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 2010

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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. ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2010, 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

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte.

MOORE STEPHENS
PUBLIC ACCOUNTANTS
AL NISF & PARTNERS

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

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, together with the contents of the Board of Directors report relating to these consolidated financial statements are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated 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 2010 that might have a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al-Wazzan
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Deloitte & Touche
Al Fahad, Al Wazzan & Co.
Kuwait
9 March 2011

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

Consolidated Statement of Financial Position as of 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	5	89,995,827	65,770,817
Investment properties	6	1,032,069	1,039,971
Investments in associates	7	15,332,644	14,816,073
Available for sale investments	8	93,128,610	84,277,642
		199,489,150	165,904,503
Current assets			
Inventory	9	24,449,255	24,237,155
Receivables and other debit balances	10	9,631,306	8,877,826
Investments at fair value through profit or loss	11	11,566,066	12,022,492
Cash and cash equivalents	12	13,169,982	38,016,725
		58,816,609	83,154,198
Total Assets		258,305,759	249,058,701
Equity and liabilities			
Equity			
Share capital	13	60,729,099	57,837,237
Share premium		5,154,935	5,154,935
Treasury shares	14	(12,978,814)	(12,978,814)
Gain on sale of treasury shares		445,592	445,592
Statutory reserve	15	34,466,326	33,060,865
Voluntary reserve	16	29,503,837	28,098,376
General reserve		18,930,128	18,930,128
Change in fair value reserve		5,534,251	(6,417,843)
Group's share in associates' reserves		(685,885)	(617,567)
Retained earnings		15,670,397	13,625,659
Total equity		156,769,866	137,138,568
Liabilities			
Non-current liabilities			
Loans and bank facilities	17	49,146,997	54,937,790
Provision for employees' end of service indemnity		1,641,881	1,543,592
		50,788,878	56,481,382
Current liabilities			
Loans and bank facilities	17	35,131,838	26,233,493
Payables and other credit balances	18	15,615,177	29,205,258
		50,747,015	55,438,751
Total equity and liabilities		258,305,759	249,058,701

The notes 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
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Consolidated statement of income for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
Sales		44,672,842	61,792,064
Cost of sales	19	(27,048,600)	(41,074,274)
Gross profit		17,624,242	20,717,790
Other operating income / (expenses)	20	2,743,401	(340,826)
Net reversal of impairment	21	55,032	15,443,798
Selling, general and administrative expenses		(3,166,810)	(3,509,516)
Operating profit		17,255,865	32,311,246
Finance costs		(2,630,752)	(2,894,430)
Interest income		484,247	420,021
Net losses from investments	22	(1,639,639)	(16,116,527)
Group's share of associates' results	7	584,889	(118,860)
Net profit before deductions		14,054,610	13,601,450
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(131,218)	(128,776)
National Labor Support Tax (NLST)		(302,967)	(301,529)
Zakat Expense		(122,338)	(203,903)
Board of director's remuneration		(140,000)	(154,000)
Net profit for the year		13,358,087	12,813,242
Earnings per share (fils)	23	22.68	21.75

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	2010	2009
Net profit for the year	13,358,087	12,813,242
Other comprehensive income / (expenses)		
Unrealized gains / (losses) from available for sale investments	8,274,589	(20,464,588)
Transferred to statement of income from sale of available for sale investments	2,624	(1,633,408)
Impairment of available for sale investments	3,674,881	18,554,864
Group's share in associates' reserves	(68,318)	(127,473)
Other comprehensive income / (expenses)	11,883,776	(3,670,605)
Total comprehensive income	25,241,863	9,142,637

The notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.S.C
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Consolidated Statement of Changes in Equity for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	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
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 25)	-	-	-	-	-	-	-	-	-	(5,343,395)	(5,343,395)
Bonus shares (note 25)	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 2010	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
Total comprehensive income / (expenses)	-	-	-	-	-	-	-	11,952,094	(68,318)	13,358,087	25,241,863
Cash dividends (note 25)	-	-	-	-	-	-	-	-	-	(5,610,565)	(5,610,565)
Bonus shares (note 25)	2,891,862	-	-	-	-	-	-	-	-	(2,891,862)	-
Transfers to reserves	-	-	-	-	1,405,461	1,405,461	-	-	-	(2,810,922)	-
Balance at 31 December 2010	60,729,099	5,154,935	(12,978,814)	445,592	34,466,326	29,503,837	18,930,128	5,534,251	(685,885)	15,670,397	156,769,866

The notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.S.C
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Consolidated Statement of Cash Flows for the year ended 31 December 2010

(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
Cash flows from operating activities			
Net profit for the year		13,358,087	12,813,242
Adjustments:			
Depreciation		1,547,672	1,244,563
Net reversal of impairment		(52,032)	(15,443,798)
Finance costs		2,630,752	2,894,430
Interest income		(484,247)	(420,021)
Net losses from investments		1,639,639	15,953,153
Group's share of associates' results		(584,889)	118,860
Provision for employees' end of service indemnity		98,289	45,211
Net operating profit before working capital changes		18,153,271	17,205,640
Inventory		(212,100)	490,117
Receivables and other debit balances		(699,157)	1,250,574
Investments at fair value through profit or loss		555,318	5,224,187
Payables and other credit balances		(14,396,158)	4,912,712
Net cash generated from operating activities		3,401,174	29,083,230
Cash flows from investing activities			
Purchase of property, plant and equipment		(25,072,829)	(12,514,165)
Paid for purchase of available for sale investments		(136,326)	(4,740,361)
Proceeds from sale of available for sale investments		211,942	8,073,874
Dividends received		1,286,979	989,048
Interest income received		484,247	420,021
Net cash used in investing activities		(23,225,987)	(7,771,583)
Cash flows from financing activities			
Dividends paid		(5,627,130)	(5,309,582)
Loans and bank facilities		3,107,552	(15,982,207)
Finance cost paid		(2,502,352)	(3,519,097)
Net cash used in financing activities		(5,021,930)	(24,810,886)
Net decrease in cash and cash equivalents		(24,846,743)	(3,499,239)
Cash and cash equivalents at the beginning of the year		38,016,725	41,515,964
Cash and cash equivalents at the end of the year	12	13,169,982	38,016,725

The notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2010
(All amounts are in Kuwaiti Dinars)

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 Group are producing various kinds of cement products, trading in all cement products, materials and machines which are related to the operation. Moreover, manufacturing and selling prefabricated concrete and import of all raw materials of concrete manufacturing and the utilization of the surplus available in the financial and real estate portfolios managed by specialized companies.

The consolidated financial statements include the financial statements of the Parent Company and the following fully-owned subsidiaries, collectively referred to as the "Group":

Company Name	Legal entity	Activity	Country of incorporation
Shuwaikh Cement Company	K.S.C.C	Industrial	Kuwait
Amwaj Real Estate Company	K.S.C.C	Real Estate	Kuwait
Kuwait Cement Ready-mix Company	K.S.C.C	Industrial	Kuwait

During this year, the Parent Company has finished the establishment of Kuwait Cement Ready-mix Company.

The Parent Company used financial information prepared by the subsidiary's management in order to prepare consolidated financial statements for the year ended 31 December 2010. The subsidiaries' total assets amounted to KD 8,035,252 as of 31 December 2010 (KD 8,094,769 as of 31 December 2009) and their net losses amounted to KD 230,784 for the year then ended (profit of KD 145,718 for the year ended 31 December 2009).

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.

The consolidated financial statements have been approved for issue by the Board of Directors on 9 March 2011.

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 in these financial statements unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) on the historical cost basis except for certain financial instruments that are measured at fair values.

2.1.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5. All the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 1 Presentation of Financial Statements	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.
Amendments to IAS 7 Statement of Cash Flows	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
IFRS 3 (revised in 2008) Business Combinations	IFRS 3 (2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of acquired assets and liabilities at each acquisition process. IFRS 3 (2008) changes the recognition and subsequent accounting requirements for contingent consideration. IFRS 3 (2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred.
IAS 27 (revised in 2008) Consolidated and Separate Financial Statements	The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Increases in interests in existing subsidiaries or decreases in interests in existing subsidiaries that did not involve a loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

	When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amount and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.
IAS 28 (revised in 2008) Investments in Associates	The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28.
IFRIC 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 Transfers of Assets from Customers	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

2.1.2 New and revised *IFRSs in issue but not yet effective*

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments
Amendments to IFRS 7	Level of disclosures about Credit risk and collateral held
Amendments to IAS 24	Related Party Disclosures
Amendments to IAS 1	Presentation of analysis of items of other comprehensive income
Amendments to IAS 32	Classification of Rights Issues
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

- IFRS 9 "financial instruments": Classification and Measurement. This standard was issued in November 2010 and becomes effective for financial years beginning on or after 1 January 2013. This standard establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.
- Most of other amendments will have impact on disclosures and presentation only.

2.2 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the date of disposal. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:
(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Any related accumulated items in equity will be accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in the profit or loss. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Unrealized profits resulting from the transactions with the associate will be written-off only to the extent of interests in the associate.

2.3 Property, plant and equipment

Property, plant and equipment 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 on a straight line basis.

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

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.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Work in progress is included in property, plant and equipment in balance sheet until they are completed and ready for their intended use. At that time, they are reclassified under similar assets and the depreciation commences.

2.4 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.

2.5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

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 income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.6 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 3.3).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalent) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available for sale (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale financial assets are re-measured at fair value. Fair value is determined in the manner described in (note 3.3).

Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of changes in fair value reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognized in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities (including borrowings) are recognized initially at fair value, net of transaction costs incurred subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor and fixed and variable manufacturing overhead, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

2.8 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.

2.9 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 identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. 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.

2.10 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 consideration 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.

2.11 Treasury shares

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 realized 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.

2.12 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 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.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency, except those companies that operate in countries with high inflation rate, are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognized as a separate component of equity.

2.13 Revenues recognition

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

- Revenues from sale of goods are recognized when significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred generally to the buyer on delivery and legal title is passed.
- Dividend income is recognized when the right to receive payment has been established.
- Interest income from deposits is recognized on time basis and other revenues are recognized on an accrual basis.

2.14 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.16 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.

3. Financial risk management

3.1 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's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

(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$. 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:

	2010	2009
Net positions of US Dollar	(15,674,959)	(29,196,452)

In case the US dollar is increase / decrease by 5% against the Kuwait dinar, while all other variables are held constant, the group's net profits will increase/decrease by KD 783,748 for the year ended 31 December 2010 (2009: KD 1,459,823).

- *Price risks*

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

The group manages this risk by diversifying its investments on the basis of 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 specialized investment companies which manage these investments.

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 summarizes 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	
	2010	2009	2010	2009
Investments at fair value through profit or loss	201,618	237,184	-	-
Available for sale investments	-	-	4,217,452	3,775,562

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 loans with variable rates and other with fixed rates.

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 2010, if the 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 45,144 (2009: KD 82,440) lower.

(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 receivables and cash and cash equivalents; the Group manages and follows up the credit risk as follows:

- Dealing with customers, with good credit worthiness and reputation, related parties and government bodies.
- Diversification of the customer base and avoiding centralization.
- Obtaining guarantees from 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 regular 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 following are the maturity dates of financial liabilities of the group as of 31 December:

	2010		
	From three months to one year	**From one to three years**	**More than three years**
Liabilities			
Payables and other credit balances	15,615,177	-	-
Loans and bank facilities	36,624,941	-	-
Long term Borrowings	-	41,024,544	13,366,935

	2009		
	From three months to one year	**From one to three years**	**More than three years**
Liabilities			
Payables and other credit balances	29,205,258	-	-
Loans and bank facilities	27,414,000	-	-
Long term Borrowings	-	43,224,328	18,310,598

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

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group has a target gearing ratio of 25% - 35% determined as the proportion of net debt to total capital.

The gearing ratio as of 31 December was as follows:

	2010	**2009**
Total debt	84,278,835	81,171,283
(Less) :Cash and cash equivalents	(13,169,982)	(38,016,725)
Net debt	71,108,853	43,154,558
Total equity	156,769,866	137,138,568
Total capital	227,878,719	180,293,126
Net debt to total capital ratio (%)	31.20	23.94

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

- Level one: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two: Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2010			
	Level one	**Level two**	**Level three**	**Total**
Assets				
Available for sale investments	84,349,046	3,845,288	4,934,276	93,128,610
Investments at fair value through profit or loss	10,707,523	858,543	-	11,566,066

	2009			
	Level one	**Level two**	**Level three**	**Total**
Assets				
Available for sale investments	75,511,232	3,821,425	4,944,985	84,277,642
Investments at fair value through profit or loss	11,196,527	825,965	-	12,022,492

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, which are described in (note 2), the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of financial instruments

As described in note 3, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 3 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (2.6). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of fixed assets and inventory

The Group reviews the fixed assets and inventories on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. 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.

Evidence of impairment of investments

Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments, impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

5. Property, plant and equipment

	2010				
	Lands & buildings	Plant & equipment	Motor vehicles, computers & furniture	Projects in progress	Total
Cost					
At 1 January 2010	26,927,721	84,477,356	675,110	40,501,120	152,581,307
Additions	1,044,276	388,138	834,603	23,525,869	25,792,886
Foreign currency translation	(17,710)	(73,934)	(5,431)	(1,284)	(98,359)
At 31 December 2010	27,954,287	84,791,560	1,504,282	64,025,705	178,275,834
Accumulated depreciation					
At 1 January 2010	20,273,096	65,893,641	643,753	-	86,810,490
Charge for the year	272,740	1,258,530	8,500	-	1,539,770
Foreign currency translation	(10,697)	(55,325)	(4,231)	-	(70,253)
At 31 December 2010	20,535,139	67,096,846	648,022	-	88,280,007
Book value					
At 31 December 2010	7,419,148	17,694,714	856,260	64,025,705	89,995,827

	2009				
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
Reversal 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

During 2008, the Group signed a contract with suppliers and contractors to construct a new kiln factory. the contracts signed amounted to KD 94,889,454 up to 31 December 2010. The total amount executed up to 31 December 2010 is KD 53,671,382. Property, plant and equipment are built on lands leased from Government Property Management for 5 years ended 2014.

During 2009, the Group has signed an agreement with a foreign supplier for the purchase of spare parts, equipment, and plant for the new factory. It has been agreed to pay an amount of KD 22,068,498 (equivalent to Euro 59,060,369) as of 31 December 2010 (KD 17,432,746 as of 31 December 2009) using a deferred letter of credit due within a year. The value of the deferred letter of credits was included within payable and other credit balances. An amount of KD 20,205,538 has been matured from these credits during the year and has been settled. This transaction was eliminated when preparing the consolidated statement of cash flows as it is a non-cash transaction.

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

	2010	2009
Description		
Cost of sales	1,531,382	1,099,901
Selling, general and administrative expenses	8,388	58,320
	1,539,770	1,158,221

Borrowing costs capitalized for projects in progress amounted to KD 635,494 during the current year (KD 219,305 - 2009).

6. Investment properties

	2010	2009
Cost		
As of 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As of 1 January	949,773	863,431
Charge for the year	7,902	86,342
As of 31 December	957,675	949,773
Book value	1,032,069	1,039,971

The fair value of investment properties is KD 4,610,250 as of 31 December 2010 (KD 3,297,733 as of 31 December 2009).

7. Investments in associates

Name of associate	Incorporation Country	Ownership percentage	Book value	
			2010	2009
Kuwait Rocks Co K.S.C.C.	Kuwait	30.00%	684,402	884,799
Marine Contracting and Services Co. K.S.C.	Kuwait	33.38%	14,648,242	13,931,274
			15,332,644	14,816,073

The following is the movement of investment in associate's balances:

	2010	2009
Balance at 1 January	14,816,073	15,062,406
Group's share of associates results	584,889	(118,860)
Group's share in associates' reserves	(68,318)	(127,473)
Balance at 31 December	15,332,644	14,816,073

The Group's share in results of associate companies is recorded based on the unaudited financial statements for the period ended 30 September 2010.

The investment balance in Marine Contracting and Services Company K.S.C includes goodwill of KD 493,168 as of 31 December 2010 (KD 493,168 as of 31 December 2009).

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

	Fair value	Assets	Liabilities	Income	Net (loss) / profit
31 December 2010					
Kuwait Rocks Co. K.S.C.C.	Unquoted	1,801,797	1,117,395	1,325,160	(200,397)
Marine Contracting and Services Co. K.S.C.C	24,404,742	61,075,386	46,920,312	15,467,499	785,286
31 December 2009					
Kuwait Rocks Co. K.S.C.C.	Unquoted	2,910,560	2,025,761	1,325,160	(697,017)
Marine Contracting and Services Co. K.S.C.C	28,182,381	53,149,396	39,711,290	11,882,334	578,157

8. Available for sale investments

	2010	2009
Quoted shares	84,349,046	75,511,232
Unquoted shares	4,934,276	4,944,985
Foreign funds	3,845,288	3,821,425
	93,128,610	84,277,642

- Quoted investments include investments of KD 39,876,079 as of 31 December 2010 (KD 34,674,851 as of 31 December 2009) in shares of National Industrial Group Holding Company – K.S.C. and it is one of a major shareholder in the Group.

- Unquoted investments were stated at cost since their fair values could 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 3,845,288 as of 31 December 2010 (31 December 2009: KD 2,015,489) that were valued based on recent valuation reports available during the year from investment managers as no reports were available for these investments as the date of financial statements.

Available for sale investments are denominated in the following currencies as of 31 December:

	2010	2009
KD	89,283,321	79,249,338
US Dollars	3,290,034	4,564,314
EURO	555,255	463,990
	93,128,610	84,277,642

9. Inventory

	2010	2009
Raw materials (net)	23,932,696	23,636,990
Finished Goods	516,559	566,166
Letters of credit for purchase of inventory	-	33,999
	24,449,255	24,237,155

10. Receivables and other debit balances

	2010	2009
Amounts under collection at banks	752,841	1,746,130
Receivables against unconditional bank guarantees	3,592,007	3,247,783
Ministry of Commerce – difference from subsidizing cement to the public	2,086,081	1,998,051
Related parties (note 26)	1,070,333	2,054,592
Other trade receivables	3,567,731	1,820,708
Total trade receivables	11,068,993	10,867,264
Other debtors	463,642	391,781
	11,532,635	11,259,045
Provision for doubtful debts	(2,700,369)	(2,755,401)
	8,832,266	8,503,644
Prepaid expenses	297,433	208,457
Notes receivable	501,607	165,725
	9,631,306	8,877,826

10.1 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.

10.2 Based on past experience, the Group has recognized a provision for doubtful debts of 100% for receivable that was past due for more than 90 days.

10.3 Trade receivables that are disclosed above include Nil as of 31 December 2010 (KD 1,216,497 as of 31 December 2009) over credit period as of the date of financial statements and it has not been considered impaired, as there is no significant change in its credit worthiness.

10.4 The fair value of guarantees received from the debtors amounted to KD 5,004,721 (KD 4,266,225 as of 31 December 2009).

10.5 The following is the movement of allowance for doubtful debts:

	2010	2009
Balance at the beginning of the year	2,755,401	698,363
Reverse provision	(69,559)	-
Provide	14,527	2,057,038
Balance at end of the year	2,700,369	2,755,401

11. Investments at fair value through profit or loss

	2010	2009
Local investments	4,032,351	4,743,680
Foreign investments	7,533,715	7,278,812
	11,566,066	12,022,492

Foreign investments as of 31 December 2010 includes KD 6,792,167 (31 December 2009: KD 5,638,674) that are priced based on the most recent available reports from investment managers during the year.

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

	2010	2009
KD	4,032,351	4,689,324
US Dollars	7,533,715	7,226,527
Pound Sterling	-	106,641
	11,566,066	12,022,492

12. Cash and cash equivalents

	2010	2009
Cash on hand and at banks	4,320,190	5,160,239
Cash at investment portfolios	1,047,807	1,374,889
Deposits at banks	7,738,239	31,361,642
Cheques under collection	63,746	119,955
	13,169,982	38,016,725

The average interest rate on bank deposits was 3% as of 31 December 2010 (31 December 2009: 3%). These deposits mature within three months from the date of deposit.

13. Share capital

The General Assembly dated 26 April 2010 approved to distribute bonus shares of 5% of the share capital. Accordingly, the issued and fully paid up share capital amounted to KD 60,729,099 distributed on 607,290,989 shares as of 31 December 2010 (KD 57,837,237 distributed on 578,372,372 shares as of 31 December 2009). The registration on the commercial register took place on 9 June 2010.

14. Treasury shares

	2010	2009
Number of shares (share)	18,181,647	17,315,856
Percentage of issued shares (%)	2.99	2.99
Market value (KD)	12,181,703	8,831,087

15. 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.

16. 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.

17. Loans and bank facilities

	2010	2009
Current portion		
Bank facilities	145,668	13,493
Loans	34,986,170	26,220,000
	35,131,838	26,233,493
Non-current portion		
Loans	49,146,997	54,937,790
Total loans and bank facilities	84,278,835	81,171,283

The effective interest rate on loans and bank facilities as of 31 December 2010 was 4.5% (31 December 2009: 4.5%).

Certain loans are secured by factory and its extensions amounted to KD 22,063,513 as of 31 December 2010 (KD 23,432,326 as of 31 December 2009) and also available for sale investments of KD 2,880,750 as of 31 December 2010 (KD 2,505,000 as of 31 December 2009).

One of the main loans' covenants is that the Group will not distribute dividends if the ratio of current assets to current liabilities decreases less than (1:1.5) and not to pledge movable and non-movable funds to others before obtaining written approval from the bank. The loans' covenant also state that the ratio of net debts to operating profit not be more than (1:4) and the ratio of operating profit to interests not be less than (1:2) and the ratio of net debts to equity increases not be more than (1:0.6) and the ratio of liabilities to equity not be more than (1:1.3).

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

	2010	2009
KD	61,706,835	39,951,283
US Dollars	22,572,000	41,220,000
	84,278,835	81,171,283

18. Payables and other credit balances

	2010	2009
Suppliers	5,577,893	6,913,761
Deferred letter of credits for purchase of plant	3,854,933	17,432,746
Accrued interest and expenses	2,228,458	2,089,209
Advance payments	511,289	521,853
Kuwait Foundation for the Advancement of Sciences (KFAS)	131,218	128,776
National Labour Support Tax (NLST)	302,967	301,529
Zakat	122,338	203,903
Dividends payable	430,410	446,975
Notes payable	209,014	97,002
Others	2,246,657	1,069,504
	15,615,177	29,205,258

19. Cost of sales

	2010	2009
Raw material	21,258,776	33,555,885
Change in finished goods	177,627	883,241
Salaries and benefits	2,013,146	2,192,271
Lease rentals	713,580	453,570
Supplies and maintenance	1,926,834	3,127,588
Others	958,637	861,719
	27,048,600	41,074,274

20. Other operating income / (expenses)

	2010	2009
Net income from investment properties	108,309	35,616
Foreign currency differences	2,396,397	(499,368)
Other income	238,695	122,926
	2,743,401	(340,826)

21. Net reversal of impairment

	2010	2009
Reversal of impairment in property, plant and equipment	-	24,116,733
Impairment of inventory	-	(6,226,893)
Impairment of properties held for trading	-	(389,004)
Provision for doubtful debts	55,032	(2,057,038)
	55,032	15,443,798

22. Net losses from investments

	2010	2009
Investments at fair value trough profit or loss:		
Unrealized gain/ (loss)	752,892	(533,635)
Trading gains	-	53,424
Cash dividends	85,059	7,870
Portfolio management fees	-	(6,668)
	837,951	(479,009)
Available for sale investments:		
Impairment	(3,674,881)	(18,554,864)
Realized gains	201,920	2,092,874
Cash dividends	1,201,920	981,178
Portfolio management fees	(206,549)	(156,706)
	(2,477,590)	(15,637,518)
	(1,639,639)	(16,116,527)

23. 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:

	2010	2009
Net profit for the year (KD)	13,358,087	12,813,242
Weighted average number of outstanding shares during the year (share)	589,109,342	589,109,342
Earnings per share (fils)	22.68	21.75

Earnings per share for the comparative period has been amended taking into consideration the bonus shares approved in the General Assembly of shareholders held on 26 April 2010 (note 13).

24. Staff costs

Staff costs include wages, salaries, leave salaries, end of service's indemnity and other benefits for the Group's staff. The staff costs amount for the year ended 31 December 2010 is KD 4,733,606 (KD 4,860,901 for the year ended 31 December 2009).

25. Dividends

On 26 April 2010, the General Assembly of shareholders approved the consolidated financial statements for the year ended 31 December 2009, and approved cash dividends of 10 fils per share after deducting treasury shares (2008: 10 fils) in addition to bonus shares of 5% from the paid up capital for the year ended 31 December 2009 (2008: 5%).

On 9 March 2011, the Company's Board of Directors proposed to distribute cash dividends of 10 fils per share after deducting the treasury shares and bonus shares of 5% from the paid up capital for the year ended 31 December 2010.

The Company's Board of Directors also proposed the capital increase by 15% of the paid up capital after adding the bonus shares, after taking the regulator's approval, the capital increase of nominal value 100 fils per share in addition to 225 fils as share premium.

26. 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 2010 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 and outstanding balances:

	2010	2009
Transactions		
Sales	5,238,148	5,306,580
Key management benefits		
Executive committees fees	120,000	135,000
Salaries and other benefits	683,600	697,600
Balances		
Receivables and other debit balances (Note 10)	1,070,333	2,054,592
Provision for employees' end of service indemnity	551,568	543,465

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

27. Contingent liabilities and commitments

	2010	2009
Contingent liabilities		
Letters of guarantee	248,847	248,847
Capital commitments		
Letters of credit	15,042,994	25,026,712
Uncalled subscription relating to available for sale investments	183,431	183,431
Uncalled subscription relating to investments in funds	369,948	369,948
Contracts for importing raw materials	2,566,521	7,976,985
Projects under construction	41,218,072	27,454,529

28. Segment reporting

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

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

	2010		
	Manufacturing Sector	**Investment Sector**	**Total**
Segments revenues	44,911,537	(946,441)	43,965,096
Total segments profit / (loss)	17,147,556	(946,441)	16,201,115
Segments assets	136,198,563	122,107,196	258,305,759

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

	2010	**2009**
Adjustments:		
Total segments profit	16,201,115	16,075,859
Finance cost	(2,630,752)	(2,894,430)
Interest income	484,247	420,021
Total segments profit before deductions	14,054,610	13,601,450

Geographical Segments:

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

	2010		
	Income	**Assets**	**Liabilities**
Inside Kuwait	46,303,065	243,261,131	78,399,390
Outside Kuwait	1,442,819	15,044,628	23,136,503
	47,745,884	258,305,759	101,535,893

	2009		
	Income	**Assets**	**Liabilities**
Inside Kuwait	87,931,692	234,104,691	70,509,419
Outside Kuwait	1,754,414	14,954,010	41,410,714
	89,686,106	249,058,701	111,920,133