property and equipment where 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 item on the consolidated statement of financial position, 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 in income statement on a straight line basis over the period of lease contract.

3.20 Derivative financial instruments

The group uses derivative financial instruments, such as currency rate swaps to mitigate its risks associated with currency 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. They are subsequently re-measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when the fair value is negative. Any realised or unreallised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

The Group does not adopt hedge accounting. Any gain/losses (from changes in fair value), either realised or unreallised, of derivatives are recognised directly in the consolidated statement of income.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.21 Dividends

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

4. Financial risk management

4.1 Financial risks

The activities of the group expose it to a set 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 continuous 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 foreign exchange risk results from future transactions and from the derivative assets and liabilities denominated with different currency other than the functional.

The Group has set policies to manage foreign currency risks represented in close monitoring of the change in currency rate, in addition to monitoring the effect of such changes on the financial position of the group. Also, the use of hedging instruments to cover for the exchange rate risk of some foreign currencies over the year.

The following is the value of net positions of US Dollar as at the financial statements date:

	2009	2008
	KD	KD
Net positions of US Dollar	(29,196,452)	(47,770,191)

In case the US dollar is appreciated/depreciated by 5% against the Kuwait dinar, while all other variables are held constant, the group's net profits will increase/decrease by KD 1,459,823 for the year ended 31 December 2009 (2008: KD 2,388,510).

- *Price risks*

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

4. Financial risk management (continued)

4.1 Financial risks (continued)

(a) Market risk (continued)

- *Price risk (continued)*

The group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long term changes in fair value. Also the group keeps its investments at specialised investment companies which manage these investment.

The Group monitors the management of the investment portfolios through monthly periodic reports provided by the portfolio managers of these portfolios and takes the necessary actions when required to minimize the expected market risk of these investments.

The table below summarises the impact of the decrease the KSE index on the Group's net profit for the year and its consolidated statement equity. This analysis is based on the assumption that the KSE decreases by +5% with all other variables held constant.

	Effect on statement of income		Effect on equity	
	2009	2008	2009	2008
Item	KD	KD	KD	KD
Investments at fair value through profit or loss	237,184	504,988	-	-
Available for sale investments	-	-	3,775,562	4,860,538

- Cash flow and fair value fluctuation risks resulting from changes in interest rate:

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are independent of interest rate risks.

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

Borrowings bearing variable rates expose the group to cash flow risks.

Borrowings bearing fixed interest rates expose the group to interest rate risks.

The group's policy is to keep only Industrial Loans with fixed interest rates as they are preferential rates and to control its cash flows. During 2009 and 2008, the Group's borrowings at variable interest rates 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 borrowings and alternative borrowing. Based on the results of these scenarios, the Group takes the required action.

At 31 December 2009, if interest rate on US Dollar bank facilities had been 0.20% higher with all other variables held constant, net profits for the year would have been KD 82,440 (2008: KD 144,300) lower.

4. Financial risk management (continued)

4.1 Financial risks (continued)

(b) Credit risks

This represents the inability of one party to the financial instrument to meet its liabilities on maturity date, resulting into financial losses to the other party. The Group's credit risk is highly concentrated in trade receivable and cash and cash equivalents; the Group manages and follows up the credit risk as follows:

- Dealing with customers with good credit worthiness and well reputation, and related parties and government bodies.
- Diversification of the customer base and avoiding centralization.
- Obtaining guarantees from the customers issued from high credit rating banks and irrecoverable letters of credit.
- Dealing with financial institutions with high credit rating.

(c) Liquidity risks

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

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. The board of directors has established an appropriate framework to manage the liquidity of the Group. The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities. This is in addition to continuous 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 at the date of consolidated statement of financial position up to the contractual maturity date.

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

The following are the maturity dates of financial liabilities of the group as of 31 December 2009:

	3 months to 1 year	1 – 3 years	More than three years
Liabilities	**KD**	**KD**	**KD**
Payables and other credit balances	29,205,258	-	-
Loans and bank facilities	27,414,000	-	-
Long term Borrowings	-	43,224,328	18,310,598

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

	3 months to 1 year	1 – 3 years	More than three years
Liabilities	**KD**	**KD**	**KD**
Payables and other credit balances	7,392,483	-	-
Loans and bank facilities	60,689,929	-	-
Long term Borrowings	-	39,217,115	2,913,027

4. Financial risk management (continued)

4.2 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. In order to maintain or adjust the capital structure, the Group may adjust the dividends to shareholders, return capital to shareholders, issue new shares, or sell assets to decrease debts, taking into consideration the companies working in the same field.

The Group manages this risk by monitoring gearing ratio. This 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 equivalent to equity as shown in the balance sheet plus net debt.

During 2009, 2008, the gearing ratios were as follows:

	2009	2008
	KD	KD
Total debt	81,171,283	97,153,490
Cash and cash equivalents	(38,016,725)	(41,515,964)
Net debt	43,154,558	55,637,526
Total equity	137,138,568	133,339,326
Total capital	180,293,126	188,976,852
Net debt to total capital ratio	23.94%	29.44%

This percentage decrease in 2009 compared to 2008 is primarily due to the decrease of total debts and the improvement of equity in spite of the decrease in fair value reserve.

4.3 Fair value estimation

For financial instruments traded in organized financial markets (i.e. financial investments at fair value through profit or loss and available for sale investments), fair value is determined based on the last published bid price.

For investments not listed in an active market, their fair value is determined using appropriate valuation methods. The Group uses several methods and assumptions based on the existing market conditions at each balance sheet date, e.g. the market value of similar investments, by depending on discounted cash flows, or by using other pricing methods.

The carrying value less any provision for impairment at fair value of trade receivables and payables is supposed to be equal to their fair value because of their short term.

For disclosure purposes, the fair value of financial liabilities is estimated by discounting the cash flows of future contracts using the current market return rate available for the group and this is for similar financial liabilities.

5. Significant accounting estimates and assumptions

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

5.1 Significant accounting estimates and assumptions

Fair value of unquoted equity investments

Valuation techniques are used to determine the fair value of unquoted equity investments based on discounted cash flows, return rates, risk-adjusted local market prices, and there are also 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 or by other techniques.

Estimation of Impairment of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (3.5). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. There are no impairment losses during 2009 as a result of impairment of the carrying value of goodwill to its net recoverable value.

Impairment of fixed assets and inventory

The Group reviews fixed assets and inventory on ongoing basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, the management should make an estimate 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, which results in future changes to such provisions.

5.2 Significant judgments in applying the accounting policies

Impairment of available for sale investments

The Group follows IFRS 39 guidelines when determining whether there is impairment of available for sale investment. This determination requires significant judgement from management. The Group makes this judgment based on several factors, including whether the fair value of an investment is less than its cost; and the financial health of the investee, including factors such as industry and sector performance, changes in technology and operational and financial aspects of the investee.

6. Property, plant and equipment

	2009				
	Land and building	Machinery and equipment	Motor vehicles, computers and furniture	Projects in progress	Total
	KD	KD	KD	KD	KD
Cost					
At 1 January 2009	21,036,557	66,091,990	656,983	10,562,775	98,348,305
Additions	-	764	9,535	29,936,612	29,946,911
Recovery of impairment	5,860,419	18,256,314	-	-	24,116,733
Foreign currency translation	30,745	128,288	8,592	1,733	169,358
At 31 December 2009	26,927,721	84,477,356	675,110	40,501,120	152,581,307
Accumulated depreciation					
At 1 January 2009	19,999,131	64,960,101	581,850	-	85,541,082
Charge for the year	253,645	872,907	31,669	-	1,158,221
Foreign currency translation	20,320	60,633	30,234	-	111,187
At 31 December 2009	20,273,096	65,893,641	643,753	-	86,810,490
Book value					
At 31 December 2009	6,654,625	18,583,715	31,357	40,501,120	65,770,817

	2008				
Cost					
At 1 January 2008	20,689,035	65,762,852	646,693	2,030,322	89,128,902
Additions	341,897	290,996	7,781	8,532,453	9,173,127
Foreign currency 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					
At 1 January 2008	18,846,355	61,310,239	542,537	-	80,699,131
Charge for 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
Book value					
At 31 December 2008	1,037,426	1,131,889	75,133	10,562,775	12,807,223

Buildings and projects in progress are built on land leased from the state of Kuwait. During the current year, some of these contracts have been ended and currently there is a communication with the official authorities to extend the contract period.

6. Property, plant and equipment (continued)

During 2008, the Group signed a contract with suppliers and contractors to construct a new kiln, amounting to KD 65,343,843, the total amount paid up to 31 December 2009 amounted to KD 37,889,314. This construction is built on lands leased for 25 years ended 2020.

Previously the Group booked impairment losses of KD 27 million in relation to its kiln factory, due to the numerous problems relating to the process, frequent stoppages and break downs. At that time, the Group appointed a team of technical experts and a reputable international consultant to draw up a detailed action plan to identify the additions and maintenance that were required to solve the technical problems. This plan was extended during the last four years and up to the first quarter of the current year.

The technical team produced their technical study report in June 2009 concluding the following:

- The kiln factory is now working at full capacity without stopping.
- The production capacity increased over the estimated capacity since inception by 30%.
- The average cost of production decreased by 50% approximately over the importing cost.
- The estimated useful lives for the basic components of the kiln are 27 years for buildings, 17 years for equipments and 12 years for electrical equipments.

Based on the above and according to the requirements of IAS (36), the recoverable amount of the kiln is determined based on value in use calculations. These calculations use the estimated cash flows which are discounted by a 10.5% discount rate. As a consequence of the results from the study it was ascertained that the total impairment losses should be reversed in full but limited to the carrying value determined had no impairment losses had been recognized for the kiln in prior years, which is KD 24,116,733 as of 30 June 2009.

The Group has signed an agreement with a foreign supplier for the purchase of spare parts, equipment, and machinery for the new factory. It has been agreed to pay an amount of KD 17,432,746 (equivalent to Euro 42,020,692) using a deferred letter of credit as agreed with the supplier and the banks. The value of deferred letter of credits was recognized as payables (note 19). This transaction was eliminated when preparing the consolidated statement of cash flows as it is a non-cash transaction.

Depreciation charge has been charged in the consolidated statement of income as follows:

	2009	2008
Cost of sales	1,099,901	4,756,274
Selling, general and administrative expenses	58,320	56,597
	1,158,221	4,812,871

Borrowing costs capitalized for projects in progress during the year amounted to KD 219,305.

7. Investment properties

	2009	2008
	KD	KD
Cost at the beginning of year	1,989,744	1,989,744
Accumulated depreciation		
At the beginning of year	863,431	777,087
Charge for the year	86,342	86,344
At end of year	949,773	863,431
Book value	1,039,971	1,126,313

The fair value of investment properties is KD 3,297,733 as at 31 December 2009 (KD 3,372,126 as at 31 December 2008).

8. Investments in associates

		Percentage of ownership		Book value	
Name of associates	Country of incorporation	2009	2008	2009	2008
		%	%	KD	KD
Kuwait Rocks Company K.S.C.C.	Kuwait	30.00	30.00	884,799	1,581,816
Marine Contracting and Services Company K.S.C.	Kuwait	33.37	33.37	13,931,274	13,480,590

The following is the movement of investment in associates balances:

	2009	2008
	KD	KD
Balance at beginning of year	15,062,406	10,731,827
Addition during the year	-	4,497,189
Group's share of associates results	(118,860)	833,250
Group's share in associates' reserves	(127,473)	(490,094)
Dividends received	-	(509,766)
Balance at 31 December	14,816,073	15,062,406

The Group's share in results of associate companies are recorded based on the Unaudited financial statements for the period ended 30 September 2009.

The investment balance in Marine Contracting and Services Company K.S.C includes goodwill of KD 493,168 as of 31 December 2009 (KD 493,168 as of 31 December 2008).

8. Investments in associates (continued)

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

	Fair value	Assets	Commitments	Income	Net profit
31 December 2009					
Kuwait Rocks Company K.S.C.C.	Unquoted	2,910,560	2,025,761	1,325,160	(697,017)
Marine Contracting and Services Company K.S.C.C	28,182,381	53,149,396	39,711,290	11,882,334	578,157
31 December 2008					
Kuwait Rocks Company K.S.C.C.	Unquoted	2,909,100	1,327,285	4,189,120	131,478
Marine Contracting and Services Company K.S.C.C	30,580,881	37,578,982	24,591,561	7,543,193	701,772

9. Available for sale investments

	2009	2008
	KD	KD
Quoted shares	75,511,232	97,210,753
Unquoted shares	4,944,985	4,790,379
Foreign funds	3,821,425	5,615,145
	84,277,642	107,616,277

- The quoted investments included, investments amounted to KD 34,674,851 as at 31 December 2009 in National Industries Group Holding K.S.C. which is one of the major shareholders in the Group (KD 46,771,768 as at 31 December 2008).
- Unquoted investments were stated at cost since their fair values can not be reliably determined and there have not been active markets for such investments. The available information for these investments did not indicate the existence of any impairment in value.
- Available for sale investments include investments amounting to KD 2,015,489 as at 31 December 2009 (31 December 2008: KD 4,822,690) that were valued based on recent valuation reports available during the year from investment managers as no reports were available for these investments as at 31 December 2009.
- During the year ended 31 December 2009, the management of the Group estimated the impairment losses of the available for sale investments according to the studies prepared to be KD 18,554,864 (31 December 2008: KD 9,642,698) as a result of significant impairment in value.

Investments available for sale are denominated in the following currencies as at 31 December:

	2009	2008
KD	79,249,338	102,001,132
US Dollars	4,564,314	4,575,111
Pound Sterling	-	445,826
EURO	463,990	594,208
	84,277,642	107,616,277

10. Inventories

	2009	2008
	KD	KD
Raw materials (net)	23,636,990	30,124,736
Finished Goods	566,166	692,691
Letters of credit for purchase of inventories	33,999	136,738
	24,237,155	30,954,165

During the year, the Group estimated the impairment in value amounting to KD 6,226,893 for slow moving raw materials based on the technical study approved by Group's management.

11. Debtors and other debit balances

	2009	2008
	KD	KD
Amounts under collection at banks	1,746,130	3,906,862
Receivable against unconditional bank guarantees	3,247,783	3,108,355
Ministry of Commerce – difference from subsidizing cement to the public	1,998,051	2,049,768
Related parties (note 27)	2,054,592	1,571,322
Other trade receivables	1,820,708	1,336,470
Total trade receivables	10,867,264	11,972,777
Other debtors	391,781	480,801
	11,259,045	12,453,578
Doubtful debts	(2,755,401)	(698,363)
	8,503,644	11,755,215
Prepaid expenses	208,457	147,341
Notes receivable	165,725	282,882
	8,877,826	12,185,438

- The carrying amount of the debtors and other debit balances are approximately equal to its fair value, as they are due in the short term, all the amounts are in Kuwaiti Dinar.
- The group has set a credit period for the customers by maximum 90 days. The balances of customers not matured yet have amounted to KD 6,895,366 as at 31 December 2009 (31 December 2008 KD 6,989,018).
- Trade receivables that matured during 45 days but not impaired are KD 1,216,497 as at 31 December 2009 (31 December 2008: KD 4,285,396).
- The policy of the group is to test the impairment of debt 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.
- Trade receivables that were impaired and provisions recognised for are KD 2,755,401 as at 31 December 2009 (31 December 2008: KD 698,363).

11 Debtors and other debit balances (continued)

Movement in the allowance for doubtful debts

	2009	2008
	KD	KD
Balance at the beginning of the year	698,363	698,363
Increase in allowance recognised in the consolidated statement of income	2,057,038	-
Balance at end of the year	2,755,401	698,363

Other debtors do not include assets that should be impaired. The maximum amount exposed to credit risks at the date of the consolidated financial statements is the fair value to each debtor item shown above.

12. Investments at fair value through profit or loss

	2009	2008
	KD	KD
Local investments	4,743,680	10,099,749
Foreign investments	7,278,812	7,627,141
	12,022,492	17,726,890

Foreign investments as at 31 December 2009 includes KD 5,638,674 (31 December 2008: KD 7,066,350) that was priced based on recent available reports from investment managers during the year.

Investments at fair value are denominated in the following currencies as at 31 December:

	2009	2008
KD	4,689,324	10,099,749
US Dollars	7,226,527	7,534,810
Pound Sterling	106,641	92,331
	12,022,492	17,726,890

13. Cash and cash equivalents

	2009	2008
	KD	KD
Cash on hand and at banks	5,160,239	2,600,242
Cash at investment portfolios	1,374,889	3,487,190
Deposits at banks	31,361,642	35,241,248
Cheques under collection	119,955	187,284
	38,016,725	41,515,964

The average interest rate on bank deposits was 3% as at 31 December 2009 (31 December 2008: 5.5%). These deposits mature within three months from the date of deposit.

14. Share capital

The ordinary General Assembly agreed on 6 May 2009 to distribute bonus shares of 5% of the share capital. Accordingly, the issued and fully paid up share capital consists of KD 57,837,237 distributed on 578,372,372 shares as at 31 December 2009 (KD 55,083,083 distributed on 550,830,830 shares as at 31 December 2008 with a nominal value of 100 fils per share).

The registration in the commercial register was done at June 7, 2009.

15. Treasury shares

	2009	2008
Number of shares (share)	17,315,856	16,491,291
Percentage of issued shares (%)	2.99	2.99
Market value (KD)	8,831,087	9,235,123

16. Statutory reserves

In accordance with the Commercial Companies Law of 1960, as amended, and the company's Articles of Association, 10% of the profit for the year before KFAS contribution, NLS tax, Zakat expenses, and Board of Directors' remuneration is transferred to statutory reserve. The company may resolve to discontinue such transfers when the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up capital in years when profit is not sufficient for the payment of such dividend.

17. Voluntary reserves

In accordance the Parent Company's memorandum of association, 10% of the profit for the year, before KFAS contribution, NLS tax, Zakat expenses, and Board of Directors' remuneration, is transferred to the voluntary reserve. Such transfers can be discontinued by a resolution of the general assembly upon recommendation by the board of directors There are no restrictions on the distribution of the voluntary reserve.

18. Loans and bank facilities

	2009	2008
	KD	KD
Current portion		
Bank facilities	13,493	11,326,700
Loans	26,220,000	47,029,000
	26,233,493	58,355,700
Non-current portion		
Loans	54,937,790	38,797,790
Total loans and bank facilities	81,171,283	97,153,490

The effective interest rate on loans and bank facilities as at 31 December 2009 was 4.5 % (31 December 2008: 4 %).

Certain loans are secured by the whole official location and extensions of the factory with book value of which amounting to KD 23,432,326 as at 31 December 2009 (31 December 2008: KD 1). Also against available for sale investments of KD 2,505,000 as at 31 December 2009 (31 December 2008: KD 3,465,250).

18. Loans and bank facilities (continued)

The main terms of the loan prevent the Group from distributing profits in case the ratio of current assets to current liabilities decreases below (1:1.5). Also, the terms do not allow the Group to pledge any movable or unmovable assets to any other party unless prior written consent from the bank is obtained first. Also, the loan terms prevent increasing net loans over operating profit of 1:4 and do not decrease operating profit over interest of 1:4 and do not increase net debts to equity of 1:0.6.

During the last quarter of the current year, the Group has obtained a loan from a local bank at interest as per the effective commercial rates. The loan is repaid in 10 equal semiannual installments starting on 31 December 2010 and ending 30 June 2015.

The terms do not allow the Group to pledge any assets owned prior written consent from the bank is obtained first. The terms also includes that the liabilities to equity may not exceed 1:1.3, the net debt to operating profit may not exceed 1:6, the operating profit to interests may not be less than 1:2, and the net debt to equity may not exceed 1:0.8.

The net currency position for outstanding loans as at 31 December is as follows:

	2009	2008
KD	39,951,283	25,114,490
US Dollars	41,220,000	72,039,000
	81,171,283	97,153,490

19. Payables and other credit balances

	2009	2008
	KD	KD
Suppliers	6,913,761	3,151,558
Deferred letter of credits for purchase of machines	17,432,746	-
Contractors – of Kiln factory	-	63,020
Advance payments	521,853	592,127
Accrued expenses	1,670,457	1,628,743
Accrued interest	84,999	709,666
Kuwait Foundation for the Advancement of Sciences (KFAS)	128,776	44,782
National Labour Support Tax (NLST) payable	301,529	-
Zakat	203,903	2,846
Accrued staff leave	333,753	289,527
Dividends payable	446,975	413,162
Notes payable	97,002	32,038
Others	1,069,504	465,014
	29,205,258	7,392,483

20. Cost of sales

	2009	2008
	KD	KD
Raw material	33,555,885	53,225,299
Change in finish goods	883,241	1,423,196
Salaries and benefits	2,192,271	2,256,495
Lease rentals	453,570	345,479
Supplies and maintenance	3,127,588	5,975,052
Others	861,719	346,052
	41,074,274	63,571,573

21. Net income from investment properties

	2009	2008
	KD	KD
Lease rentals	160,177	160,177
Maintenance expenses	(38,219)	(36,331)
Depreciation	(86,342)	(86,344)
	35,616	37,502

22. Net losses of investments at fair value through profit or loss

	2009	2008
	KD	KD
Unrealized losses	(533,635)	(15,362,943)
Realized gain	53,424	793,129
Cash dividends	7,870	2,169,622
Portfolio management fees	(6,668)	(96,344)
	(479,009)	(12,496,536)

The unrealized loss includes gain from change in fair value of derivatives amounted to KD 63,404 (31 December 2008: Nil).

23. Net gains from available for sale investments

	2009	2008
	KD	KD
Realized gain	2,092,874	972,505
Cash dividends	981,178	8,705,890
Portfolio management fees	(156,706)	(277,533)
	2,917,346	9,400,862

24. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the year, taking into account treasury shares. The calculation of earnings per share is as follows:

	2009	2008
Net profit for the year (KD)	12,813,242	4,311,940
Weighted average number of outstanding shares during the year (share)	561,056,516	561,440,628
Earnings per share (fils)	22.84	7.68

Bonus shares has been taken into consideration in the General Assembly for shareholders held on 6 May 2009 for recalculation of earnings per share for comparative year.

25. Staff costs

Staff costs include wages, salaries, leave salaries, end of service's indemnity and other benefits for the Group's staff. Staff costs amounted to KD 4,860,901 for the year ended 31 December 2009 (KD 5,036,584 for the year ended 31 December 2008)

26. Dividends

The board of directors resolved to recommend to the general assembly of shareholders to distribute dividends for shareholders for the year ended 31 December 2009 of 10 fils per share after deducting treasury shares, in addition to bonus share of 5% from share capital. It also proposed to distribute remuneration to the board members amounting to KD 154,000. This proposition is subject to the approval of the general assembly of shareholders.

On 6 May 2009, the General Assembly of shareholders approved the consolidated financial statements for the year ended 31 December 2008, and approved cash dividends of KD 10 fils per share after deducting treasury shares (2007: 65 fils) in addition to bonus shares of 5% from share capital (2007: 15%).

27. Related party transactions

Related parties comprise of the Group's shareholders who are members of the board of directors, board of directors, key management personnel, and subsidiaries in which the Parent company has representatives in their board. In the normal course of business, related party transactions during the period ended 31 December 2009 were carried out and approved by the Group's management.

Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, have been eliminated on consolidation and are not disclosed in this note.

Following is a summary of significant related party transactions:

27. Related party transactions (continued)

	2009	2008
	KD	KD
Consolidated statement of financial position:		
Receivables and other debit balances (Note 11)	2,054,592	1,571,322
Provision for employees' end of service indemnity	350,657	350,657
Consolidated statement of income		
Sales	5,306,580	5,187,455
Senior management benefits		
Fees for executive committees	135,000	120,000
Salaries and other benefits	697,600	694,600

The transactions with related parties are subject to approval of the shareholders at the general assembly.

28. Contingent liabilities and commitments

	2009	2008
	KD	KD
Contingent liabilities		
Letters of guarantee	248,847	248,847
Capital commitments		
Letters of credit	25,026,712	26,299,604
Uncalled subscription relating to available for sale investments	183,431	183,431
Uncalled subscription relating to investments in funds	369,948	1,725,221
Contracts for importing raw materials	7,976,985	10,130,290
Projects under construction	27,454,529	39,419,534

29. Segment reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess its performance. In prior years, Group segment reporting was based on business segments.

Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed and the management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

- Manufacturing Sector which includes production and sale of cement
- Investment Sector

29 Segment reporting (continued)

Financial information about business segments for the year ended 31 December is as follows:

	2009		
	Manufacturing Sector	**Investment Sector**	**Total**
	KD	**KD**	**KD**
Segments revenues	86,031,723	(16,588,775)	69,442,948
Total segments profit	32,664,634	(16,588,775)	16,075,859
Segments assets	135,527,634	113,531,067	249,058,701

	2008		
	Manufacturing Sector	**Investment Sector**	**Total**
	KD	**KD**	**KD**
Segments revenues	86,772,901	(11,867,620)	74,905,281
Total segments profit	19,225,799	(11,867,620)	7,358,179
Segments assets	93,975,600	145,408,080	239,383,680

Adjustment	31 December 2009 **KD**	31 December 2008 **KD**
Total segments profit	16,075,859	7,358,179
Financing charges	(2,894,430)	(3,849,643)
Interest income	420,021	986,269
Total segments profit before elimination	13,601,450	4,494,805

Geographical Segments:

Financial information about geographical segments for the year ended 31 December are set out below:

	2009		
	Income	**Assets**	**Liabilities**
	KD	**KD**	**KD**
Inside Kuwait	87,931,692	234,104,691	70,509,421
Outside Kuwait	1,754,414	14,954,010	41,410,714
	89,686,106	249,058,701	111,920,135

	2008		
	Income	**Assets**	**Liabilities**
	KD	**KD**	**KD**
Inside Kuwait	96,760,963	222,307,527	33,902,729
Outside Kuwait	4,510,105	17,076,153	72,141,625
	101,271,068	239,383,680	106,044,354

30. Fair value of financial instruments

a) Fair value of financial instruments carried at amortised cost

In the opinion of management, carrying amounts of the financial instruments carried at amortised cost are not materially different from their respective fair values as at the reporting date.

b) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with pricing models based not based market data supported by observable sources.

c) Fair value measurements recognized in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

31 December 2009	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Available-for-sale assets				
Quoted securities	86,707,759	-	-	86,707,759
Unquoted funds	-	4,647,390	-	4,647,390
Un-quoted securities	-	-	4,944,985	4,944,985
Total	86,707,759	4,647,390	4,944,985	96,300,134

30. Fair value of financial instruments (continued)

c) Fair value measurements recognized in the statement of financial position (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale assets
	KD
As at 1 February 2009	4,790,379
Purchases	154,606
As at 31 December 2009	4,944,985

According to the amendments to IFRS 7, the company is exempted from disclosing comparative information.

31. Comparatives

Where necessary, comparative figures are reclassified to conform with current presentation of consolidated financial statements as at 31 December 2009.