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 2011

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For the year ended 31 December 2011

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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 2011, and the 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 information.

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 the 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 notes in the consolidated financial statements. The procedures selected depend on the auditor's professional 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, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

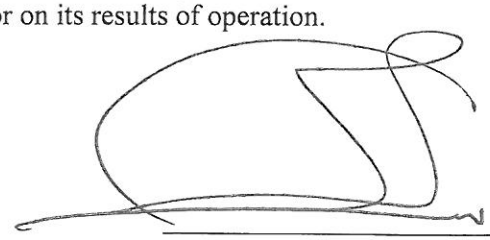
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated 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 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 count 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 2011 that might have had a material effect on the consolidated financial position of the Group or on its results of operation.





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Licence No. 38 "A"
BDO Al Nisf & Partners

Bader A. Al-Wazzan
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Kuwait: 27 March 2012

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

Consolidated statement of financial position
As at 31 December 2011

	Note	2011 KD	2010 KD
Assets			
Non-current assets			
Property, plant and equipment	6	110,895,225	89,995,827
Intangible assets	7	911,327	-
Investment properties	8	984,946	1,032,069
Investments in associates	9	14,702,575	15,332,644
Available for sale investments	10	74,552,146	93,128,610
		202,046,219	199,489,150
Current assets			
Inventories	11	18,205,156	24,449,255
Trade and other receivables	12	13,721,990	9,631,306
Investments at fair value through profit or loss	13	8,773,203	11,566,066
Cash and cash equivalents	14	16,211,148	13,169,982
		56,911,497	58,816,609
Total assets		258,957,716	258,305,759
Equity and liabilities			
Equity			
Share capital	15	63,765,554	60,729,099
Share premium		5,154,935	5,154,935
Treasury shares	16	(13,487,906)	(12,978,814)
Gain from sale of treasury shares		445,592	445,592
Statutory reserve	17	35,962,809	34,466,326
Voluntary reserve	18	31,000,320	29,503,837
General reserve		18,930,128	18,930,128
Change of fair value reserve		(11,405,280)	5,534,251
Group's share in associates' reserves		(801,758)	(685,885)
Retained earnings		18,015,924	15,670,397
		147,580,318	156,769,866
Liabilities			
Non-current liabilities			
Loans and bank facilities	19	61,894,886	49,146,997
Provision for employees' end of service indemnity		1,710,936	1,641,881
		63,605,822	50,788,878
Current liabilities			
Loans and bank facilities	19	29,832,974	35,131,838
Trade and other payables	20	17,938,602	15,615,177
		47,771,576	50,747,015
Total equity and liabilities		258,957,716	258,305,759

The accompanying notes from 6 to 37 are an integral part of the 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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State of Kuwait

Consolidated statement of income
For the year ended 31 December 2011

	Note	2011 KD	2010 KD
Sales		56,369,351	44,672,842
Cost of sales	21	(38,638,185)	(27,048,600)
Gross profit		17,731,166	17,624,242
Other operating income	22	2,266,527	2,798,433
Selling, general and administrative expenses		(3,249,815)	(3,166,810)
Operating Profit		16,747,878	17,255,865
Financing charges		(847,501)	(2,630,752)
Interest income		136,379	484,247
Net losses from investments	23	(887,529)	(1,639,639)
Group's share of associates' business results	9	(184,402)	584,889
Net profit before deductions		14,964,825	14,054,610
Contribution to Kuwait Foundation for the Advancement of Sciences		(147,817)	(131,218)
National Labor Support tax		(320,897)	(302,967)
Zakat Expense		(90,070)	(122,338)
Board of directors' remuneration		(140,000)	(140,000)
Net profit for the year		14,266,041	13,358,087
Basic earnings per share (fils)	24	23.08	21.60

The accompanying notes from 6 to 37 are an integral part of the consolidated financial statements.

Kuwait Cement Company K.S.C
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State of Kuwait

Consolidated statement of comprehensive income
For the year ended 31 December 2011

	2011 KD	2010 KD
Net profit for the year	14,266,041	13,358,087
Other comprehensive (expenses)/income		
Unrealized (loss)/profit on available for sale investments	(18,741,067)	8,274,589
Transferred to statement of income from sale of available for sale investments	(265,428)	2,624
Impairment in value of available for sale investments	2,066,964	3,674,881
Group's share in associates' reserves	(115,873)	(68,318)
Total other comprehensive (expenses)/income	(17,055,404)	11,883,776
Total comprehensive (expenses)/revenues for the year	(2,789,363)	25,241,863

The accompanying notes from 6 to 37 are an integral part of the consolidated financial statements.

Kuwait Cement Company K.S.C
and its subsidiaries
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Consolidated statement of changes in equity
For the year ended 31 December 2011

	Share capital KD	Share premium KD	Treasury shares KD	Gain from sale of treasury shares KD	Statutory reserves KD	Voluntary reserve KD	General reserve KD	Change of fair value reserve KD	Group's share in associates' reserves KD	Retained earnings KD	Total equity KD
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
Net profit for the year	-	-	-	-	-	-	-	-	-	13,358,087	13,358,087
Other comprehensive income/(expense)	-	-	-	-	-	-	-	11,952,094	(68,318)	-	11,883,776
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	-	11,952,094	(68,318)	13,358,087	25,241,863
Cash dividends (note 26)	-	-	-	-	-	-	-	-	-	(5,610,565)	(5,610,565)
Bonus shares (note 26)	2,891,862	-	-	-	-	-	-	-	-	(2,891,862)	-
Transfer 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
Balance at 1 January 2011	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
Net profit for the year	-	-	-	-	-	-	-	-	-	14,266,041	14,266,041
Other comprehensive expenses	-	-	-	-	-	-	-	(16,939,531)	(115,873)	-	(17,055,404)
Total comprehensive (expenses)/revenues for the year	-	-	-	-	-	-	-	(16,939,531)	(115,873)	14,266,041	(2,789,363)
Purchase of treasury shares	-	-	(509,092)	-	-	-	-	-	-	-	(509,092)
Cash dividends (note 26)	-	-	-	-	-	-	-	-	-	(5,891,093)	(5,891,093)
Bonus shares (note 26)	3,036,455	-	-	-	-	-	-	-	-	(3,036,455)	-
Transfer to reserves	-	-	-	-	1,496,483	1,496,483	-	-	-	(2,992,966)	-
Balance at 31 December 2011	63,765,554	5,154,935	(13,487,906)	445,592	35,962,809	31,000,320	18,930,128	(11,405,280)	(801,758)	18,015,924	147,580,318

The accompanying notes from 6 to 37 are an integral part of the 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 2011

	Note	2011 KD	2010 KD
Cash flows form operating activities			
Net profit for the year		14,266,041	13,358,087
Adjustments:			
Depreciation and amortization		1,830,313	1,547,672
Release of provision for doubtful debts		(825,636)	(52,032)
Financing charges		847,501	2,630,752
Interest income		(136,379)	(484,247)
Net losses from investments		887,529	1,639,639
Group's share of associates' business results		184,402	(584,889)
Provision for employees' end of service indemnity		69,055	98,289
Net operating profit before working capital changes		17,122,826	18,153,271
Inventories		6,244,099	(212,100)
Trade and other receivables		(3,265,048)	(699,157)
Investments at fair value through profit or loss		2,439,304	555,318
Trade and other payables		(4,548,387)	(14,396,158)
Net cash from operating activities		17,992,794	3,401,174
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,015,190)	(25,072,829)
Purchase of intangible assets		(961,087)	-
Purchase of available for sale investments		(1,744,244)	(136,326)
Proceeds from sale of available for sale investments		1,501,291	211,942
Dividends received		1,675,710	1,286,979
Interest income received		136,379	484,247
Net cash used in investing activities		(12,407,141)	(23,225,987)
Cash flows from financing activity			
Dividend paid		(5,864,934)	(5,627,130)
Purchase of treasury shares		(509,092)	-
Loans and bank facilities		7,449,025	3,107,552
Finance charges paid		(3,619,486)	(2,502,352)
Net cash used in financing activities		(2,544,487)	(5,021,930)
Net increase / (decrease) in cash and cash equivalents		3,041,166	(24,846,743)
Cash and cash equivalents at beginning of the year		13,169,982	38,016,725
Cash and cash equivalents at end of the year	14	16,211,148	13,169,982

The accompanying notes from 6 to 37 are an integral part of the 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 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 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 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

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 2011. The subsidiaries' total assets amounted to KD 13,241,011 as of 31 December 2011 (31 December 2010: KD 8,035,252) and their net losses amounted to KD 493,579 for the year then ended (31 December 2010: KD 230,784).

The consolidated financial statements for the year ended 31 December 2011 were authorized for issue by the Board of Directors 27 March 2012 and are subject to the approval of the Annual General Assembly of the shareholders.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New/revised IFRSs adopted by the group

The accounting policies used in the preparation of these consolidated financial statements are consistent with that used in the preparation of the annual consolidated financial statements of the previous year except the application of the new and revised standards during the year:

- ***IAS 1 Presentation of Financial Statements (Amendment)***

The amendment clarifies that an group may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The group provides this analysis in the consolidated statement of changes in equity.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New/revised IFRSs adopted by the group (continued)

• ***IAS 24 Related party disclosures (Revised)***
The amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application and provides additional requirements for disclosing the outstanding liabilities of related parties. The adoption of the amendment did not have any impact on the consolidated financial position or performance of the group.

• ***IFRS 3: Business combinations***
IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards.

• ***IAS 32: Financial Instruments: Presentation (Amended)***
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issue and certain options or guarantees as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have any impact on the consolidated financial position or performance of the group.

• ***Improvements to IFRSs (May 2010)***
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

2.2 New / revised IFRSs in issue but not yet effective and not early adopted by the group

• *IFRS 7, Disclosures Transfers of Financial Assets - Amendments*	Effective for annual periods beginning on or after 1 July 2011
• *IFRS 9 Financial Instruments*	Effective for annual periods beginning on or after 1 January 2015
• *IFRS 10 Consolidated Financial Statements*	Effective for annual periods beginning on or after 1 January 2013
• *IFRS 11 Joint Arrangements*	Effective for annual periods beginning on or after 1 January 2013
• *IFRS 12 Disclosure of Interests in Other Entities*	Effective for annual periods beginning on or after 1 January 2013

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New/revised IFRSs in issue but not yet effective and not early adopted by the group (continued)

• *IFRS 13 Fair Value Measurement*	Effective for annual periods beginning on or after 1 January 2013
• *IAS 1. Presentation of Items of Other Comprehensive Income - Amendments*	Effective for annual periods beginning on or after 1 July 2012
• *IAS 27 (as revised in 2011) Separate Financial Statements*	Effective for annual periods beginning on or after 1 January 2013
• *IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures*	Effective for annual periods beginning on or after 1 January 2013

IFRS 7: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The application of IFRS 9 is under local regulatory review for early adoption in the State of Kuwait.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation -Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New/revised IFRSs in issue but not yet effective and not early adopted by the group (continued)

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. The standard does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Currently the group evaluates the impact of that standard on the consolidated financial position of the Group. This standard is effective for annual periods beginning on or after 1 January 2013

3. Basis of preparation and Significant accounting policies

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.

The principal accounting policies are set out below:

3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose vehicles) 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.

3. Basis of preparation and Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Subsidiaries (continued)

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.
(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 the consolidated statement of income as incurred.

3. Basis of preparation and Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Business combinations (continued)

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 over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If 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, 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. Other types of non-controlling interests are measured at fair value or whenever appropriate, according to the bases stated in another financial report standard.

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 the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

3. Basis of preparation and Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Goodwill (continued)

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 investment account. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

The impairment of investment (including goodwill) is studied as a single asset, and compared with the recoverable amount (higher of value in use and fair value less costs to sell). Any impairment is recognised in the statement of income. Any reversal of that impairment 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.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.

3. Basis of preparation and Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Associates (continued)

The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group reclassifies all amounts previously recognised in other comprehensive income in relation to that associate to profit or loss when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.2 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.
Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

	Useful lives
Buildings	10-35 years
Plant and equipment	7-25 years
Motor vehicles, computers & furniture	1-7 years

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 net sales proceeds and the net 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.

3. Basis of preparation and Significant accounting policies (continued)

3.3 Intangible assets

Intangible assets with definite life, which are separately acquired, are carried at cost less accumulated amortization and impairment losses. Amortization is charged on a straight-line basis over the estimated useful lives.

The useful live and amortization method are reviewed at the end of each financial year. Change in estimations are accounted for as of the beginning of the financial year in which the change occurred.

Intangible assets with infinite life, which are separately acquired, are carried at cost less impairment losses.

Intangible assets are removed on disposal or when it is proved that there will not be any future benefit resulting from use of these assets. The profit and loss resulting from disposal are measured by the difference between the net proceeds and carrying value of the disposed asset and are then recorded in the consolidated statement of income.

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 tangible and intangible assets other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value.

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 consolidated 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 the consolidated statement of income.

3.6 Financial instruments

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

3. Basis of preparation and Significant accounting policies (continued)

3.6 Financial instruments (continued)

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 the consolidated statement of income.

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 the consolidated statement of income. The net gain or loss recognized in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 4.3).

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 financial assets
AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or 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 4.3).

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.

3. Basis of preparation and Significant accounting policies (continued)

3.6 Financial instruments (continued)

Available for sale financial assets (continued)
Where available for sale assets are disposed of or is determined to be impaired, changes in fair value reserve shall be transferred to the consolidated statement of income.

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 year.

Dividends on AFS equity instruments are recognized in the consolidated statement of income 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 year. 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 doubtful debts allowance. 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 consolidated income statement.

In respect of AFS equity securities, impairment losses previously recognized in consolidated statement of income are not reversed through profit or loss, as any increase in fair value subsequent to an impairment loss is recognized in consolidated comprehensive income statement.

3. Basis of preparation and Significant accounting policies (continued)

3.6 Financial instruments (continued)

When available-for sale financial assets are impaired, the accumulated P&L previously recognized in the statement of comprehensive income are transferred to the consolidated statement of income.

For financial instruments that are measured at amortized cost, in case of any positive change in the period subsequent to the impairment losses, which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

De-recognition
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 the consolidated statement of income.

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 consolidated statement of income over the period of the borrowings using the effective interest method.
De-recognition
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 the consolidated statement of income.

3.7 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.

3. Basis of preparation and Significant accounting policies (continued)

3.8 Employees' end of service 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 consolidated financial statement date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

3.9 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.

3.10 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, where 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 then to share premium. 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.

3.11 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 consolidated statement of income.

3. Basis of preparation and Significant accounting policies (continued)

3.11 Foreign currencies (continued)

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 consolidated financial position presented are translated at the closing rate at the date of that financial statements;
- Income and expenses for each consolidated statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognized as a separate component of the other comprehensive statement of income.

3.12 Revenue 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.

3.13 Borrowing costs

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 within consolidated statement of income.

3.14 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.

3. Basis of preparation and Significant accounting policies (continued)

3.14 Leases (continued)

The Group as lessee
Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for 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 in the consolidated statement of income on a straight-line basis over the lease term.

3.15 Dividends

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

4. Risk Management Department

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'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 Group is exposed to foreign currency risk resulting primarily from translation of assets and liabilities in foreign currency such as cash and cash equivalent, investments, receivables, payables, loans and bank facilities.

4. Risk Management Department (continued)

4.1 Financial risks (continued)

(a) Market risk (continued)

- *Foreign currency risk (conitnued)*

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

	2011	2010
	KD	KD
Net positions of US Dollar	1,884,313	(15,674,959)

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 94,216 for the year ended 31 December 2011 (2010: KD 783,748).

- *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 consolidated statement of income		Effect on consolidated statement of equity	
	2011	2010	2011	2010
	KD	KD	KD	KD
Investments at fair value through profit or loss	90,820	201,618	-	-
Available for sale investments	-	-	3,319,664	4,217,452

4. Risk Management Department (continued)

4.1 Financial risks (continued)

(a) Market risk (continued)

- *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.

At 31 December 2011, 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 8,896 (2010: KD 45,144) lower.

(b) Credit risk

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 risk

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

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. 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.

4. Risk Management Department (continued)

4.1 Financial risks (continued)

(c) Liquidity risk (continued)

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:

	2011		
	From three months to one year	From one to three years	More than three years
	KD	KD	KD
Liabilities			
Trade and other payables	17,938,602	-	-
Loans and bank facilities	31,100,875	-	-
Long term Borrowings	-	51,245,456	18,671,220

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

4.2 Capital risks

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 (loans and bank facilities offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings).

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

4. Risk Management Department (continued)

4.2 Capital risks (continued)

The following shows the net debt to equity of the group as of 31 December:

	2011	2010
	KD	KD
Total debt	91,727,860	84,278,835
(Less) :Cash and cash equivalents	(16,211,148)	(13,169,982)
Net debt	75,516,712	71,108,853
Total equity	147,580,318	156,769,866
Total capital	223,097,030	227,878,719
Net debt to total capital ratio (%)	33.85	31.20

4.3 Fair value estimation

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

- Level one — Quoted prices in active markets for quoted financial instruments.
- Level two — Quoted prices in an active market for similar instruments or prices quoted by managers of investment funds or other valuation methods where all the important inputs are based on comparative market data either directly or indirectly.
- Level three — Valuation methods in which the inputs that are not based on any comparative market data.

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

	2011			
	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Assets				
Available for sale investments	66,393,270	3,456,709	4,702,167	74,552,146
Investments at fair value through profit or loss	8,014,384	758,819	-	8,773,203

	2010			
	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
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

5. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, the management 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 year of the revision and future years if the revision affects both current and future years.

The following are the key assumptions concerning the future, 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 4.3, 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 4.3 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy mentioned above. 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 inventory
The management assesses at the date of each consolidated statement of income whether inventory are impaired. On determining impairment, the management is required to make significant judgments including assessment of factors such as the nature of the industry and market conditions.

Impairment of receivables
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.

Impairment of tangible and intangible assets
The Group reviews the tangible and intangible assets 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.

5. Critical accounting estimates and assumptions (continued)

Contingent liabilities
Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

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. the 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.

6. Property, plant and equipment

	2011				
	Lands and buildings	Plant and equipment	Motor vehicles, computers and furniture	Projects in progress	Total
	KD	KD	KD	KD	KD
Cost					
At 1 January 2011	27,954,287	84,791,560	1,504,282	64,025,705	178,275,834
Additions	-	-	1,741,170	21,940,477	23,681,647
Transfers	2,080,910	2,173,686	-	(5,300,555)	(1,045,959)
Foreign currency translation differences	(2,003)	(8,337)	(682)	(144)	(11,166)
At 31 December 2011	30,033,194	86,956,909	3,244,770	80,665,483	200,900,356
Accumulated depreciation					
At 1 January 2011	20,535,139	67,096,846	648,022	-	88,280,007
Charge for the year	269,808	1,449,107	14,515	-	1,733,430
Foreign currency translation differences	(1,289)	(6,517)	(500)	-	(8,306)
At 31 December 2011	20,803,658	68,539,436	662,037	-	90,005,131
Book value					
At 31 December 2011	9,229,536	18,417,473	2,582,733	80,665,483	110,895,225

6. Property, plant and equipment (continued)

	2010				
	Lands and buildings	Plant and equipment	Motor vehicles, computers and furniture	Projects in progress	Total
	KD	KD	KD	KD	KD
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 differences	(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 differences	(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

During 2008, the Group signed a contract with suppliers and contractors to construct a new kiln factory. The total value of the contracts signed for constructing and completing works amounted to KD 92,944,773 till 31 December 2011, and the total executed amounted to KD 69,420,288 till 31 December 2011. All property, plant and equipment are built on leased state-owned land by lease contracts for 5 years ending 2014.

During 2009, the Group signed an agreement with a foreign supplier for the purchase of spare parts, equipment, and plant for the new factory for KD 31,048,336 (equivalent to Euro 77,522,312) as of 31 December 2011 (31 December 2010: KD 22,068,498). It has been agreed to pay this amount using a deferred letter of credit due within a year. The value of the deferred letter of credits was included within trade and other payables. An amount of KD 4,594,019 has been matured from these credits during the year and has been settled. The unpaid part of 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:

	2011	2010
	KD	KD
Cost of sales	1,690,435	1,531,382
Selling, general and administrative expenses	42,995	8,388
	1,733,430	1,539,770

6. Property, plant and equipment (continued)

Borrowing costs capitalized for projects in progress amounted to KD 2,719,148 during the current year (2010: KD 635,494).

7. Intangible assets

This item includes the payment amount against acquiring the right of using a plot of land in Al-Salibiya area for 20 years at KD 944,022. The right of use of land is amortized over the period of lease contract signed with the Department of State Properties.

8. Investment properties

	2011	2010
	KD	KD
Cost		
As of 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As of 1 January	957,675	949,773
Charge for the year	47,123	7,902
As at 31 December	1,004,798	957,675
Book value	984,946	1,032,069

The fair value of the investment properties is KD 5,250,000 as at 31 December 2011 (KD 4,610,250 as at 31 December 2010).

9. Investments in associates

Name of associate	Country of incorporation	Ownership percentage	Book value 2011	Book value 2010
		%	KD	KD
Kuwait Rocks Co K.S.C.C.	Kuwait	30.00	463,924	684,402
Marine Contracting and Services Co. K.S.C.C	Kuwait	33.38	14,238,651	14,648,242
			14,702,575	15,332,644

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

	2011	2010
	KD	KD
Balance at 1 January	15,332,644	14,816,073
Group's share of associates results	(184,402)	584,889
Group's share in associates' reserves	(115,873)	(68,318)
Cash dividends received	(329,794)	-
Balance at 31 December	14,702,575	15,332,644

9. Investments in associates (continued)

The Group's share in results of associate companies is recorded based on the unaudited financial statements for the period ended 30 September 2011.

The investment balance in Marine Contracting and Services Company K.S.C includes goodwill of KD 493,168 as of 31 December 2011 (31 December 2010: KD 493,168).

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

	Fair value	Assets	Liabilities	Income	Net (loss) / profit
31 December 2011					
Kuwait Rocks Co K.S.C.C.	Unquoted	1,549,594	1,085,670	1,430,430	(220,478)
Marine Contracting and Services Co. K.S.C.C	14,510,927	62,020,698	48,275,215	15,467,499	36,076
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

10. Available for sale investments

	2011	2010
	KD	KD
Quoted shares	66,393,270	84,349,046
Unquoted shares	4,702,167	4,934,276
Foreign funds	3,456,709	3,845,288
	74,552,146	93,128,610

The quoted investments included, investments amounted to KD 21,728,896 as of 31 December 2011 in National Industries Group Holding K.S.C. which is one of the major shareholders in the Group (KD 39,876,079 as of 31 December 2010). A study for this investment has been prepared to determine where there is a permanent impairment. The management concluded that the fair value of the investment exceeds its current market value. Accordingly, no impairment has been recorded in the consolidated statement of income.

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 3,456,709 as of 31 December 2011 (31 December 2010: KD 3,845,288) 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 the consolidated financial statements.

10. Available for sale investments (continued)

Impairment of certain available for sale investments was recognized at KD 2,066,964 as at 31 December 2011 (31 December 2010: KD 3,674,881) as a result the significant decrease of their value. This impairment was recognized in the consolidated statement of income for the current year.

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

	2011	2010
	KD	KD
KD	71,095,437	89,283,321
United State Dollar	2,784,750	3,290,034
Euro	671,959	555,255
	74,552,146	93,128,610

11. Inventories

	2011	2010
	KD	KD
Raw materials	17,675,890	23,932,696
Finished Goods	529,266	516,559
	18,205,156	24,449,255

12. Trade and other receivables

	2011	2010
	KD	KD
Amounts under collection at banks	2,048,836	752,841
Receivables against unconditional bank guarantees	3,672,659	3,592,007
Ministry of Commerce – difference from subsidizing cement to the public	1,944,773	2,086,081
Related parties (note 27)	1,778,452	1,070,333
Other trade receivables	5,386,136	3,567,731
Total trade receivables	14,830,856	11,068,993
Other debtors	369,334	463,642
	15,200,190	11,532,635
Provision for doubtful debts	(1,874,733)	(2,700,369)
	13,325,457	8,832,266
Prepaid expenses	238,247	297,433
Notes receivable	158,286	501,607
	13,721,990	9,631,306

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.

12. Receivables and other debit balances (continued)

Based on past experience, the Group has recognized a provision for doubtful debts of 100% for receivable that was past due of KD 1,874,733 as at 31 December 2011.

The fair value of guarantees received from the debtors amounted to KD 4,099,153 (31 December 2010: KD 5,004,721).

The following is the movement of allowance for doubtful debts:

	2011	2010
	KD	KD
Balance at beginning of the year	2,700,369	2,755,401
Reverse provision	(834,570)	(69,559)
Provide	8,934	14,527
Balance at end of the year	1,874,733	2,700,369

13. Investments at fair value through profit or loss

	2011	2010
	KD	KD
Local investments	1,816,396	4,032,351
Foreign investments	6,956,807	7,533,715
	8,773,203	11,566,066

Foreign investments as at 31 December 2011 include KD Nil (31 December 2010: KD 6,792,167) 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 of 31 December:

	2011	2010
	KD	KD
KD	1,816,396	4,032,351
United State Dollar	6,956,807	7,533,715
	8,773,203	11,566,066

14. Cash and cash equivalents

	2011	2010
	KD	KD
Cash in hand & at banks	4,260,702	4,320,190
Cash at investment portfolios	5,460,697	1,047,807
Deposits placed with banks	6,468,026	7,738,239
Cheques under collection	21,723	63,746
	16,211,148	13,169,982

14. Cash and cash equivalents (continued)

The average interest rate on bank deposits was 2.5% as of 31 December 2011 (31 December 2010: 3%).These deposits mature within three months from the date of deposit.

15. Share capital

The General Assembly dated 17 April 2011 approved to distribute bonus shares of 5% of the share capital. Accordingly, the issued and fully paid up share capital amounted to KD 63,765,554 distributed on 637,655,540 shares as of 31 December 2011 (31 December 2010: KD 60,729,099 distributed on 607,290,989 shares). The registration on the commercial register took place on 25 October 2011.

16. Treasury shares

	2011	2010
	KD	KD
Number of shares (share)	20,170,729	18,181,647
Percentage of issued shares (%)	3.16	2.99
Market value (KD)	9,278,535	12,181,703

17. Statutory reserve

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.

18. Voluntary reserve

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.

19. Loans and bank facilities

	2011	2010
	KD	KD
Current portion		
Bank facilities	3,418,404	145,668
Loans	26,414,570	34,986,170
	29,832,974	35,131,838
Non-current portion		
Loans	61,894,886	49,146,997
Total loans and bank facilities	91,727,860	84,278,835

19. Loans and bank facilities (continued)

The effective interest rate on loans and bank facilities as of 31 December 2011 was 4.25 % (31 December 2010: 4.5%).

Certain loans are secured by factory and its extensions amounted to KD 20,694,699 as of 31 December 2011 (31 December 2010: KD 22,063,513) and also available for sale investments of KD 2,129,250 as of 31 December 2011 (31 December 2010: KD 2,880,750).

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 (1:6) 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 (1:0.8) and the ratio of liabilities to equity not be more than (1:1.3). Loans and bank facilities are denominated in the following currencies as of 31 December:

	2011	2010
	KD	KD
KD	87,279,860	61,706,835
United State Dollar	4,448,000	22,572,000
	91,727,860	84,278,835

20. Trade and other payables

	2011	2010
	KD	KD
Suppliers	4,620,152	5,577,893
Deferred letter of credits for purchase of plant	6,159,403	3,854,933
Accrued interest and expenses	2,371,029	2,228,458
Clients - advance payments	573,301	511,289
Contribution to Kuwait Foundation for the Advancement of Sciences	149,168	131,218
National Labor Support tax	320,897	302,967
Zakat	91,801	122,338
Dividends payable	465,569	430,410
Notes payable	94,208	209,014
Others	3,093,074	2,246,657
	17,938,602	15,615,177

21. Cost of sales

	2011	2010
	KD	KD
Raw material	28,513,547	21,258,776
Change in finished goods	(12,708)	177,627
Salaries and benefits	2,382,732	2,013,146
Lease rentals	472,730	713,580
Supplies and maintenance	3,079,573	1,926,834
Others	4,202,311	958,637
	38,638,185	27,048,600

22. Other operating income

	2011	2010
	KD	KD
Net income from investment properties	52,519	108,309
Exchange differences	244,135	2,396,397
doubtful debts	825,636	55,032
Other income	1,144,237	238,695
	2,266,527	2,798,433

23. Net losses from investments

	2011	2010
	KD	KD
Investments at fair value trough profit or loss:		
Unrealized (losses) profits	(395,776)	752,892
Realized profits	42,217	-
Cash dividends	-	85,059
	(353,559)	837,951
Available for sale investments:		
Impairment	(2,066,964)	(3,674,881)
Realized profits	348,115	201,920
Cash dividends	1,345,916	1,201,920
Portfolio management fees	(161,037)	(206,549)
	(533,970)	(2,477,590)
	(887,529)	(1,639,639)

24. Basic earnings per share

Basic 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:

24. Earnings per share (continued)

	2011	2010
	KD	KD
Net profit for the year (KD)	14,266,041	13,358,087
Weighted average number of outstanding shares during the year (share)	618,205,907	618,564,811
Earnings per share (fils)	23.08	21.60

Comparative figures were adjusted taking into account the bonus shares approved in the general assembly of shareholders held on 17 April 2011 (note 15).

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 5,224,545 for the year ended 31 December 2011 (KD 4,733,606 for the year ended 31 December 2010)

26. Dividends

On 17 April 2011, the General Assembly of shareholders approved the consolidated financial statements for the year ended 31 December 2010, and approved cash dividends of 10 fils per share after deducting treasury shares (2009: 10 fils) in addition to bonus shares of 5% from the capital for the year ended 31 December 2010 (2009: 5%).

Also approved increasing share capital by 15% of the paid up share capital after adding the bonus shares, at a nominal value of 100 fils plus 225 fils as share premium after approval of the relevant authorities. The increase was not carried out as at the date of the consolidated financial statements.

On 27 March 2012, the parent company's Board of Directors proposed to distribute cash dividends of 15 fils per share after deducting the treasury shares from the paid up capital for the year ended 31 December 2011.

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 2011 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.

27. Related party transactions (continued)

Following is a summary of significant related party transactions and outstanding balances:

	2011	2010
	KD	KD
Transactions		
Sales	4,503,421	5,238,148
Key management benefits		
Executive committees fees	120,000	120,000
Salaries and other benefits	687,600	683,600
Balances		
Trade and other receivables (Note 12)	1,778,452	1,070,333
Trade and other payables	676,552	-
Provision for employees' end of service indemnity	482,596	551,568

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

28. Contingent liabilities and commitments

	2011	2010
	KD	KD
Contingent liabilities		
Letters of guarantee	248,847	248,847
Capital commitments		
Letters of credit	11,575,381	15,042,994
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	7,693,775	2,566,521
Projects under construction	23,524,485	41,218,072

29. 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

29. Segment reporting (continued)

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

	2011		
	Manufacturing Sector	Investment Sector	Total
	KD	KD	KD
Segments revenues	57,513,588	(1,019,412)	56,494,176
Total segments profit	16,695,359	(1,019,412)	15,675,947
Segments assets	154,484,149	104,473,567	258,957,716

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

	31 December 2011	31 December 2010
	KD	KD
Adjustments		
Total segments profit	15,675,947	16,201,115
Financing charges	(847,501)	(2,630,752)
Interest income	136,379	484,247
Total segments profit before deductions	14,964,825	14,054,610

Geographical Segments:

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

	2011		
	Income	Assets	Liabilities
	KD	KD	KD
Inside Kuwait	58,724,759	245,435,644	106,599,316
Outside Kuwait	1,219,518	13,522,072	4,778,082
	59,944,277	58,957,716	111,377,398

	2010		
	Income	Assets	Liabilities
	KD	KD	KD
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