NATIONAL INDUSTRIES COMPANY

50 Years Of Growth

Our History...

A Passage Way to Success

ANNUAL REPORT 2010

NATIONAL INDUSTRIES COMPANY

50 Years Of Growth

ANNUAL REPORT

2010

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NATIONAL INDUSTRIES COMPANY

50 Years Of Growth

H.H. Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of the state of Kuwait

H.H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince

H.H. Sheikh
Naser Mohammad Al-Ahmad Al-Sabah
Prime Minister

INCEPTION

Responsibilities & Clear vision

بسم الله

جلد :

رقم التسلسل :

رقم الصحيفة :

رقم ايصال الرسوم :

نحن رئيس ... نصادق على صحة توقيع كاتب العدل الذي يعلو هذه الورقة

نائب رئيس ...

حكومة الكويت

دائرة العدل

قسم التوثيق

كاتب العدل

عقد تأسيس

شركة الصناعات الوطنية

شركة مساهمة كويتية

في يوم الخميس ١١ جماد الثاني سنة ١٣٨٠ هـ الموافق ٨ ديسمبر سنة ١٩٦٠

أمامي أنا كامل محمد الجندي كاتب عدل الكويت .

وبحضور كل من :-

١) السيد يوسف محمد محمود اسماعيل اردني الجنسية — مقيم بالكويت .

٢) السيد خالد صدر الدين ابو السعود اردني الجنسية — ومقيم بالكويت .

الشاهدين العاقلين لكافة الصفات المطلوبة قانونا والمعتبرين لشخصية العاقدين .

تم بين الموقعين ادناه —

سعادة رئيس المالية والاقتصاد ممثلا عن حكومة الكويت والسادة — [illegible]

جميعهم من الجنسية الكويتية .

لقد تم الاتفاق على ما يأتي —

أولا — اتفق الموقعون على أن يؤلفوا فيما بينهم ... شركة مساهمة ... بترخيص من حكومة الكويت وطبقا لاحكام قانون الشركات التجارية والنظام الاساسي الملحق بهذا العقد تدعى —

" شركة الصناعات الوطنية "

(شركة مساهمة كويتية)

ثانيا — غرض هذه الشركة هو —

CONTENTS

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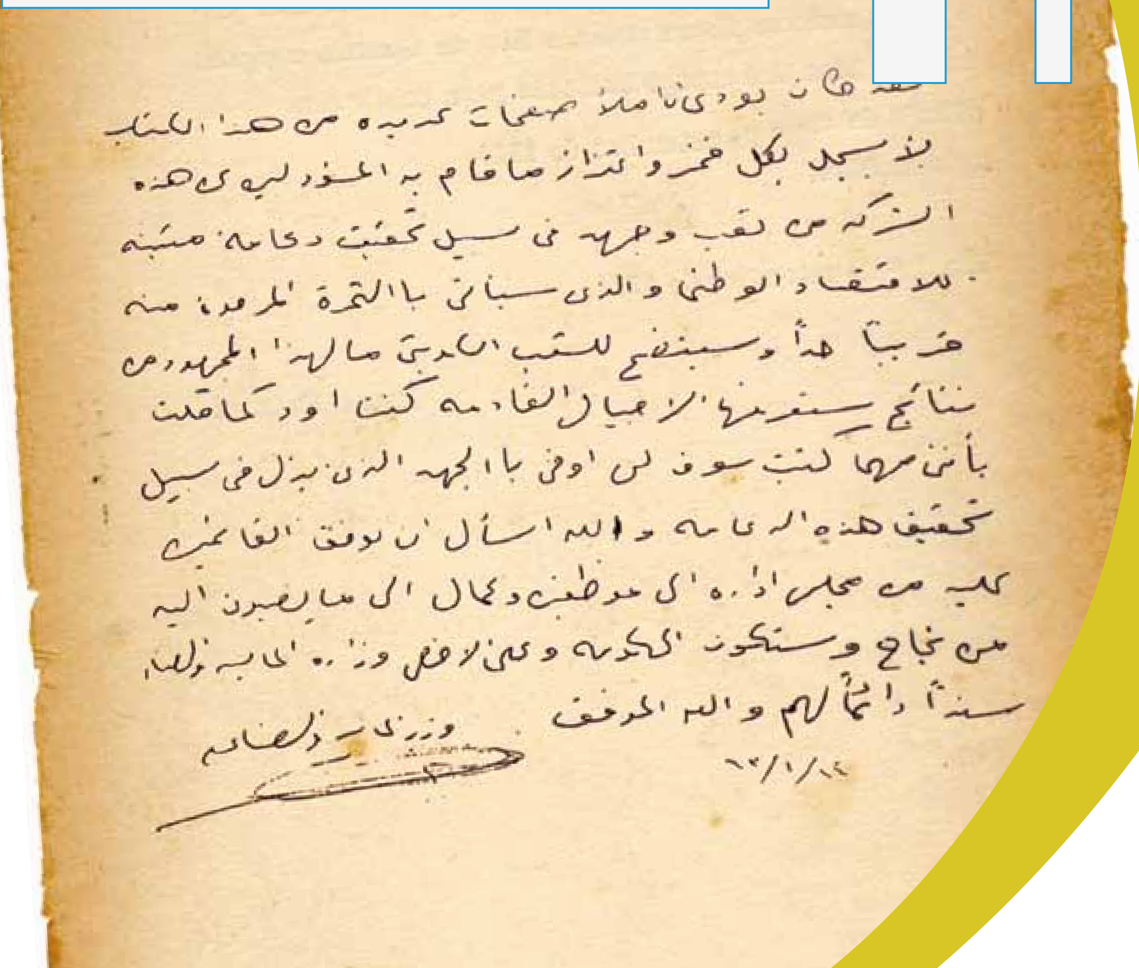
PIONEERING

For Bright Future


لقد كان بودي تأملا صفحات كريمة من هذا الكتاب
لتسجل بكل فخر واعتزاز ما قام به المسؤولون في هذه
الشركة من تعب وجهد في سبيل تحقيق دعامة متينة
للاقتصاد الوطني والذي سيأتي بالثمرة المرجوة منه
قريبا هذا وسيتضح للشعب الكويتي مآل الجهود من
نتائج ستعرفها الأجيال القادمة كنت أود كما قلت
بأن أتصفحها لكنت سوف لن أوفي بالجهد الذي يبذل في سبيل
تحقيق هذه الدعامة والله أسأل أن يوفق القائمين
عليه من مجلس الإدارة الى موظفين وعمال الى ما يصبون اليه
من نجاح وستكون الحكومة وكل الاقتصاد ... سندا دائما لهم والله الموفق

وزير ... الصناعة

٦٢/١/٢٤

MEMBERS OF THE BOARD OF DIRECTORS

Mr. Dr. Adel Khaled Al-Subeih	Chairman & M.D.
Mr.Abdulaziz Ibrahim Al-Rabiah	Deputy Chairman
Mr. Hamad Mohammed Abdullah Al-Saad	Director
Mr. Abdullrahman Shaikhan Al-Farisi	Director
Mr. Ahmad Mohammed Hassan	Director
Mr. Dr. Saud Abdullah Al-Farhan	General Manager

NATIONAL INDUSTRIES COMPANY

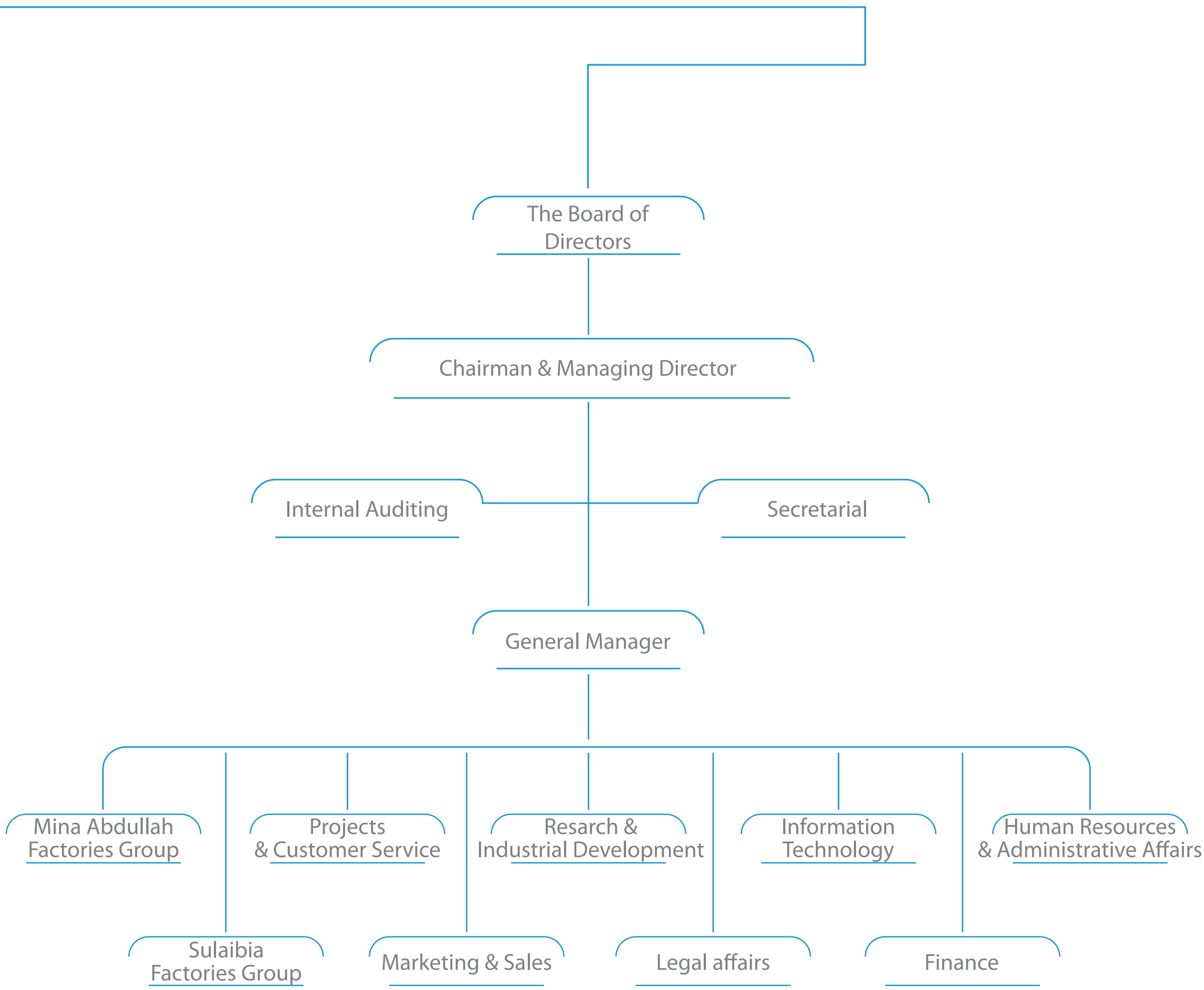
50 Years Of Growth

PROGRESS
Through Achievement

ساهمت «الصناعات» مساهمة فعالة في بناء وتطوير القطاع الصناعي في الكويت، من خلال تأسيس شركات صناعية مرموقة من أبرزها :

- شركة صناعة الأسبست الكويتية (1961).
- شركة الكيماويات البترولية (1961).
- الشركة الكويتية للمباني الجاهزة (حاليا المباني) (1964).
- الشركة الكويتية لصناعة الأنابيب المعدنية (1966).
- شركة أسمنت الكويت (1968).

ORGANIZATIONAL STRUCTURE



NATIONAL INDUSTRIES COMPANY

50 Years Of Growth

COMMITMENT

To Quality & Development

Chairman & Managing Director Message

Dear Shareholders,

I warmly welcome all of you on behalf of myself, my colleagues on The Board of Directors and the members of the executive management of The National Industries Company, in our Fiftieth Annual General Assembly, praying to Allah Almighty to bestow success upon the company. It gives me great pleasure to present to you our Annual Report for the financial year ended on 31st December, 2010.

2010 was an extension of previous years as far as the increase in operating profits and growth, yet the company's financial assets have decreased due to the remaining aftermath of the global financial crisis. Accordingly, your company achieved a net profit of KD 4 million (i.e.188 fils per share), compared to a loss of KD 2.6 million last year. Shareholders' equity in 2010 grew to KD 81 Million (i.e. 235 fils per share) in comparison to KD 72 million in the previous year, thus achieving 12.4% growth.

Allah willing, 2011 will be a continuation of success and further growth of your company. Product diversification, capacity increases, and Gulf markets expansion in terms of production and export will contribute to that end. Furthermore, other factors which are expected to result in positive performance are: the ceramic factory in Kuwait, the light weight bricks (AAC) factories in The Kingdom of Saudi Arabia, The Kingdom of Bahrain and The Sultanate of Oman, plus the HDPE factory in the Sultanate of Oman. In addition, our company will benefit from recently declared promising Kuwaiti and Saudi development plans.

Despite the economic crisis, the company will carry on its regional expansion plans through building plants in support of current activities, as well as entering into new industries, thus creating a balance between growth and dividend distribution.

In light of this year's financial performance, The Board of Directors, in its meeting on 23/3/2011, has proposed to the General Assembly, the distribution of cash profit for the year ended in 31/12/2010, at 8% of the nominal share value (8 fils per share).

Our achievements in 2010 would not have been possible without the support of our shareholders in general, and National Industries Holding Group in particular for its unlimited support. Our appreciation is also extended to our most valuable asset; our company's staff, whose commitment and dedication has been central to our success. We look forward to more of it in the future.

We hope we have been able to ensure further growth in company's assets and to maximize our shareholders' equity, and pray to Allah Almighty to lend us his support in the upcoming years.

Dr. Adel Khaled Al Subeih
Chairman & Managing Director

NATIONAL INDUSTRIES COMPANY

50 Years Of Growth

CREATIVITY

Our Resolve & Fortitude

2010 Board of Directors Report

Thanks to Allah Almighty, your company achieved net profit of 4 Million K.D. (i.e. 188 Fils Per Share), Shareholders' equity in 2010 increased to 81 Million K.D. (235 fils per share) thus achieving 12.4% growth.
Total sales of our factories amounted to 39.6 Million K.D. growing by 6.5% from last year figures, achieving operational profits of 10 Million K.D.

First: Mina Abdullah Factories Group:

Total sales 20.5 Million K.D. compared to 18.8 Million K.D. in 2009, i.e. an increase of 9.1% over the actual sales of 2009, and 20.5% over projected sales,

PRODUCT	Sales comparison 2010 - 2009
Lime	54% ▲
Sand Lime Powder	418% ▲
Lintels & Reinforced Slabs	138% ▲
HDPE Pipes	44% ▲
Sand Lime Bricks	4% ▲
* Exports	10.5% ▲
AAC Blocks	9% ▼
NIC Clad, Paints & Mortar	1% ▼

* Exports to: Sultanate of Oman, Iraq, Kingdom of Saudi Arabia, Kingdom of Bahrain, Jordan and Qatar.

Second: Sulaibia Factories Group:

Total sales K.D.19.5 Million, compared to K.D. 18.4 Million in 2009, actual sales registered and increase of (3.5%) over 2009, and (12.4%) over projected sales figures.

PRODUCT	Sales comparison 2010 - 2009
Ready Mix	▲ 20%
Interlock Tiles	▲ 11%
Concrete pipes	▼ 4%
Tiles & curb stone	▼ 37%

Third: The Completed Projects in 2010:

- Saudi Insulation Bricks Co.

  (AAC - Riyadh & Jeddah Factories, KSA - NIC Share 50%):

  • Jeddah factory's production commenced in on first quarter of 2010,
  • Machinery and raw materials obstacles have been solved,
  • Saudi market seems promising.

- United Pipes Factory Co.

  (HDPE pipes, Muscat, Sultanate of Oman - NIC share 30%):

  • Production commenced on first quarter of 2010,
  • Expansion project are underway to service Omani market demand,
  • First year operational results are profitable and promising.

Fourth: Projects in Progress:

- National Industries Company for Ceramics

  (Kuwait - NIC share 60%):

  • Construction and equipment installation completed, and awaiting power supply,
  • Trail production is expected in the second quarter of 2011.

- Insulation Building Systems Factory Co.

  (AAC - Kingdom of Bahrain - NIC Share 50%):

- Industrial Construction Co.

  (AAC - Muscat, Sultanate of Oman - NIC share 35%):

  • Civil works are underway,
  • Machinery and equipments has been received,
  • Production is expected at the end of 2011.

- Omani German company for Building Materials

  (AAC - Muscat, Sultanate of Oman - NIC share 30%):

  • Suitable land was acquired and license & permits are been sought,
  • Importing Machineries are being negotiated,
  • Merging efforts for this company with the Omani German Building Materials Co. , are under consideration to maximize parties interests.

Fifth: Affiliated & Sister Companies:

- Building System Industries Co.
  (Kuwait - NIC share 100%):

  • The company's profit amounted to K.D.70,000 in 2010 compared with K.D. 193,000 in 2009, the decline was due to lack of projects, though shareholders equity has reached K.D. 1.2 Million over 5 years period and the paid up capital was K.D. 100,000.

- Kuwaiti Rocks Co.
  (Kuwait - NIC share 38%):

  The company achieved 4.81% increase in its fair value in 2010, in comparison with 2009.

- Saudi Sand Lime Bricks & Building Materials Co.
  (Riyadh, SAK - NIC share 10%):

  • Production was increased by 36% to 750,000 tons daily, a 36% increase, by adding a fifth presser capable of producing 200 tons daily,
  • The company is considering adding further capacities (400 – 500 tons daily) which will achieve an increase of 60% from current levels,
  • The company has add two Sand Lime Bricks pressers to its factories which led a 30% increase in capacity,
  • At the start of this year, the company restructured its entity from W.L.L. to a closed shareholding company ,
  • The company's capital was in increased by 100% through issuing free bonus shares, in addition to cash dividends distribution.

- Saudi Insulation Bricks Co.
  (AAC - Riyadh & Jeddah factories - KSA - NIC share 50%):

  • At the end of 2008 the company started its operations in the Riyadh factory,
  • In February of 2010, the Jeddah factory commenced commercial production.

Sixth: The Company's Investments

NIC's investment strategy focuses on investing in promising industrial sectors such as: oil, energy, natural gas, petrochemicals, electricity generation & real estate, NIC also entered as a strategic partner in several leading industrial and real estate companies in the region, namely :

- Dana Gas Company,
- AL-Raya Global Real Estate Company,
- First Qatar Company for Real Estate Development,
- Karachi Electric Supply Corporation,
- Bayan Holding Company,
- Ikarus Oil Industries Company,
- Kuwait Energy Company.

Finally, we pray to Allah Almighty to lend us his support & guidance in 2011 to attain better results.

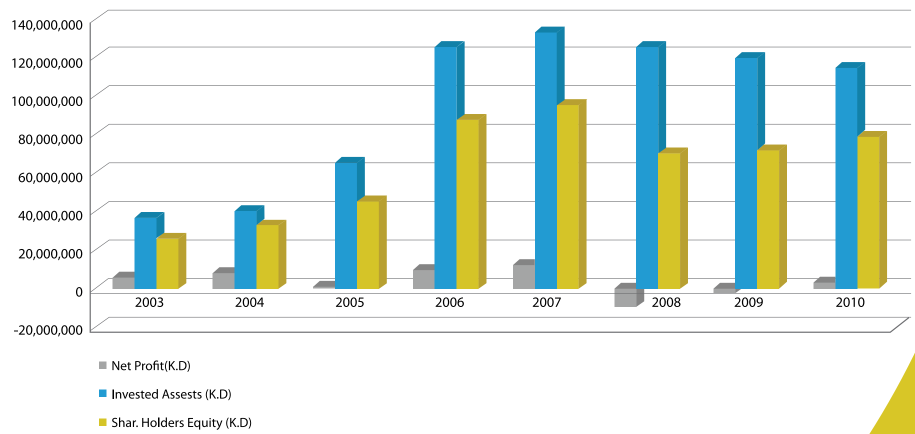
NATIONAL INDUSTRIES COMPANY

50 Years Of Growth

GROWTH

Despite Challenges

NIC Finacial Performance
2003-2010



NIC Financial Performance (2003 – 2010)

Item	2003	2004	2005	2006	2007	2008	2009	2010
Capital K.D.	20,029,831	20,091,400	21,159,062	32,867,436	32,903,820	34,590,694	34,613,430	34,620,187
Sales K.D.	23,589,828	26,488,738	31,062,130	30,138,256	33,345,413	35,777,422	37,255,454	39,619,128
Invested Assets K.D.	36,709,665	26,488,738	65,271,618	125,904,281	133,114,169	125,863,915	119,999,202	114,656,733
Shareholders equity K.D.	26,548,468	40,189,595	45,062,688	88,118,703	95,138,741	70,635,977	72,273,172	79,214,188
Net profit K.D.	5,983,473	7,980,178	12,265,933	9,846,139	12,577,307	(9,315,137)	(2,661,010)	4,081,841
Dividend FILS	30	40	55	33	39	(27)	(8)	11.84
Book Value FILS	146	162	213	268	289	204	209	229
Return on equity	% 20.3	% 24.5	% 27.2	% 11.2	% 13.2	% -13.2	% -3.7	% 5.2
Distr. Profit-Cash FILS	25	27	30	30	25	-	-	8***
Distr. Profit-bonus	-	% 5	% 5	-	% 5	-	-	

*** Proposed to the General Assembly

NATIONAL INDUSTRIES COMPANY

Years Of Growth

EXPANSION

Utilizing Our Expertise

Company's Regional Investments & Distributors

Agents and Distributors and markets

Direct Operational investments

Indirect Investments

Target Markets for expansion

NATIONAL INDUSTRIES COMPANY

Years
Of
Growth

PERFECTION

Remains Our Goal

Consolidated financial statements and independent auditors' report

National Industries Company – KSC (Closed) and Subsidiaries

Kuwait

31 December 2010

Independent Auditors' Report

To the shareholders of

National Industries Company – KSC (Closed)

Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Company – Kuwait Shareholding Company (Closed) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and 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 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 financial position of National Industries Company – KSC (Closed) and its subsidiaries as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960 and by the Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law nor of the Company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Allied Accountants - MAZARS

Kuwait 23 March 2011

Consolidated statement of income

	Notes	**Year ended 31 Dec. 2010 KD**	Year ended 31 Dec. 2009 KD
Sales		**40,923,013**	38,358,162
Cost of sales		**(28,911,763)**	(26,238,212)
Gross profit		**12,011,250**	12,119,950
Other operating income	6	**853,381**	555,536
Distribution expenses		**(703,160)**	(686,135)
General, administrative and other expenses		**(2,083,782)**	(2,007,118)
		10,077,689	9,982,233
Finance costs		**(652,079)**	(1,314,308)
Investment income	7	**168,418**	1,058,054
Impairment loss on available for sale investments	12	**(5,647,834)**	(9,474,572)
Share of results of associates	11	**(97,116)**	(1,848,617)
Foreign exchange gain/(loss)		**422,532**	(1,063,799)
Profit/(loss) before contribution to KFAS, NLST, Zakat and directors' remuneration		**4,271,610**	(2,661,009)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(38,444)**	-
Provision for National Labour Support Tax (NLST)		**(83,149)**	-
Provision for Zakat		**(33,176)**	-
Provision for Directors' remuneration		**(35,000)**	-
Profit/(loss) for the year attributable to the owners of the parent		**4,081,841**	(2,661,009)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent	9	**11.84 Fils**	(7.73) Fils

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

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Profit/(loss) for the year	**4,081,841**	(2,661,009)
Other comprehensive income:		
Available for sale investments:		
- Net losses arising during the year	**(2,825,589)**	(5,387,975)
- Transferred to consolidated statement of income on impairment	**5,647,834**	9,474,572
- Transferred to consolidated statement of income on sale	**(35)**	-
Share of other comprehensive (loss)/income of associates	**(85,157)**	60,907
Total other comprehensive income	**2,737,053**	4,147,504
Total comprehensive income for the year attributable to the owners of the parent	**6,818,894**	1,486,495

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

Consolidated statement of financial position

	Notes	31 Dec. 2010 KD	31 Dec. 2009 KD
Assets			
Non-current assets			
Property, plant and equipment	10	**25,467,857**	22,563,928
Investment in associates	11	**6,680,354**	7,175,260
Available for sale investments	12	**49,965,207**	56,782,394
		82,113,418	86,521,582
Current assets			
Inventories and spare parts	13	**10,405,117**	10,862,809
Investments at fair value through statement of income	14	**5,495,583**	4,469,890
Accounts receivable and other assets	15	**13,492,940**	12,906,724
Fixed deposit	23	**150,000**	150,000
Cash and bank balances	24	**2,999,674**	5,088,806
		32,543,314	33,478,229
Total assets		**114,656,732**	119,999,811
Equity and liabilities			
Equity			
Share capital	16	**34,620,187**	34,613,430
Share premium	16	**31,923,740**	31,904,988
Treasury shares	17	**(567,324)**	(669,310)
Legal reserve	18	**2,009,982**	6,640,932
Voluntary reserve	18	**427,161**	5,599,124
Treasury shares reserve		**36,368**	41,743
Foreign currency translation reserve		**(37,037)**	47,539
Fair value reserve		**7,573,592**	4,751,963
Retained earnings/(accumulated losses)		**3,227,519**	(10,657,235)
Total equity attributable to the owners of the parent		**79,214,188**	72,273,174
Non-controlling interests		**2,000,000**	-
		81,214,188	72,273,174

Continued / consolidated statement of financial position

	Notes	**31 Dec. 2010 KD**	31 Dec. 2009 KD
Non-current liabilities			
Musharaka bonds	19	**-**	14,305,927
Long term loan	20	**5,502,446**	6,000,000
Murabaha payables	21	**32,202**	-
Provision for land-fill expenses		**655,163**	630,562
Provision for staff indemnity		**3,668,134**	3,366,731
		9,857,945	24,303,220
Current liabilities			
Short term loan	20	**2,700,000**	2,700,000
Current portion of musharka bonds	19	**14,010,105**	14,305,926
Current portion of long term loan	20	**900,000**	-
Current portion of murabaha payables	21	**279,878**	-
Accounts payable and other liabilities	22	**5,694,616**	6,417,491
		23,584,599	23,423,417
Total liabilities		**33,442,544**	47,726,637
Total equity and liabilities		**114,656,732**	119,999,811

Dr. Adel Khaled Al Sbaeh

Chairman and Managing Director

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

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent										Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Treasury shares reserve	Foreign currency translation reserve	Fair value reserve	(Accumulated losses)/ Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2010	34,613,430	31,904,988	(669,310)	6,640,932	5,599,124	41,743	47,539	4,751,963	(10,657,235)	72,273,174	-	72,273,174
Proceeds from issue of staff bonus shares	6,757	18,752	-	-	-	-	-	-	-	25,509	-	25,509
Sale of treasury shares	-	-	101,986	-	-	(5,375)	-	-	-	96,611	-	96,611
Write-off of accumulated losses (note 26)	-	-	-	(5,058,111)	(5,599,124)	-	-	-	10,657,235	-	-	-
Acquisition of subsidiary (note 5)	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Transactions with owners	6,757	18,752	101,986	(5,058,111)	(5,599,124)	(5,375)	-	-	10,657,235	122,120	2,000,000	2,122,120
Profit for the year	-	-	-	-	-	-	-	-	4,081,841	4,081,841	-	4,081,841
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(84,576)	-	-	(84,576)	-	(84,576)
Available for sale investments:												
- Net loss arising during the year	-	-	-	-	-	-	-	(2,826,170)	-	(2,826,170)	-	(2,826,170)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	5,647,834	-	5,647,834	-	5,647,834
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	-	(35)	-	(35)	-	(35)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(84,576)	2,821,629	4,081,841	6,818,894	-	6,818,894
Transfer to reserves	-	-	-	427,161	427,161	-	-	-	(854,322)	-	-	-
Balance at 31 December 2010	**34,620,187**	**31,923,740**	**(567,324)**	**2,009,982**	**427,161**	**36,368**	**(37,037)**	**7,573,592**	**3,227,519**	**79,214,188**	**2,000,000**	**81,214,188**

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

Continued / Consolidated statement of changes in equity

	Equity attributable to the owners of the parent										Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Treasury shares reserve	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Sub- total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2009	34,590,692	31,876,428	(800,984)	6,640,932	5,599,124	74,013	10,575	641,423	(7,996,226)	70,635,977	-	70,635,977
Proceeds from issue of staff bonus shares	22,738	28,560	-	-	-	-	-	-	-	51,298	-	51,298
Purchase of treasury shares	-	-	(27,191)	-	-	-	-	-	-	(27,191)	-	(27,191)
Sale of treasury shares	-	-	158,865	-	-	(32,270)	-	-	-	126,595	-	126,595
Transactions with owners	22,738	28,560	131,674	-	-	(32,270)	-	-	-	150,702	-	150,702
Loss for the year	-	-	-	-	-	-	-	-	(2,661,009)	(2,661,009)	-	(2,661,009)
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	36,964	-	-	36,964	-	36,964
Available for sale investments												
Net loss arising during the year	-	-	-	-	-	-	-	(5,364,032)	-	(5,364,032)	-	(5,364,032)
Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	9,474,572	-	9,474,572	-	9,474,572
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	36,964	4,110,540	(2,661,009)	1,486,495	-	1,486,495
Balance at 31 December 2009	**34,613,430**	**31,904,988**	**(669,310)**	**6,640,932**	**5,599,124**	**41,743**	**47,539**	**4,751,963**	**(10,657,235)**	**72,273,174**	**-**	**72,273,174**

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

Consolidated statement of cash flows

	Note	**Year ended 31 Dec. 2010 KD**	Year ended 31 Dec. 2009 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year		**4,081,841**	(2,661,009)
Adjustments:			
Depreciation of property, plant and equipment		**2,403,282**	2,127,380
Loss on write off of property, plant and equipment		**7,032**	25,102
Provision for obsolete and slow moving items		**-**	466,000
Profit on sale of available for sale investments		**(298,537)**	(354,115)
Income from short term murabaha and wakala investments		**(54,765)**	(465,802)
Share of results of associates		**97,116**	1,848,617
Dividend income from available for sale investments		**(118,570)**	(975,131)
Interest income		**(9,841)**	(21,302)
Impairment loss on available for sale investments		**5,647,834**	9,474,572
Finance costs		**652,079**	1,314,308
Foreign exchange (gain)/loss on non operating assets and liabilities		**(461,000)**	1,085,000
Provision for land-fill expenses		**24,601**	32,938
Provision for staff indemnity		**537,193**	449,796
		12,508,265	12,346,354
Changes in operating assets and liabilities:			
Inventories and spare parts		**457,692**	(626,480)
Investments at fair value through statement of income		**(1,025,693)**	874,358
Accounts receivable and other assets		**(147,831)**	1,625,249
Accounts payable and other liabilities		**(874,071)**	(1,314,384)
Net cash from operations		**10,918,362**	12,905,097
Staff indemnity paid		**(235,790)**	(290,007)
Net cash from operating activities		**10,682,572**	12,615,090

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

Continued / Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(5,314,243)**	(5,488,606)
Investment in associates - net		**-**	(581,346)
Proceeds on sale of available for sale investments		**4,428,117**	1,884,989
Purchase of available for sale investments		**(138,017)**	(16,228)
Dividend income received from available for sale investments		**118,570**	975,131
Income received from short term murabaha and wakala investments		**54,765**	465,802
Interest income received		**9,841**	21,302
Fixed deposit		**-**	(150,000)
Net cash used in investing activities		**(840,967)**	(2,888,956)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**25,509**	51,298
Capital contributed by non-controlling interests		**2,000,000**	-
Proceeds from long term loan		**402,446**	1,000,000
Proceeds from murabaha payables		**312,080**	-
Repayment of short term loans		**-**	(8,785,000)
Repayment of Musharaka bonds		**(14,266,500)**	-
Purchase of treasury shares		**-**	(27,191)
Sale of treasury shares		**96,611**	126,595
Finance costs paid		**(500,883)**	(1,114,552)
Net cash used in financing activities		**(11,930,737)**	(8,748,850)
Net (decrease)/increase in cash and cash equivalents		**(2,089,132)**	977,284
Cash and cash equivalents at beginning of the year	24	**5,088,806**	4,111,522
Cash and cash equivalents at end of the year	24	**2,999,674**	5,088,806

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

Notes to the consolidated financial statements

31 December 2010

1.Incorporation and activities

National Industries Company – KSC (the parent company) was incorporated on 1 February 1997 as a Kuwaiti closed shareholding company and its shares are listed on the Kuwait Stock Exchange. The parent company is a subsidiary of National Industries Group Holding – SAK (ultimate parent company).

The main objectives of the parent company are as follows:

- Manufacturing and marketing building materials and infrastructure products.
- Practicing all industrial activities, re-manufacturing and related activities and implementing same directly or through a third party to the account of the company or the third party after obtaining the necessary industrial licenses from the competent authorities.
- Implementing studies, researches and development and providing consultations in all kinds of industrial fields.
- Practicing trade of the materials related to the activities of import, export and marketing of products.
- Transportation, clearance, storage and packaging of raw materials and products and acquisition of the necessary means of transportation and storage.
- Quarry works and extraction, trading, formation and manufacturing of sands and rocks and import of the necessary equipment.
- Acquisition and rental of the movables and real estate properties necessary to carry out the company's activity and market its products.
- Establishing companies or participating therein with other parties to carry out the company's activities
- Investing surplus funds in financial portfolios managed by specialized companies.
- The company may carry out the above activities inside and outside Kuwait.

The group comprises the parent company and its subsidiaries (note 5).

The address of the parent company's registered office is PO Box 3314, Safat 13034, State of Kuwait.

The parent company's board of directors approved these consolidated financial statements for issuance on 23 March 2011. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2.Statement of compliance

These consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3.Adoption of new and revised standards

The group has adopted all the following new standards, interpretations, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group's consolidated financial statements for the annual period beginning 1 January 2010. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's consolidated financial statements.

• IFRS 3 Business Combinations (Revised 2008)

• IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

• 2009 Improvements to IFRSs

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Adoption of IFRS 3 Business Combinations (Revised 2008)

The revised standard on business combinations introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3 required that the revised IAS 27 is adopted at the same time. IAS 27 introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively.

Adoption of 2009 Improvements to IFRSs (Issued in April 2009)

The IASB issued Improvements for International Financial Reporting Standards 2009 to certain standards. Most of these amendments became effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 and have been adopted by the group that largely clarify the required accounting treatment where previous practice had varied some of which are substantive but have not resulted in any significant changes in the group's accounting policies.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Annual Improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

IAS 24 Related Party Disclosures

The amendments to the standard revised the definition of a related party. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements.

IAS 32 Financial Instruments: Presentation

The amendment to the standard clarifies classification right issues in foreign currency. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is required to be applied retrospectively. However, management does not expect to have any significant effect on the consolidated financial statements on the date of initial application of the interpretation.

4.Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2009. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The consolidated financial statements have been prepared under historical cost convention, modified to include measurement at fair value of investment at fair value through statement of income and available for sale investments.

The group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and a "statement of comprehensive income".

The consolidated financial statements have been presented in Kuwaiti Dinar which is the functional currency of the parent company.

Basis of consolidation

Subsidiaries are those enterprises controlled by the parent company. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those that are acquired with a view to disposal within twelve months from the date of acquisition, are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiary are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

Non-controlling interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sales

Income from sale of goods is recognised when goods are delivered and invoices are issued.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income is recognised on accrual basis.

4. Continued / Significant accounting policies

Finance costs

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal finance balance outstanding and the interest/cost rate applicable.

Share-based payments

Certain employees (including directors) of the parent company receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares (“equity-settled transactions”).

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the parent company’s shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

The shares issued from those shares which have already been vested on or before 31 December 2004 are transferred to share capital at nominal value and these are not accounted for under IFRS 2.

Taxation and Zakat

The parent company calculates the National Labour Support Tax (NLST) in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit after deducting directors’ fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

The parent company calculates the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) at 1% of taxable profit after deducting directors’ fees in accordance with the modified calculation based on the Foundation’s Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors’ remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

Properties in the course of construction for production or administrative purposes, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment in associates

An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associates from the date the influence or ownership effectively commenced until the date that it effectively ceases.

Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate, arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the group or to a date not earlier than three months of the group's reporting date, using consistent accounting policies.

Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

Investments

The group classifies investments upon initial recognition into the following categories:

i. Investments at fair value through statement of income

ii. Available for sale investments

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost being the fair value of the consideration given, excluding transaction costs. These investments are either "held for trading" or "designated" as such on initial recognition.

4. Continued / Significant accounting policies

"Held for trading investments" are acquired principally for the purpose of selling or repurchasing them in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

"Designated investments" are non-trading investments which are initially designated as investments at fair value through statement of income. These investments are managed and evaluated on reliable fair value basis in accordance with documented investment strategy.

Subsequent to initial recognition, investments at fair value through statement of income are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case these are measured at cost less impairment.

Changes in fair value of available for sale investments are recognised as a separate component in equity under "fair value reserve" account until the investment is derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the financial position date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, and other valuation techniques commonly used by market participants.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised either when the group has transferred substantially all the risk and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset or a proportion of the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value; and

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in the fair value reserve.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash

4. Continued / Significant accounting policies

flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Inventories and spare parts

Inventories are valued at the lower of cost and net realisable value. In respect of finished goods and work-in-progress, cost includes all direct costs of production and an appropriate proportion of production overheads. Cost of raw materials, consumables and spare parts is calculated using the weighted average cost method and provision is taken for slow moving and obsolete items.

Short term murabaha and wakala investments

These are financial assets originated by the group and represent transactions with financial institutions which mature within three months from inception. These investments are stated at amortised cost.

Murabaha payables

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Musharaka bonds

Bonds are carried on the statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the bonds using the effective cost rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Term loans

Term loans are measured at amortised cost using effective interest rate method.

Provision for staff indemnity

Provision for staff indemnity is computed based on employees' accumulated periods of service at the financial position date in accordance with the Kuwait labour law for the private sector and the group's bye-laws.

Provision for land fill expenses

Provision for land fill expenses is calculated based on the expected cost which is required to restore the leased sites, used by the group for extracting raw materials for its operations, to its original condition.

Provisions

Where the group has a present legal or constructive obligation stemming from a past event which is likely to result in an outflow of resources and a reliable estimate can be made of the amount of the obligation concerned, a provision is recognised.

Treasury shares

The parent company's holding in its own shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within equity and no cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces average cost per share of treasury shares without affecting the total cost of treasury shares.

Gains resulting from the sale of treasury shares are taken directly to equity under "treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained profits then reserves. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained profits equal to the loss previously charged to these accounts.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows cash and cash equivalents consist of bank balances and cash and short-term deposit maturing within three months. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

4. Continued / Significant accounting policies

Foreign currencies translation

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Judgments

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, designated at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as designated at fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of the consolidated statement of income in the management accounts, they are classified as designated at fair value through statement of income.

All other investments are classified as available for sale.

Impairment of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The group recognised impairment loss of KD5,647,834(2009: KD9,474,572) in these consolidated financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instruments that is substantially the same; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are certain investments where this estimation cannot be reliably determined, and as a result available for sale investments with a carrying amount of KD22,206,489 (2009: KD26,015,900) are carried at cost. Management is not aware of any indication of impairment in these investments.

5.Subsidiaries

The details of the subsidiaries are as follows:

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2010 %	31 Dec. 2009 %	
Building Systems Industries Company - WLL	Kuwait	**100**	100	Construction contracting
National Industries Company for Ceramic - KSCC	Kuwait	**60**	-	Manufacturing

During the year, the group consolidated with effect from 1 January 2010 National Industries Company for Ceramics – KSCC. The group owns 60% of the subsidiary. The group's capital participation of KD3,000,000 in the subsidiary was in the form of right of use of land which was eliminated on consolidation . The subsidiary is expected to commence commercial production during 2011.

6.Other operating income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Rental income	**490,566**	317,500
Other	**362,815**	238,036
	853,381	555,536

7.Investment income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Profit on sale of available for sale investments	**298,537**	354,115
Dividend income from available for sale investments	**118,570**	975,131
Dividend income from investments at fair value through statement of income	**15,000**	30,429
Loss from investments at fair value through statement of income	**(378,008)**	(800,821)
Income from short term murabaha and wakala investments	**54,765**	465,802
Interest and other income	**59,554**	33,398
	168,418	1,058,054

8.Net gain/(loss) on financial assets

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Available for sale investments	**(5,230,727)**	(8,145,326)
Investments at fair value through statement of income	**(363,008)**	(770,392)
Short term murabaha and wakala investments	**54,765**	465,802
Total realised and unrealised loss	**(5,538,970)**	(8,449,916)
Unrealised gain recognised in equity	**2,821,629**	4,110,540
	(2,717,341)	(4,339,376)

9.Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the owners of the parent by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2010	Year ended 31 Dec. 2009
Profit/(loss) for the year attributable to the owners of the parent (KD)	**4,081,841**	(2,661,009)
Weighted average number of shares outstanding during the year (excluding treasury shares)	**344,725,629**	344,225,112
Basic and diluted earnings/(loss) per share	**11.84 Fils**	7.73 Fils

The staff bonus shares scheme has no effect on the diluted earnings/(loss) per share and accordingly such information has not been presented.

10. Property, plant and equipment

	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Property under construction KD	Total KD
2010						
Cost						
At 1 January	24,936,693	35,415,259	9,340,322	4,542,078	12,972,461	**87,206,813**
Additions/transfers	140,842	1,001,580	915,396	143,253	3,113,172	**5,314,243**
Write-off	(19,466)	(424,042)	(106,756)	(78,847)	-	**(629,111)**
Disposals	-	-	(9,854)	-	-	**(9,854)**
At 31 December	25,058,069	35,992,797	10,139,108	4,606,484	16,085,633	**91,882,091**
Accumulated depreciation						
At 1 January	23,058,314	29,584,986	7,756,319	4,243,266	-	**64,642,885**
Charge for the year	223,861	1,336,697	696,504	146,220	-	**2,403,282**
Relating to write-off	(19,465)	(418,865)	(105,313)	(78,437)	-	**(622,080)**
Relating to disposals	-	-	(9,853)	-	-	**(9,853)**
At 31 December	23,262,710	30,502,818	8,337,657	4,311,049	-	**66,414,234**
Net book value						
At 31 December	1,795,359	5,489,979	1,801,451	295,435	16,085,633	**25,467,857**

10. Property, plant and equipment

	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Property under construction KD	Total KD
2009						
Cost						
At 1 January	24,142,321	33,144,362	9,038,160	4,370,135	11,096,772	81,791,750
Additions/transfers	794,372	2,270,897	338,112	209,536	1,875,689	5,488,606
Disposals	-	-	(35,950)	(37,593)	-	(73,543)
At 31 December	24,936,693	35,415,259	9,340,322	4,542,078	12,972,461	87,206,813
Accumulated depreciation						
At 1 January	22,868,546	28,408,357	7,144,047	4,142,996	-	62,563,946
Charge for the year	189,768	1,176,629	623,121	137,862	-	2,127,380
Relating to disposals	-	-	(10,849)	(37,592)	-	(48,441)
At 31 December	23,058,314	29,584,986	7,756,319	4,243,266	-	64,642,885
Net book value						
At 31 December	1,878,379	5,830,273	1,584,003	298,812	12,972,461	22,563,928

The estimated useful lives of the property, plant and equipment for the calculation of depreciation are as follows:

Buildings	4 to 20 years
Plant and equipment	1 to 10 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 5 years

The parent company's buildings have been constructed on lands which have been leased from the government through renewable lease contracts.

Buildings, plant and equipment with a net book value of KD1,623,381 are secured against the Musharaka bonds (Note 19).

Property under construction represents the cost incurred, on the expansion of the group's existing factories and the construction of a new office building. These costs will be transferred to the appropriate asset categories when the assets are ready for their intended use.

11.Investment in associates

	Country of incorporation	**Percentage of ownership**		**Purpose**
		31 Dec. 2010	31 Dec. 2009	
Saudi Insulation Bricks Company –WLL	Saudi Arabia	**50%**	50%	Manufacturing
Kuwait Rocks Company – KSC (Closed)	Kuwait	**38%**	38%	Building materials
Al-Raya Global Real Estate Co. – KSCC	Kuwait	**20%**	20%	Real estate
Insulation System Factory – WLL	Bahrain	**50%**	50%	Contracting
United Gulf Pipes Factory – LLC	Oman	**30%**	30%	Manufacturing
Industrial Constructions Company – LLC	Oman	**35%**	50%	Manufacturing
Omani German Company for Building Materials – LLC	Oman	**30%**	30%	Manufacturing

The movement of investment in associates during the year is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Balance at beginning of the year	**7,175,260**	8,381,624
Additions during the year	**-**	581,346
Reclassification	**(312,633)**	-
Share of results	**(97,116)**	(1,848,617)
Share of other comprehensive income	**(85,157)**	60,907
	6,680,354	7,175,260

As a result of finalisation of the incorporation procedures during the year, the group's shares in two associates, Industrial Construction Company and Saudi Installation Bricks were revised. As a result, the group's investments aggregating KD312,633 have been reclassified as receivables from these associates.

Share of associates' assets and liabilities:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Assets	**13,692,152**	10,377,304
Liabilities	**(7,011,798)**	(3,202,044)
	6,680,354	7,175,260

11. Continued / Investment in associates

Share of associates' revenue and loss:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Revenue	**2,985,798**	979,165
Loss	**(97,116)**	(1,848,617)

All associates are unquoted.

12.Available for sale investments

	31 Dec. 2010 KD	31 Dec. 2009 KD
Local quoted securities	**12,642,028**	10,502,834
Local unquoted securities	**12,316,503**	15,730,719
Foreign quoted securities	**2,926,114**	5,054,907
Foreign unquoted securities	**22,080,562**	25,493,934
	49,965,207	56,782,394

During the year, certain available for sale investments which were carried at coast amounting to KD1,398,880(2009: KD1,530,874) were sold resulting into a gain of KD188,112 (2009: KD354,115).

During the year, the parent company recognised an impairment loss of KD5,647,834 (2009: KD9,474,572) against certain investments in the consolidated statement of income.

13.Inventories and spare parts

	31 Dec. 2010 KD	31 Dec. 2009 KD
Raw materials	**4,585,571**	4,546,533
Finished goods and work-in-progress	**3,218,840**	3,799,301
Spare parts	**2,664,311**	2,753,539
Goods in transit	**732,395**	1,359,436
	11,201,117	12,458,809
Provision for obsolete and slow moving items	**(796,000)**	(1,596,000)
	10,405,117	10,862,809

During the year, the group has written off obsolete inventories against the provision amounting to KD800,000.

14.Investments at fair value through statement of income

	31 Dec. 2010 KD	31 Dec. 2009 KD
Designated on initial recognition:		
Managed funds and portfolios	**4,548,730**	3,646,540
Quoted equity securities	**946,853**	823,350
	5,495,583	4,469,890

15.Accounts receivable and other assets

	31 Dec. 2010 KD	31 Dec. 2009 KD
Trade receivables	**7,618,857**	8,877,723
Provision for doubtful debts	**-**	(1,155,244)
	7,618,857	7,722,479
Due from ultimate parent company	**348,523**	248,435
Due from associates	**4,634,957**	4,108,700
Due from related companies	**9,023**	10,292
Staff receivables	**151,113**	111,537
Advance payments towards purchase of investments	**21,615**	121,615
Prepayments	**531,742**	472,791
Accrued income and other assets	**177,110**	110,875
	13,492,940	12,906,724

15.1 During the year, the group has written off certain old receivables against provision amounting to KD1,155,244.

15.2 The carrying values of the financial assets included above approximate their fair values and are due within one year.

15.3 Trade receivables are non-interest bearing and generally on 30 – 90 days credit terms. As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Neither past due nor impaired	**7,179,657**	7,372,479
Past due but not impaired		
3 – 6 months	**439,200**	350,000
Impaired (fully provided for)		
Over 6 months	**-**	1,155,244
Total trade receivables	**7,618,857**	8,877,723

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2010, trade receivables of KD439,200 (2009: KD350,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

16.Share capital and share premium

	31 Dec. 2010 KD	31 Dec. 2009 KD
Shares of KD0.100 each		
- Authorised	**34,620,187**	34,620,187
- Issued and fully paid	**34,620,187**	34,613,430

16.1 During the year 67,568 (2009: 227,380) shares were issued under the staff bonus scheme with a share premium amounting to KD18,752 (2009: KD28,560).

16.2 Share premium is not available for distribution.

17.Treasury shares

	31 Dec. 2010	31 Dec. 2009
Number of shares	**1,374,609**	1,621,717
Percentage of issued shares	**0.40%**	0.47%
Cost of treasury shares (KD)	**567,324**	669,310
Market value (KD)	**536,098**	681,121

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

18.Legal and voluntary reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is transferred to legal reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for distribution of a dividend of that amount.

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is transferred to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

19.Musharaka bonds

	Interest rate	Security	**31 Dec. 2010 KD**	31 Dec. 2009 KD
Musharaka bonds	1% + LIBOR	Secured	**14,010,105**	28,611,853
			14,010,105	28,611,853
Less: Instalments due within next twelve months			**(14,010,105)**	(14,305,926)
Due after twelve months			**-**	14,305,927

During October 2007 the parent company entered into an Islamic financing arrangement whereby the parent company issued secured Musharaka bonds (Sukuk Al-Musharaka) of US Dollars 100,000,000 at an issue price of 100% of their principal amount which are due in 4 equal semi-annual instalments commencing from April 2010 and ending in October 2011. The bonds carry a cost rate of LIBOR plus 1% per annum which should be distributed semi-annually to the bond holders. The Islamic financing arrangement is secured by four of the parent company's factories (see Note 10) and is also guaranteed by the ultimate parent company.

The effective profit rate on Musharaka bonds was 1.5% (2009: 3.2%).

The bonds are stated at the principal amount, net of the unamortized portion of directly related costs of issuing the bonds which amounted to KD97,395 at 31 December 2010 (2009: KD223,147).

During the year, the parent company made two payments of USD25,000,000 each to the bond holders being the first two instalments of the principal amount of the musharaka bonds.

20. Term loans

a) Long term

The parent company obtained from Industrial Bank of Kuwait a loan facility of KD9,000,000 bearing 3.5% interest per annum on drawn amount and 1% per annum on undrawn facility. The loan has been obtained to partly finance establishment of a new factory and has been guaranteed by the ultimate parent company.

The first instalment of this loan was payable on 15 July 2010. However, since full draw down of the available facility was not made until that date, the parent company agreed with the Industrial Bank of Kuwait to revise the repayment schedule whereby the repayments would now commence from 15 July 2011. The loan will be repaid in ten semi annual instalments of KD900,000 each.

The amount due within the next twelve months is shown under current liabilities.

b) Short term

The parent company obtained from a local financial institution a loan facility of KD8,000,000 bearing 5.74% interest per annum on drawn amount. The loan has been obtained to finance investment activities. At 31 December 2010, KD2,700,000 was outstanding against this facility. The loan is repayable within one year.

21.Murabaha payables

	31 Dec. 2010 KD	31 Dec. 2009 KD
Gross amount	**322,873**	-
Less: deferred profit payable	**(10,793)**	-
	312,080	-
Less: amount due within one year	**(279,878)**	-
Amount due after one year	**32,202**	-

This represents murabaha facilities obtained from a local Islamic financial institution carrying an average effective profit rate of 7.8% (2009: Nil) per annum.

22.Accounts payable and other liabilities

	31 Dec. 2010 KD	31 Dec. 2009 KD
Trade payables	**3,119,586**	3,914,646
Due to associates	**178,385**	383,172
Due to other related companies	**104,547**	58,067
Staff payables	**136,613**	160,002
Provision for staff leave	**542,039**	514,634
Accrued expenses	**1,036,511**	1,037,265
Due to customers for contract works	**1,009**	2,680
Other liabilities	**575,926**	347,025
	5,694,616	6,417,491

23.Fixed deposit

Fixed deposit yields interest at an average rate of 1.85% per annum. The deposit is pledged against bank facilities (note 28).

24.Cash and cash equivalents

	31 Dec. 2010 KD	31 Dec. 2009 KD
Cash and bank balances	**2,749,674**	4,938,806
Short term deposit – maturing within three months	**250,000**	150,000
Cash and cash equivalents in the consolidated statement of cash flows	**2,999,674**	5,088,806

Short term deposit yields interest at an average rate of 1.85% per annum and matures within 90 days.

25.Operating segments

The group's format for reporting segment information is business segments and the group primarily operates in two business segments: Building materials and Investments. The segment information is as follows:

	Building materials		Investment		Total	
	31 Dec. 2010 KD	31 Dec. 2009 KD	**31 Dec. 2010 KD**	31 Dec. 2009 KD	**31 Dec. 2010 KD**	31 Dec. 2009 KD
Segment revenue/(loss)	**40,923,013**	38,358,162	**(5,576,532)**	(10,265,135)	**35,346,481**	28,093,027
Loss from investments	**-**	-	**5,479,416**	8,416,518	**5,479,416**	8,416,518
Share of results of associates	**-**	-	**97,116**	1,848,617	**97,116**	1,848,617
Sales, per consolidated statement of income					**40,923,013**	38,358,162
Segment results	**10,077,689**	9,982,233	**(5,576,532)**	(10,265,135)	**4,501,157**	(282,902)
Unallocated expenses					**(419,316)**	(2,378,107)
Profit/(loss) for the year, per consolidated statement of income					**4,081,841**	(2,661,009)
Depreciation	**2,403,282**	2,127,380	**-**	-	**2,403,282**	2,127,380
Impairment loss on available for sale investments	**-**	-	**5,647,834**	9,474,572	**5,647,834**	9,474,572
Assets	**44,360,819**	41,854,711	**70,295,913**	78,145,100	**114,656,732**	119,999,811
Liabilities	**(24,161,713)**	(38,643,465)	**(9,280,831)**	(9,083,172)	**(33,442,544)**	(47,726,637)
20,199,106	**3,211,246**	61,015,082	**69,061,928**	81,214,188	**72,273,174**	

26.Proposed dividends

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose for the year ended 31 December 2010 a cash dividend of 8 Fils per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The general assembly of the shareholders held on 8 April 2010 approved the consolidated financial statements for the year ended 31 December 2009. The general assembly also approved to write-off accumulated losses of KD10,657,235 as at 31 December 2009 by transfers from legal reserve of KD5,058,111 and KD5,599,124 from voluntary reserve, respectively.

27.Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the parent company, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Amounts included in the consolidated financial position:		
Due from ultimate parent company (note 15)	**348,523**	248,435
Due from associate (note 15)	**4,634,957**	4,108,700
Due from other related companies (note 15)	**9,023**	10,292
Due to associate (note 22)	**178,385**	383,172
Due to other related companies (note 22)	**104,547**	58,067

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Transactions included in the consolidated statement of income:		
Investment income from portfolio managed by related party	**-**	465,802
Interest income	**3,568**	2,413
Management fees	**46,479**	46,479
Purchase of raw materials (associate)	**3,327,687**	3,391,846
Compensation of key management personnel of the parent company		
Short term benefits	**202,135**	200,125
End of service benefits	**27,770**	27,078
Cost of share based payments	**153,485**	88,933
	383,390	316,136

28.Commitments and contingent liabilities

	31 Dec. 2010 KD	31 Dec. 2009 KD
Commitments to purchase investment securities	**1,410,750**	1,441,750
Letters of guarantee	**482,000**	495,884
Letters of guarantee from ultimate parent company	**200,000**	200,000
	2,092,750	2,137,634

29.Risk management objectives and policies

The recognition and management of risk is an essential element of group's risk strategy. The Board is ultimately responsible for the management of risks associated with group's activities. It has established a framework of policies and controls to identify, assess, monitor and manage risk.

Group's risk policies and processes aim to protect the asset values and income streams such that the interests of shareholders and external fund providers are protected and shareholders' return is optimised.

29.1 Market risk

a) Foreign currency risk

The group mainly operates in Kuwait, Middle East and other international markets for its investments and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and currencies of other Middle Eastern countries. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2010 KD	31 Dec. 2009 KD
US Dollar	**429,869**	(15,526,697)
UAE Dirhams	**1,155,998**	738,133
Jordanian Dinar	**1,480,163**	4,181,528
Saudi Riyal	**7,628,877**	6,217,243
Bahraini Dinar	**1,896,323**	2,125,691
Omani Riyal	**656,965**	977,496
Qatari Riyal	**2,059,300**	2,568,922

The foreign currency sensitivity is determined assuming 5% (2009: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

If the Kuwaiti Dinar had strengthened/weakened assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	31 Dec. 2010 KD	**31 Dec. 2009 KD**	**31 Dec. 2010 KD**	31 Dec. 2009 KD
US Dollar	**± 609,699**	±1,348,297	**± 631,193**	±571,962
Other currencies	**± 201,993**	±344,512	**± 417,105**	±473,523

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to fixed deposit, musharaka bonds, murabaha payables and term loans.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2009: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2010		31 Dec. 2009	
	+ 1 %	**-1 %**	+ 1 %	-1 %
	KD	**KD**	KD	KD
Profit for the year	**(230,246)**	**230,246**	(371,619)	371,619

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through statement of income and available-for-sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2010	31 Dec. 2009
Kuwait market	**5%**	5%
Other international markets	**10%**	10%

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	Profit for the year		Equity	
	31 Dec. 2010	31 Dec. 2009	**31 Dec. 2010**	31 Dec. 2009
	KD	KD	**KD**	KD
Financial assets at fair value through statement of income	**274,779**	223,495	**-**	-
Available-for-sale investments	**-**	-	**924,713**	1,030,632
Total	**274,779**	223,495	**924,713**	1,030,632

29.Risk management objectives and policies (continued)

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarized below:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Bank balances	**2,981,347**	5,046,632
Fixed deposit	**150,000**	150,000
Accounts receivable and other assets	**13,492,940**	12,906,724
	16,624,287	18,103,356

Bank balances and fixed deposit are maintained with high credit quality financial institutions. Accounts receivable and other assets are neither past due nor impaired.

29.3 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 group's maturity profile of financial liabilities using undiscounted cash flows is as follows:

	Up to 1 month KD	**1-3 months KD**	**3-12 months KD**	**Over 1 year KD**	**Total KD**
As at 31 December 2010					
Musharaka bonds	-	-	**14,308,931**	-	**14,308,931**
Term loans	-	-	**3,770,649**	**5,996,460**	**9,767,109**
Murabaha payables	-	**273,753**	**13,815**	**35,305**	**322,873**
Provision for land fill expenses	-	-	-	**655,163**	**655,163**
Provision for staff indemnity	-	-	-	**3,668,134**	**3,668,134**
Accounts payable and other liabilities	**1,176,406**	**4,518,210**	-	-	**5,694,616**
	1,176,406	**4,791,963**	**18,093,395**	**10,355,062**	**34,416,826**

29.3 . Continued / Liquidity risk

As at 31 December 2009					
Musharaka bonds	-	-	14,649,276	14,422,541	29,071,817
Term loans	-	-	2,794,500	6,388,500	9,183,000
Provision for land fill expenses	-	-	-	630,562	630,562
Provision for staff indemnity	-	-	-	3,366,731	3,366,731
Accounts payable and other liabilities	2,400,000	4,017,491	-	-	6,417,491
	2,400,000	4,017,491	17,443,776	24,808,334	48,669,601

30. Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2010		31 Dec. 2009	
	Carrying amount KD	**Fair value KD**	Carrying amount KD	Fair value KD
Cash and bank balances	**2,999,674**	**-**	5,088,806	-
Fixed deposit	**150,000**	**-**	150,000	-
Accounts receivable and other assets	**13,492,940**	**-**	12,906,724	-
Investments at fair value through statement of income	**-**	**5,495,583**	-	4,469,890
Available for sale investments	**22,206,489**	**27,758,718**	26,015,900	30,766,494
	38,849,103	**33,254,301**	44,161,430	35,236,384
Term loans	**9,102,446**	**-**	8,700,000	-
Accounts payable and other liabilities	**5,694,616**	**-**	6,417,491	-
Musharaka bonds	**14,010,105**	**-**	28,611,853	-
Murabaha payables	**312,080**	**-**	-	-
	29,119,247	**-**	43,729,344	-

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2010

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Managed funds and portfolios	a	-	**4,548,730**	-	**4,548,730**
Quoted equity securities	b	**946,853**	-	-	**946,853**
Available for sale investments:					
Local quoted securities	b	**12,642,028**	-	-	**12,642,028**
Local unquoted securities	c	-	-	**6,365,536**	**6,365,536**
Foreign quoted securities	b	**2,926,114**	-	-	**2,926,114**
Foreign unquoted securities	c	-	-	**5,825,040**	**5,825,040**
Net fair value		**16,514,995**	**4,548,730**	**12,190,576**	**33,254,301**

31 December 2009

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Managed funds	a	-	3,646,540	-	3,646,540
Quoted equity securities	b	823,350	-	-	823,350
Available for sale investments:					
Local quoted securities	b	10,502,834	-	-	10,502,834
Local unquoted securities	c	-	-	9,254,753	9,254,753
Foreign quoted securities	b	5,054,907	-	-	5,054,907
Foreign unquoted securities	c	-	-	5,954,000	5,954,000
Net fair value		16,381,091	3,646,540	15,208,753	35,236,384

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Managed funds and portfolios

The underlying investments of managed funds and portfolios primarily comprise of local quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities

The group does not have any financial liabilities at fair value.

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

30. Continued / Summary of financial assets and liabilities by category

	Available for sale investments	
	Unquoted securities	Unquoted securities
	31 Dec. 2010 KD	31 Dec. 2009 KD
Opening balance	**15,208,753**	14,684,562
Gains or losses recognised in:		
- Consolidated statement of income	**110,425**	(324,140)
- Other comprehensive income	**(532,169)**	1,646,500
Purchases	**134,267**	14,337
Reclassification out of Level 3	**-**	(812,506)
Sales	**(2,730,700)**	-
Closing balance	**12,190,576**	15,208,753

Gains or losses recognised in the consolidated statement of income (as above) for the year are included in investment and other income and impairment loss on available for sale investments accounts.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.

During the year group reclassified investments amounting to KD Nil (2009: KD812,506) out of level 3 to level 1 as a result of the investments becoming quoted.

31.Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group consists of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the return on equity and is calculated as profit/(loss) for the year divided by total equity as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Profit/(loss) for the year	**4,081,841**	(2,661,009)
Total equity	**79,214,188**	72,273,174
Return on equity	**5.15%**	(3.68%)