

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

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

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2012

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

State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Cement Company – K.P.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 consolidated 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 about 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 consolidated financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2012, and 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 Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law no. 25 of 2012, and by the Company's Articles of Association, that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Companies Law no. 25 of 2012, or the Company's Articles of Association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al-Wazzan
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Kuwait 25 March 2013

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of financial position as at 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Assets			
Non-current assets			
Property, plant and equipment	5	136,284,797	110,895,225
Intangible assets		871,487	911,327
Investment properties	6	937,827	984,946
Investments in associates	7	14,679,545	14,702,575
Available for sale investments	8	71,446,765	74,552,146
		224,220,421	202,046,219
Current assets			
Inventories	9	25,679,118	18,205,156
Trade and other receivables	10	15,035,629	13,721,990
Investments at fair value through profit or loss	11	9,662,680	8,773,203
Cash on hand and with financial institutions	12	11,606,936	16,211,148
		61,984,363	56,911,497
Total assets		286,204,784	258,957,716
Equity and liabilities			
Equity			
Share capital	13	63,765,554	63,765,554
Share premium		5,154,935	5,154,935
Treasury shares	14	(13,487,906)	(13,487,906)
Gain from sale of treasury shares		445,592	445,592
Statutory reserve	15	37,512,173	35,962,809
Voluntary reserve	16	32,549,684	31,000,320
General reserve		18,930,128	18,930,128
Change of fair value reserve		(12,922,638)	(11,405,280)
Group's share in associates' reserves		(750,335)	(801,758)
Retained earnings		20,437,498	18,015,924
Total equity		151,634,685	147,580,318
Liabilities			
Non-current liabilities			
Loans and bank facilities and Murabahas	17	105,294,172	61,894,886
Provision for employees' end of service indemnity		1,836,865	1,710,936
		107,131,037	63,605,822
Current liabilities			
Loans and bank facilities and Murabahas	17	7,004,522	29,832,974
Trade and other payables	18	20,434,540	17,938,602
		27,439,062	47,771,576
Total equity and liabilities		286,204,784	258,957,716

The accompanying notes form an integral part of the consolidated financial statements.

Rashed Abdulaziz Al-Rashed
Chairman and Managing Director

Sulaiman Khalid Al-Ghunaim
Vice Chairman

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of income for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Sales		66,221,151	56,369,351
Cost of sales	19	(49,526,485)	(38,638,185)
Gross profit		16,694,666	17,731,166
Other operating income	20	1,464,998	2,266,527
Selling, general and administrative expenses		(3,474,544)	(3,249,815)
Operating profit		14,685,120	16,747,878
Financing charges		(353,576)	(847,501)
Interest income		91,393	136,379
Net gains / (losses) from investments	21	1,145,156	(887,529)
Group's share in associates' business results	7	(74,453)	(184,402)
Net profit before deductions		15,493,640	14,964,825
Contribution to Kuwait Foundation for the Advancement of Sciences		(140,728)	(147,817)
National Labor Support tax		(336,023)	(320,897)
Zakat expense		(94,315)	(90,070)
Board of directors' remuneration		(140,000)	(140,000)
Net profit for the year		14,782,574	14,266,041
Earnings per share (fils)	22	23.94	23.08

The accompanying notes form an integral part of the consolidated financial statements.

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of comprehensive income for the year ended 31 December 2012
(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Net profit for the year		14,782,574	14,266,041
Other comprehensive income items			
Unrealized losses of available for sale investments		(3,037,373)	(18,741,067)
Transferred to consolidated statement of income from sale of available for sale investments		(14,316)	(265,428)
Impairment in value of available for sale investments	21	1,534,331	2,066,964
Group's share in associates' reserves	7	51,423	(115,873)
Total other comprehensive loss items		(1,465,935)	(17,055,404)
Total comprehensive income/ (losses) for the year		13,316,639	(2,789,363)

The accompanying notes form an integral part of the consolidated financial statements.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
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Consolidated statement of changes in equity for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Gain from sale of treasury shares	Statutory reserves	Voluntary reserve	General reserve	Change of fair value reserve	Group's share in associates' reserves	Retained earnings	Total equity
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 income items											
Unrealized losses of available for sale investments	-	-	-	-	-	-	-	(18,741,067)	-	-	(18,741,067)
Transferred to consolidated statement of income from sale of available for sale investments	-	-	-	-	-	-	-	(265,428)	-	-	(265,428)
Impairment in value of available for sale investments	-	-	-	-	-	-	-	2,066,964	-	-	2,066,964
Group's share in associates' reserves	-	-	-	-	-	-	-	-	(115,873)	-	(115,873)
Total other comprehensive loss items	-	-	-	-	-	-	-	(16,939,531)	(115,873)	-	(17,055,404)
Purchase of treasury shares	-	-	(509,092)	-	-	-	-	-	-	-	(509,092)
Cash dividends	-	-	-	-	-	-	-	-	-	(5,891,093)	(5,891,093)
Bonus shares	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 form an integral part of the consolidated financial statements.

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of changes in equity for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Gain from sale of treasury shares	Statutory reserves	Voluntary reserve	General reserve	Change of fair value reserve	Group's share in associates' reserves	Retained earnings	Total equity
Balance at 1 January 2012	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
Net profit for the year	-	-	-	-	-	-	-	-	-	14,782,574	14,782,574
Other comprehensive income items											
Unrealized losses of available for sale investments	-	-	-	-	-	-	-	(3,037,373)	-	-	(3,037,373)
Transferred to consolidated statement of income from sale of available for sale investments	-	-	-	-	-	-	-	(14,316)			(14,316)
Impairment in value of available for sale investments	-	-	-	-	-	-	-	1,534,331	-	-	1,534,331
Group's share in associates' reserve	-	-	-	-	-	-	-	-	51,423	-	51,423
Total other comprehensive (losses)/income items	-	-	-	-	-	-	-	(1,517,358)	51,423	-	(1,465,935)
Cash dividends (note 24)	-	-	-	-	-	-	-	-	-	(9,262,272)	(9,262,272)
Transfer to reserves	-	-	-	-	1,549,364	1,549,364	-			(3,098,728)	-
Balance at 31 December 2012	63,765,554	5,154,935	(13,487,906)	445,592	37,512,173	32,549,684	18,930,128	(12,922,638)	(750,335)	20,437,498	151,634,685

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2012

(All amounts are in Kuwaiti Dinars)

	Note	2012	2011
Cash flows from operating activities			
Net profit for the year		14,782,574	14,266,041
Adjustments:			
Depreciation and amortization		2,066,305	1,830,313
Provision for doubtful debts		46,197	(825,636)
Financing charges		353,576	847,501
Interest income		(91,393)	(136,379)
Net (gains) / losses from investments		(1,291,151)	726,492
Group's share in associates' business results		74,453	184,402
Provision for employees' end of service indemnity		125,929	69,055
Net operating profit before working capital changes		16,066,490	16,961,789
Inventories		(7,473,962)	6,244,099
Trade and other receivables		(1,359,836)	(3,265,048)
Investments at fair value through profit or loss		368,611	2,439,304
Trade and other payables		6,684,741	(4,548,387)
Net cash generated from operating activities		14,286,044	17,831,757
Cash flows from investing activities			
Paid for purchase of property, plant and equipment		(27,540,234)	(13,015,190)
Paid for purchase of intangible assets		(11,835)	(961,087)
Paid for purchase of available for sale investments		(1,198,711)	(1,744,244)
Proceeds from sale of available for sale investments		1,424,161	1,662,328
Deposit with financial institutions		(380,000)	-
Dividends received		1,395,636	1,675,710
Interest income received		91,393	136,379
Net cash used in investing activities		(26,219,590)	(12,246,104)
Cash flows from financing activities			
Dividend paid		(9,224,125)	(5,864,934)
Purchase of treasury shares		-	(509,092)
Loans and bank facilities and Murabaha		20,115,005	7,449,025
Finance charges paid		(3,941,546)	(3,619,486)
Net cash generated from/ (used in) financing activities		6,949,334	(2,544,487)
Net (decrease)/ increase in cash and cash equivalents		(4,984,212)	3,041,166
Cash and cash equivalents at beginning of the year		16,211,148	13,169,982
Cash and cash equivalents at end of the year	12	11,226,936	16,211,148

The accompanying notes form an integral part of the consolidated financial statements.

1. Incorporation and activities

Kuwait Cement Company K.P.S.C. "the Company" is a Kuwaiti Public 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 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 Company used financial information prepared by the subsidiary's management in order to prepare consolidated financial statements for the year ended 31 December 2012. The subsidiaries' total assets amounted to KD 17,458,697 as of 31 December 2012 (31 December 2011: KD 13,241,011) and their net profits amounted to KD 461,879 for the year then ended (31 December 2011: losses by KD 493,579).

On 26 November 2012, the Companies Law No. 25 of 2012 has been issued and published in the official gazette on 29 November 2012 to replace the Commercial Companies Law No. 15 of 1960. The new Law is effective from the date of its publishing in the official gazette. Companies should make necessary procedures to be in compliance with provisions of the new Law within six months from its effective date.

The Company is currently taking the necessary procedures in this respect.

The consolidated financial statements for the year ended 31 December 2012 were authorized for issue by the Board of Directors 25 March 2013 and is subject to the approval of the Annual General Assembly of the shareholders.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are re-measured at fair value, as explained in the accounting policies below.

2.2 New and revised standards

New and revised IFRSs issued and effective

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

IAS 12 Deferred Taxes - Recovery of Underlying Assets

Under the amendments, investments properties that are measured using the fair value model in accordance with IAS 40 are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. This amendment has no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

- IFRS 7: Financial Instruments: Disclosures
- IFRS 9: Financial Instruments: Classification and Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosures of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 1: Presentation of Financial Statements
- IAS 19: Employee Benefits
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- IAS 32: Financial Instruments: Presentation

The Group has not applied these new and revised IFRS. Following are the significant changes that are related to the Group activities:

For annual periods beginning on or after 1 July 2012

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to statement of income and (b) items that may be reclassified subsequently to statement of income when specific conditions are met. The amendment affects presentation only and has no impact on the Group's financial position or performance.

For annual periods beginning on or after 1 January 2013

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities.

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Group expects the application of this standard will have no significant impact on the Group's consolidated financial statements.

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs must be accounted for using the equity method. The standard has no significant effect on the financial statements of the Group.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed to "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

The Group anticipates that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

For annual periods beginning on or after 1 January 2014

IFRS 7 "Financial Instruments – Disclosures" and IAS 32 "Financial Instruments – Presentation"

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 retrospectively. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The Group anticipates that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2.3 Significant accounting polices

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Group 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 effective date of disposal as appropriate. 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 recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and 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 Group had directly disposed of the relevant assets (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 recognized in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized 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 recognized immediately in statement of income 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 recognized 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 recognized in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in the consolidated statement of comprehensive income are reclassified to the consolidated statement of income 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 recognized directly in the consolidated statement of income. An impairment loss recognized 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.

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 recognized directly in the consolidated statement of income. An impairment loss recognized 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 recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize 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 recognizing its share of further losses. Additional losses are recognized 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 recognized at the date of acquisition is recognized 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 recognized 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 recognized in the consolidated statement of income. Any reversal of that impairment is recognized 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 as a result of 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.

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 recognized in other comprehensive income in relation to that associate to consolidated statement of income when it loses significant influence over that associate.

When the Group transacts with its associate, profits and losses resulting from the transactions are recognized to the extent of interest in the associate that are not related to the Group.

2.3.2 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 consolidated statement of income.

Work in progress is included in property, plant and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

2.3.3 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 methods are reviewed at the end of each financial year. Changes 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.

2.3.4 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.

2.3.5 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognized in the consolidated statement of income for the 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income.

2.3.6 Financial instruments

Financial assets and financial liabilities are recognized 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 statement of income) 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 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 losses' (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 3.3).

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 3.3).

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

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 consolidated statement of comprehensive income.

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.

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 statement of income.

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

When available-for sale financial assets are impaired, the accumulated P&L previously recognized in the consolidated 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 amortized 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 derecognizes 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.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to settle on a net basis.

2.3.7 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.

2.3.8 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.

2.3.9 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.

2.3.10 Treasury shares

Treasury shares represent the 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 from 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 realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain from sale of treasury shares.

2.3.11 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 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.

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

2.3.12 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.

2.3.13 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 recognized as expenses in the period in which they are incurred within consolidated statement of income.

2.3.14 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 recognized 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 recognized 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 recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

2.3.15 Dividends

Dividend distribution to the 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 Company.

3. Risk Management

3.1 Financial risks

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

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 foreign currency risk resulting primarily from dealing with financial instruments in US$. The foreign currency risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency.

The Group has set policies to manage foreign currency risk 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 equivalents, investments, receivables, payables, loans, bank facilities and Murabahas.

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

	2012	2011
Net positions of US Dollar	(6,348,830)	1,884,313

In case the US dollar decrease / increase by 5% against the Kuwait dinar, while all other variables are held constant, the Group's net profits will increase/decrease by KD 317,442 for the year ended 31 December 2012 (KD 94,216 for the year ended 31 December 2011).

Price risk

The Group is exposed to price risk through its investments classified in the consolidated financial statements 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 allocation across various categories, continuous appraisal of market conditions and trends and management's 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 in the KSE index on the Group's net profit for the year and its equity. This analysis is based on the assumption that the KSE changes by ±5% with all other variables held constant.

	Effect on consolidated statement of income		Effect on consolidated statement of equity	
	2012	2011	2012	2011
Investments at fair value through profit or loss	80,851	90,820	-	-
Available for sale investments	-	-	3,231,915	3,319,664

Cash flow and fair value fluctuation risk resulting from the change 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.

The Group has floating and fixed interest bearing loans.

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 2012, 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 lower by KD 17,597 (KD 8,896 for the year ended 31 December 2011).

(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. 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 undiscounted financial liabilities of the Group as of 31 December:

	2012		
	From three months to one year	From one to three years	More than three years
Loans and bank facilities and Murabahas	7,284,703	50,447,078	70,183,970
Trade and other payables	20,434,540	-	-

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

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern 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, bank facilities and Murabahas offset by cash and cash equivalents) and equity.

The Group has a target gearing ratio of 25% - 45% determined as the proportion of net debt to total capital.

The following shows the net debt to total capital as of 31 December:

	2012	2011
Total debt	112,298,694	91,727,860
(Less):Cash and cash equivalents	(11,226,936)	(16,211,148)
Net debt	101,071,758	75,516,712
Total equity	151,634,685	147,580,318
Total capital	252,706,443	223,097,030
Net debt to total capital ratio (%)	40.00	33.85

3.3 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:

	2012		
	Level 1	Level 2	Total
Available for sale investments	64,440,307	3,074,344	67,514,641
Investments at fair value through profit or loss	8,882,748	779,932	9,662,680

	2011		
	Level 1	Level 2	Total
Available for sale investments	66,393,270	3,456,709	69,849,979
Investments at fair value through profit or loss	8,014,384	758,819	8,773,203

4. 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 3.3, 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

Impairment of inventory

The management assesses at the date of each consolidated financial position 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.

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.

Classification of investments

On acquisition of an investment, the Group has to decide whether it should be classified as carried at fair value through profit or loss or as available for sale.

A financial asset is classified at fair value through profit or loss if acquired principally for the purpose of generating short-term profit or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. All other investments are classified as available for sale.

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. Note (8) shows this effect on the consolidated financial statements.

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 from what is estimated resulting in future changes to such provisions. The impact of such impairment on these consolidated financial statements is disclosed in note (5).

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation for property, plant and equipment. Management increased the depreciation charge where the useful lives are lower than previously estimated lives. The Group eliminates or writes down obsolete or non-strategic assets which have been disposed or sold.

5. Property, plant and equipment

	Lands and buildings	Plant and equipment	Motor vehicles, computers and furniture	Projects in progress	Total
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
Additions	9,689	26,270	1,741,412	25,585,332	27,362,703
Transfers	194,498	562,923	23,660	(781,081)	-
Disposals	-	-	(14,150)	-	(14,150)
At 31 December 2012	30,237,381	87,546,102	4,995,692	105,469,734	228,248,909
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
Charge for the year	352,017	1,230,685	384,809	-	1,967,511
Disposals	-	-	(8,530)	-	(8,530)
At 31 December 2012	21,155,675	69,770,121	1,038,316	-	91,964,112
Net book value					
At 31 December 2011	9,229,536	18,417,473	2,582,733	80,665,483	110,895,225
At 31 December 2012	9,081,706	17,775,981	3,957,376	105,469,734	136,284,797

The most important projects under process represents in a construction of new Kiln for producing clinker. The total estimated cost of the project amounted to KD 112,931,967, while the cost of work performed amounted to KD 102,943,355 as at 31 December 2012 (KD 79,939,641 as at 31 December 2011).

All property, plant and equipment located on land leased from the state owned under lease for a term of five years ending in 2014.

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

	2012	2011
Cost of sales	1,916,354	1,690,435
Selling, general and administrative expenses	51,157	42,995
	1,967,511	1,733,430

Borrowing costs capitalized on projects in progress amounted to KD 4,043,799 for the year ended 31 December 2012 (KD 2,719,148 for the year ended 31 December 2011).

6. Investment properties

	2012	2011
Cost		
As of 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As of 1 January	1,004,798	957,675
Charge for the year	47,119	47,123
As at 31 December	1,051,917	1,004,798
Book value	937,827	984,946

The fair value of the investment properties is KD 3,315,000 as at 31 December 2012 (KD 3,412,500 as at 31 December 2011).

7. Investments in associates

Name of associate	Country of incorporation	Ownership percentage%	Book value 2012	Book value 2011
Kuwait Rocks Co K.S.C.C.	Kuwait	30.00	-	463,924
Marine Contracting and Services Co. K.S.C.C.	Kuwait	33.39	14,679,545	14,238,651
			14,679,545	14,702,575

The following is the movement of investments in associates:

	2012	2011
Balance at 1 January	14,702,575	15,332,644
Group's share in associates' business results	(74,453)	(184,402)
Group's share in associates' reserves	51,423	(115,873)
Cash dividends received	-	(329,794)
Balance at 31 December	14,679,545	14,702,575

The Group's share in associates' business is recorded based on the unaudited financial statements for the period ended 30 September 2012.

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

	Fair value	Assets	Liabilities	Income	Net (loss)/ profit
31 December 2012					
Kuwait Rocks Co.	Unquoted	1,509,992	2,200,322	1,670,515	(463,924)
Marine Contracting and Services Co.	12,881,746	59,959,077	45,279,532	14,806,218	389,471
31 December 2011					
Kuwait Rocks Co.	Unquoted	1,549,594	1,085,670	1,430,430	(220,478)
Marine Contracting and Services Co.	14,510,927	62,020,698	48,275,215	15,467,499	36,076

8. Available for sale investments

	2012	2011
Quoted shares	64,440,307	66,393,270
Unquoted shares	3,932,124	4,702,167
Foreign funds	3,074,334	3,456,709
	71,446,765	74,552,146

The quoted investments included, investments amounted to KD 26,570,562 as at 31 December 2012 in National Industries Group Holding K.S.C. which is one of the major shareholders in the Group (KD 31,857,874 as at 31 December 2011). A study was prepared by the management for this investment to determine whether there is an impairment in value or not, the management study resulted that the fair value of the investment exceeds the current market value and did not prove to be impaired 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 2,617,055 as at 31 December 2012 (KD 3,456,709 as at 31 December 2011) that were valued based on recent valuation reports available during the year from investment managers as no reports were available for these investments as at the date of the consolidated financial statements.

Available for sale investments include investments mortgaged against loans and bank facilities and Murabaha amounting to KD 1,770,200 as at 31 December 2012 (KD 2,129,250 as at 31 December 2011) (note 17).

Impairment of certain available for sale investments was recognized at KD 1,534,331 for the year ended 31 December 2012 (KD 2,066,964 for the year ended 31 December 2011) 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:

	2012	2011
Kuwaiti Dinar	68,372,432	71,095,437
United States Dollar	2,297,345	2,784,750
Euro	776,988	671,959
	71,446,765	74,552,146

9. Inventories

	2012	2011
Raw materials	25,243,961	17,675,890
Finished goods	435,157	529,266
	25,679,118	18,205,156

10. Trade and other receivables

	2012	2011
Amounts under collection at banks	1,251,900	2,048,836
Receivables against unconditional bank guarantees	3,774,544	3,672,659
Ministry of Commerce – difference from subsidizing cement to the public	2,091,144	1,944,773
Related parties (note 25)	1,386,449	1,778,452
Other trade receivables	6,831,770	5,386,136
Total trade receivables	15,335,807	14,830,856
Other debtors	325,354	369,334
	15,661,161	15,200,190
Provision for doubtful debts	(1,920,930)	(1,874,733)
	13,740,231	13,325,457
Prepaid expenses	307,645	238,247
Notes receivable	987,753	158,286
	15,035,629	13,721,990

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.

Based on past experience, the Group has recognized a provision for doubtful debts of 100% on receivables that were past due amounted to KD 1,920,930 as at 31 December 2012 (KD 1,874,733 as at 31 December 2011).

The fair value of guarantees received from the debtors amounted to KD 5,160,451 (KD 4,099,153 as at 31 December 2011).

The following is the movement on the provision for doubtful debts:

	2012	2011
Balance at beginning of the year	1,874,733	2,700,369
Reverse	-	(834,570)
Provide	46,197	8,934
Balance at end of the year	1,920,930	1,874,733

11. Investments at fair value through profit or loss

	2012	2011
Local investments	1,617,016	1,816,396
Foreign investments	8,045,664	6,956,807
	9,662,680	8,773,203

Foreign investments as at 31 December 2012 include KD 160,064 (Nil as at 31 December 2011) that was priced based on recent available reports from investment managers during the year.

Investments at fair value through profit or loss are denominated in the following currencies as at 31 December:

	2012	2011
Kuwaiti Dinar	1,617,016	1,816,396
United States Dollar	8,045,664	6,956,807
	9,662,680	8,773,203

12. Cash on hand and with financial institutions

	2012	2011
Cash on hand and at banks	4,937,920	4,260,702
Cash in investment portfolios	1,044,160	5,460,697
Deposits placed with banks	5,185,470	6,468,026
Cheques under collection	439,386	21,723
	11,606,936	16,211,148
Less: deposit for more than 3 months	(380,000)	-
Cash and cash equivalent	11,226,936	16,211,148

The average annual interest rate on bank deposits was 1.25% as at 31 December 2012 (2.5% as at 31 December 2011).

13. Share capital

The issued and paid share capital amounted to KD 63,765,554 distributed over 637,655,540 shares with a nominal value 100 fils per share.

On 17 April 2011, the extra ordinary General Assembly approved the increase of share capital by 15% with a nominal value of 100 fils per share, and share premium of 225 fils per share. On 25 September 2012, An amiri decree approving the capital increase was issued. Other approvals from the concerned authorities are under process.

14. Treasury shares

	2012	2011
Number of shares (share)	20,170,729	20,170,729
Percentage of issued shares (%)	3.16	3.16
Market value (KD)	8,875,121	9,278,535

15. Statutory reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before KFAS contribution, NLST, Zakat expense, 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 reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year, before KFAS contribution, NLST, 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 and Murabahas

	2012	2011
Current portion		
Bank facilities	8,839	3,418,404
Loans	4,329,016	16,414,570
Murabahas	2,666,667	10,000,000
	7,004,522	29,832,974
Non-current portion		
Loans	62,171,299	32,894,886
Murabahas	43,122,873	29,000,000
	105,294,172	61,894,886
Total loans, bank facilities and Murabahas	112,298,694	91,727,860

The effective annual interest rate on loans and bank facilities was 4% as at 31 December 2012 (4.25% as at 31 December 2011).

Certain loans are secured by factory and its extensions amounted to KD 19,325,886 as at 31 December 2012 (KD 20,694,699 as at 31 December 2011) and also available for sale investments of KD 1,770,200 as at 31 December 2012 (KD 2,129,250 as at 31 December 2011) (note 8).

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 at 31 December:

	2012	2011
Kuwaiti Dinars	103,500,294	87,279,860
United States Dollar	8,798,400	4,448,000
	112,298,694	91,727,860

18. Trade and other payables

	2012	2011
Suppliers	10,153,965	4,620,152
Deferred letter of credits for purchase of equipment	1,932,453	6,159,403
Accrued interest and expenses	2,573,573	2,371,029
Retention payable	3,098,211	2,874,184
Customers - advance payments	1,074,407	573,301
Contribution to Kuwait Foundation for the Advancement of Sciences	140,728	149,168
National Labor Support Tax	336,023	320,897
Zakat	94,315	91,801
Dividends payable	503,716	465,569
Notes payable	428,740	94,208
Others	98,409	218,890
	20,434,540	17,938,602

19. Cost of sales

	2012	2011
Raw material	37,068,073	28,513,547
Change in finished goods	94,109	(12,708)
Salaries and benefits	2,851,399	2,382,732
Lease rentals	215,623	472,730
Supplies and maintenance	3,238,965	3,079,573
Others	6,058,316	4,202,311
	49,526,485	38,638,185

20. Other operating income

	2012	2011
Net income from investment properties	22,268	52,519
Exchange differences	141,974	244,135
Reversal of provision for doubtful debts	-	825,636
Other income	1,300,756	1,144,237
	1,464,998	2,266,527

21. Net gains/ (losses) from investments

	2012	2011
Investments at fair value through profit or loss		
Unrealized gains / (losses)	1,258,088	(395,776)
Realized gains	-	42,217
Cash dividends	47,757	-
	1,305,845	(353,559)
Available for sale investments:		
Impairment	(1,534,331)	(2,066,964)
Realized gains	171,758	348,115
Cash dividends	1,347,879	1,345,916
Portfolio management fees	(145,995)	(161,037)
	(160,689)	(533,970)
	1,145,156	(887,529)

22. 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:

	2012	2011
Net profit for the year (KD)	14,782,574	14,266,041
Weighted average number of outstanding shares during the year (share)	617,484,811	618,205,907
Earnings per share (fils)	23.94	23.08

23. Staff costs

Staff costs include wages, salaries, leave, end of service's indemnity and other benefits for the Group's staff. Staff costs amounted to KD 5,985,474 for the year ended 31 December 2012 (KD 5,224,545 for the year ended 31 December 2011)

24. Dividends

On 6 May 2012, the General Assembly of shareholders approved the consolidated financial statements for the year ended 31 December 2011, and approved cash dividends of 15 fils per share after deducting treasury shares for the year 2011.

On 25 March 2013, the 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 2012.

25. 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 Company has representatives in their board. In the normal course of business, related party transactions during the period ended 31 December 2012 were carried out and approved by the Group's management.

Balances and transactions between the Company and its subsidiaries, which are related parties of the 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:

	2012	2011
Transactions		
Sales	4,637,635	4,503,421
Key management benefits		
Executive committees fees	120,000	120,000
Salaries and other benefits	687,600	687,600
Balances		
Trade and other receivables (Note 10)	1,386,449	1,778,452
Trade and other payables	-	676,552
Provision for employees' end of service indemnity	484,318	482,596

All transactions with related parties are subject to the approval of the shareholders of the General Assembly.

26. Contingent liabilities and commitments

	2012	2011
Contingent liabilities		
Letters of guarantee	248,847	248,847
Capital commitments		
Letters of credit	3,388,048	11,575,381
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	4,953,794	7,693,775
Projects in progress	9,988,612	23,524,485

27. 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.
- Investments sector.

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

	2012		
	Manufacturing Sector	Investments Sector	Total
Segments revenues	67,521,906	1,092,971	68,614,877
Gross segments profit	14,662,852	1,092,971	15,755,823
Segments assets	188,433,807	97,770,977	286,204,784

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

	2012	2011
Adjustments		
Gross segments profit	15,755,823	15,675,947
Financing charges	(353,576)	(847,501)
Interest income	91,393	136,379
Net profit before deductions	15,493,640	14,964,825

Geographical segments:

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

	2012		
	Revenues	Assets	Liabilities
Inside Kuwait	65,997,881	271,520,346	133,726,576
Outside Kuwait	2,616,996	14,684,438	843,523
	68,614,877	286,204,784	134,570,099

	2011		
	Revenues	Assets	Liabilities
Inside Kuwait	55,274,658	245,435,644	106,599,316
Outside Kuwait	1,219,518	13,522,072	4,778,082
	56,494,176	258,957,716	111,377,398