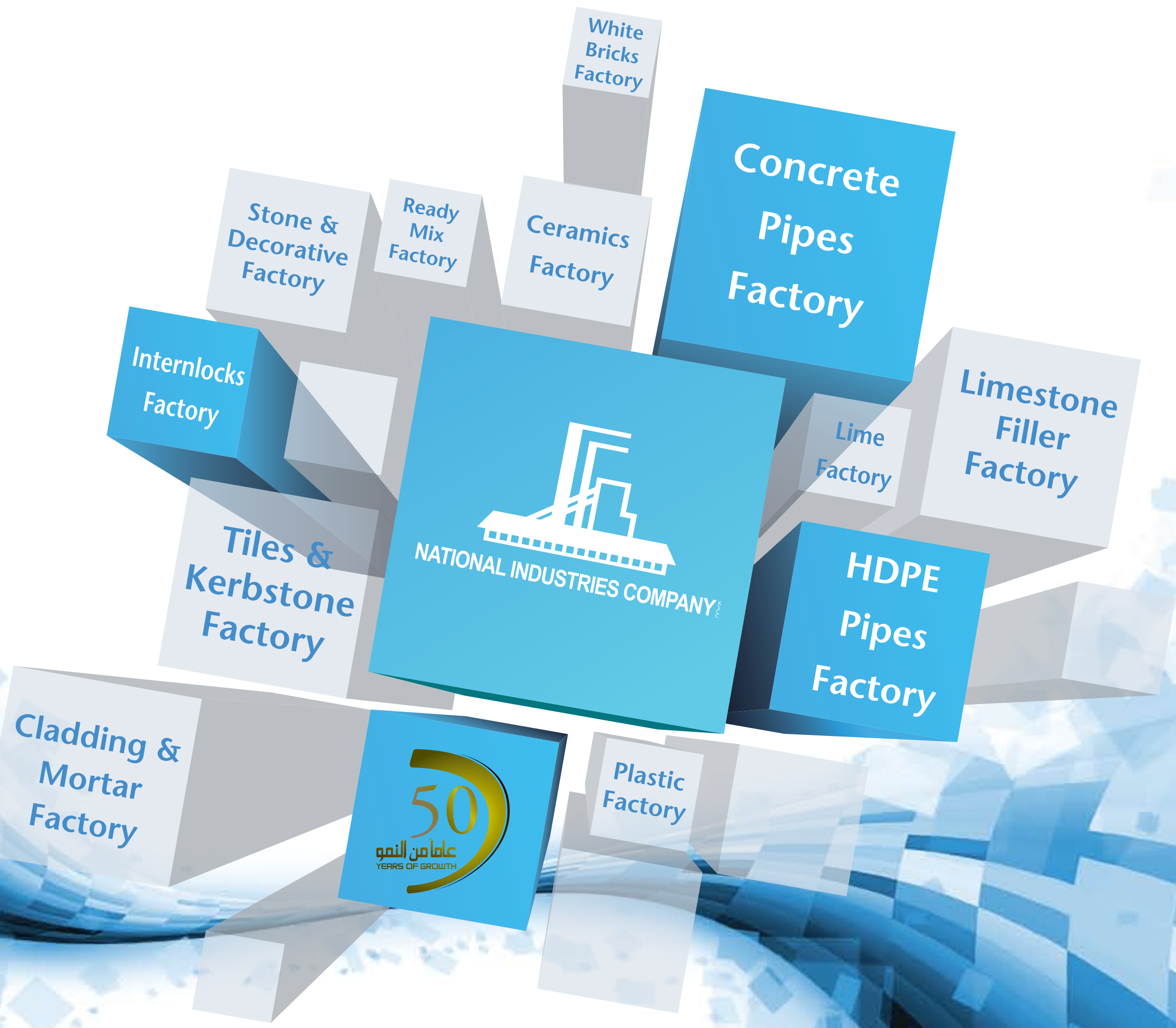
Annual Report 2011

Our success ...
Constant ...



NATIONAL INDUSTRIES COMPANY

2011 Annual Report

Tel.: 1844555 - Fax: (+965) 24918052
www.nicbm.com

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
Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

CONTENTS


Corrosion Inhibitors Concrete
Concrete With M. Silica
Plain concrete
Fiber Reinforced Concrete
Silp Forms Concrete
Ready Mix Factory
Since 1960
Concrete With GGBS
Mortar Concrete
Self Compacting Concrete
Water Proof Concrete
Reinforced Concrete
Color Concrete
Air-Entrained Concrete
Screed Concrete

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

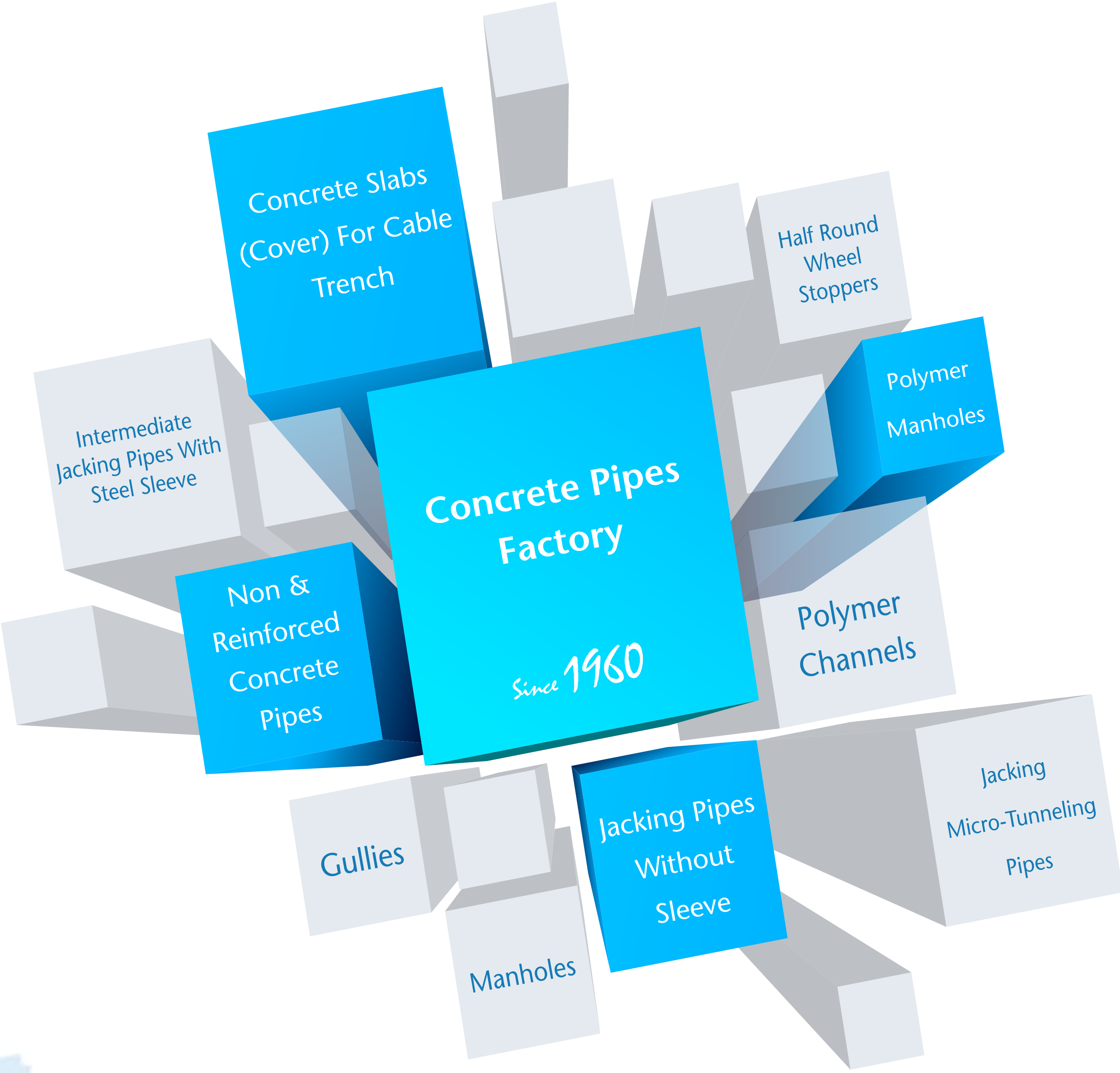
Director

Mr. Ahmad Mohammed Hassan

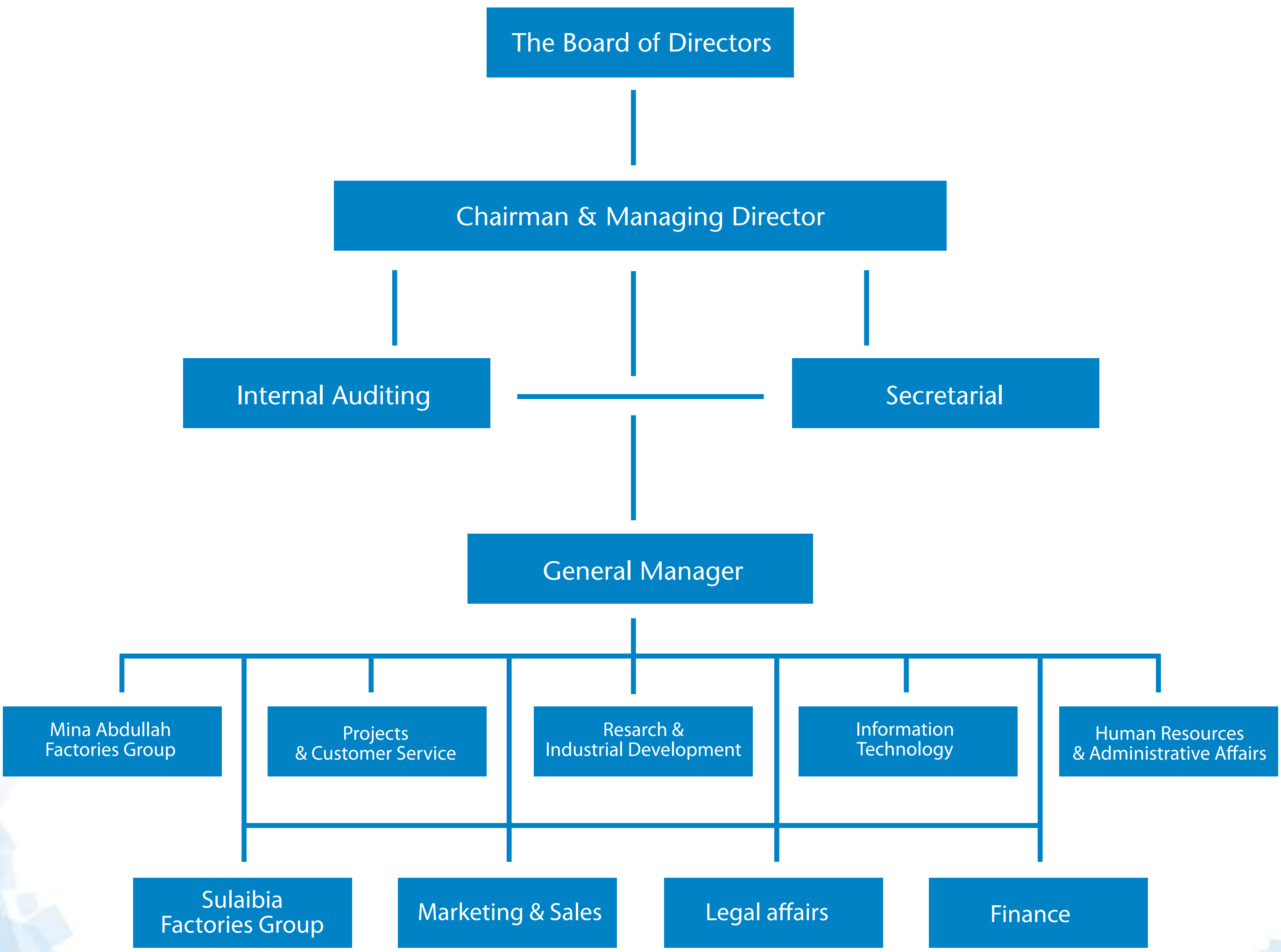
Director

Mr. Dr. Saud Abdullah Al-Farhan

General Manager


Concrete Slabs (Cover) For Cable Trench
Half Round Wheel Stoppers
Intermediate Jacking Pipes With Steel Sleeve
Polymer Manholes
Concrete Pipes Factory
Since 1960
Non & Reinforced Concrete Pipes
Polymer Channels
Gullies
Jacking Pipes Without Sleeve
Jacking Micro-Tunneling Pipes
Manholes

ORGANIZATIONAL STRUCTURE




Decorative Sand Lime Bricks
Sand Lime Interlocks
Stone & Decorative Factory
Lime stone Filler Factory
Lime Factory
Since 1960
Sand Lime Bricks
De Hydrated Lime
Hydrated Lime
Sand Lime Blocks

Chairman & Managing Director's Message

Dear shareholders,

On behalf of myself, my colleagues on the Board of Directors and members of the executive management of the National Industries Company, I warmly welcome all of you in our fifty-first Annual General Assembly Meeting. It is my pleasure to present to you our Annual report for the fiscal year ended on 31 December 2011, asking Allah Almighty to bestow success upon our company.

2011 was not as we anticipated as far as the increase of sales, on the contrary, there was a decline by 4.2 % from the previous year primarily due to decrease of exports, whereas the company has achieved operating profits amounted to KD 11.5 million against decrease in investment assets that led to a net profit of KD 4.2 million (i.e. 12 fils per share), an increase of 4 % from last year. Shareholders' equity has declined 1.4 % to KD 78.1 million.

Allah willing, 2012 will be a continuation of success and further growth of your company due to improvement in real estate market, launching of development projects, diversity of products, increasing production capacity, expansions in Kuwait and the region, such as, ceramic, light weight bricks, polyethylene pipes factories in Kuwait, Saudi Arabia, Bahrain and Oman.

The Board of Directors believe that the economical crisis eventually vanish even if it prolong and prosperity only to those who has production capacity in place. Hence, the company has adopted a balanced policy between growth in Kuwait and the region and maximizing shareholder's value while distributing sustainable dividend.

Hence, the company aspires this year to introduce new industrial projects and boosting output capacity in addition to developing a number of new products.

In light of this, the Board of directors has recommended, in its meeting held on 22/3/2012, to the General assembly to distribute dividend of 10 fils per share for the fiscal year 2012.

On this occasion, we would like to express our gratitude to our esteemed shareholders in general and in particular The National Industries Holding Group for its unlimited support. Our appreciation is also extended to our most valuable asset, our company's staff whose commitment and dedication has been crucial to our success.

In conclusion, I asked Allah Almighty success & prosperity.

Dr. Adel Khalid Al-Subeih
Chairman & Managing Director


Wheel Stoppers
Garden Chairs
Tiles
Cement Blocks
Manhole Covers
Tiles & Kerbstone Factory
Since 1960
Inter Locks Factory
Since 1978
Interlocks
Garden Stone
Road Barriers
Telephones Manhole
Cladding Stone
Cable Covers
Cement Columns
Flower Pots
Kerbstone

2011 Board of Directors Report

Esteemed shareholders

2011 has witnessed a slight decline in the company's operational performance, as the company has achieved net profit of KD 11.5 million with a decrease by 4.2 % from the past year due to decline of sales from KD 40.9 million in 2010 to KD 40.3 million in 2011, owing to reduction in exports.

The impact of the global economic crisis still cast its shadow on financial markets which led to incur the company unrealized investment losses pursuant to the application of financial accounting standards related to investments which ha led to net profit of KD 4.2 million by a dividend rate 12 fils per share with an increase of 4 % from last year.

Shareholders' equity reached KD 78.1 million compared with KD 79.2 million in 2010, due to decline of evaluating fair value reserves of shares according to market value from KD 7.5 million in 2010 to KD 5 million, this has led to decline of book value per share from 229 fils in 2010 to 226 fils this year.

Here is a review of the company's operational activities in 2011 as well as the implemented projects throughout the year and underway projects:

First: Mina Abdullah Factories Group:

Total sales reached KD 18.7 million compared with KD 20.1 million in 2010 i.e. a decrease of 6.8 % over actual sales of 2010, and 9.2% over projected sales in 2011.

Product	Sales comparison 2011-2010
Lime	97.4 % ▲
Sand Lime Bricks	8.6 % ▼
Sand Lime Powder	12.8 % ▲
A.A.C. Blocks	16 % ▼
Nic Clad, Paints & Mortar	36.5 % ▲
Plastic (PVC)	10.2 % ▼
HDPE Pipes	13.9 % ▼
Lintels & Reinforced Slabs	29.6 % ▼
* Export Sales	41 % ▼

* export sales value reached KD 4.5 million this year compared with KD 7.7 million in the past year.


AAC Interlock Blocks
Hordy
Panels
White Blocks Factory
Since 1983
Slabs
Arches
Light Weight Blocks
Lintels

Omani German Company for Building materials & Industrial Construction Co:

(A.A.C. Factory – Sahar, Sultanate Of Oman – NIC Ownership 32.5 %)

The two were merged in one company (Omani German Company)

A. Sahar plant

Equipment installation is underway and commercial operation is expected in July 2012.

B. Muscat plant:

- An industrial land was acquired of 52.000 m2.
- Infrastructure and facilities are underway.
- Some equipment have been purchased.

Fifth: Affiliated & Sister Companies:

Building system Industries Co.:

(Kuwait – NIC Ownership 100 %)

The company's profit amounted to KD 74 thousand for the fiscal year 2011 compared with KD 70 thousand in 2010, it is notable that shareholders equity has reached KD 108 million over six years noting that the paid up capital was KD 100.000 then it was increased to KD 500.000 as a grant from retained earnings.

Kuwaiti Rocks Company:

(Kuwait – NIC Ownership 38 %)

The company has suffered a decline in its fair value in 2011 by 32.4 % compared with 2010.

Saudi Sand Lime Bricks & Building Materials Co.

(Al-Riyadh, KSA – NIC Ownership 10 %)

- The company has achieved net profit amounted to S.R 30.752.863 and the board recommended to distribute profits by 15 %.
- The company continues to expand to meet the growing demand on lime as the company has signed the sixth furnace contract with a production capacity of 500 tons per day.
- The company aspires to be listed in the coming three years.

Saudi Insulation Bricks Co.

(A.A.C. Factory – Al-Riyadh, Jeddah, KSA – NIC Ownership 50 %)

- The company has suffered losses amounted to SR 9.7 million in 2011.
- Shareholders' equity reached SR 35 million in 31/12/2011.

Second: Sulaibia Factories Group:

Total sales KD 18.6 million compared with KD 19 million in 2010 and decrease of 2.6 %.

Product	Sales comparison 2011-2010
Ready Mix	▼ 3.6 %
Concrete Pipes	▼ 37.2 %
Interlock Tiles	▲ 11.7 %
Tiles & Curb Stone	▲ 28 %

Third: Completed projects in 2011:

United Gulf Pipe Manufactring Co.

(Hdpe Pipes Factory - Muscat, Sultanate of Oman - NIC Ownership 30 %)

- The factory was commissioned early 2010 as it achieved positive outcomes.
- In 2011, after completing the second phase of the project and through expansion, production amounted to 3000 tons.
- Construction & equipment of the third phase is underway with total cost KD 2.2 million.

Fourth: Projects in progress:

The company Proceeds in completing the following underway projects:

National Industries Company for Ceramics:

(Kuwait – NIC Ownership 60 %)

Construction and equipment installation completed and pilot production anticipating commercial production to commence on the second quarter of 2012.

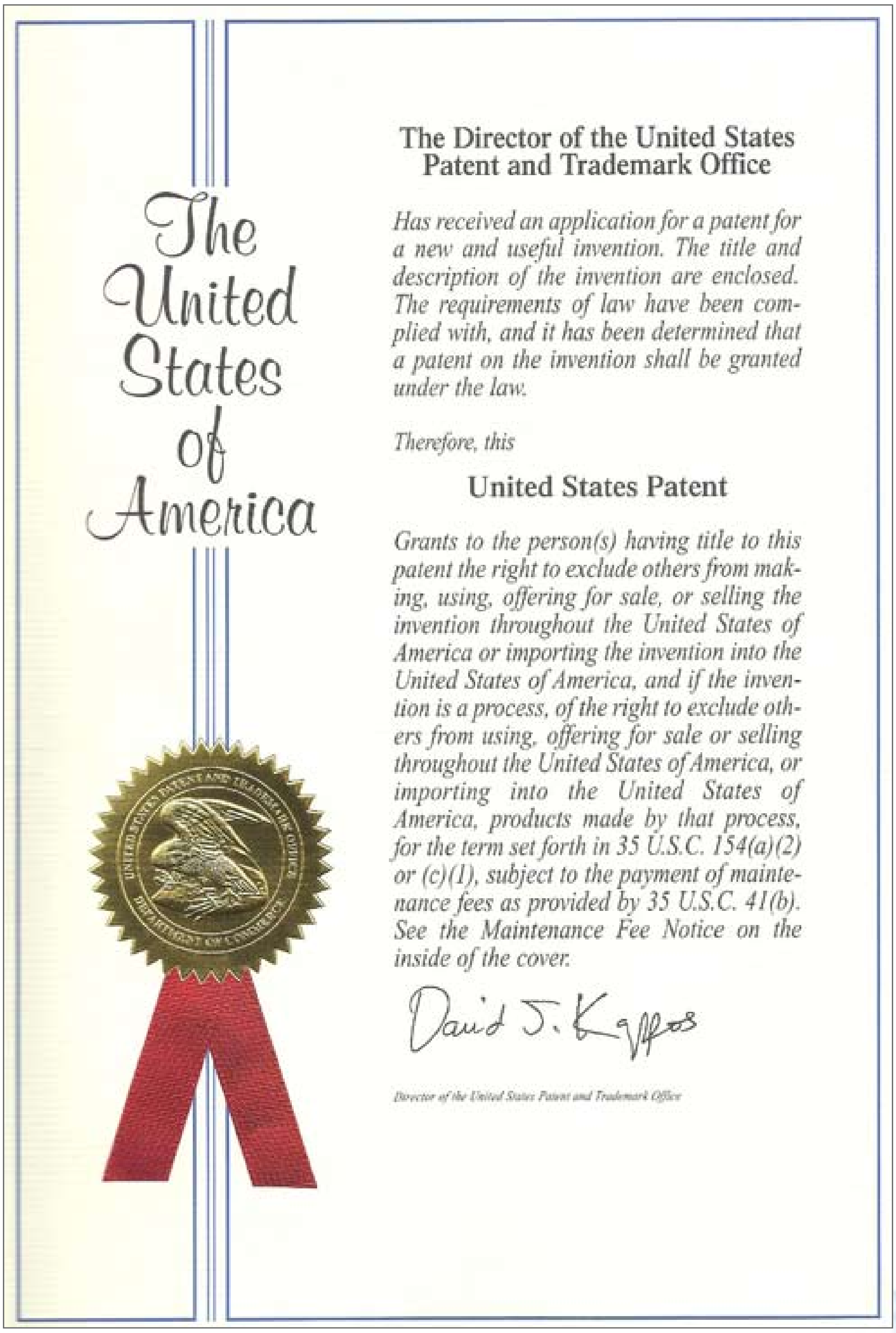
Insulation Building Systems Factory Co.

(A.A.C. Factory – Kingdom of Bahrain – Nic Ownership 50 %)

- Equipment installation commenced.
- Anticipated commissioning on the third quarter 2012.

Eighth: Research & Development

The company works constantly to develop & promote products out of its keenness to provide new advanced products with high quality and competitive prices. Due to this, the company has gained recently US patent in the realm of new technology in the production of light insulating bricks.



The United States of America

The Director of the United States Patent and Trademark Office

Has received an application for a patent for a new and useful invention. The title and description of the invention are enclosed. The requirements of law have been complied with, and it has been determined that a patent on the invention shall be granted under the law.

Therefore, this

United States Patent

Grants to the person(s) having title to this patent the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States of America or importing the invention into the United States of America, and if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States of America, or importing into the United States of America, products made by that process, for the term set forth in 35 U.S.C. 154(a)(2) or (c)(1), subject to the payment of maintenance fees as provided by 35 U.S.C. 41(b). See the Maintenance Fee Notice on the inside of the cover.

David J. Kappos

Director of the United States Patent and Trademark Office

Al-Raya Global Real Estate Co.

(Kuwait – Nic Ownership 20 %)

- The company has achieved profits reached KD 322.000 for the fiscal year 2011.
- The accumulated losses declined to KD 2.6 million.
- Shareholders' equity reached KD 18 million.

Sixth: The Company's Investments:

Within the Company's investment plan which focuses on investment in the promising operational industrial sectors such as: oil, energy, natural gas, petrochemicals, generating electricity and real estate sectors. NIC has entered as a strategic partner & founder in several leading industrial and real estate companies in the region, namely:

- Dana Gas Company.
- First Qatar Company For Real Estate Development.
- Karachi Electric Supply Corporation.
- Bayan Holding Company.
- Ikarus Oil Industries Company.
- Kuwait Energy Company.

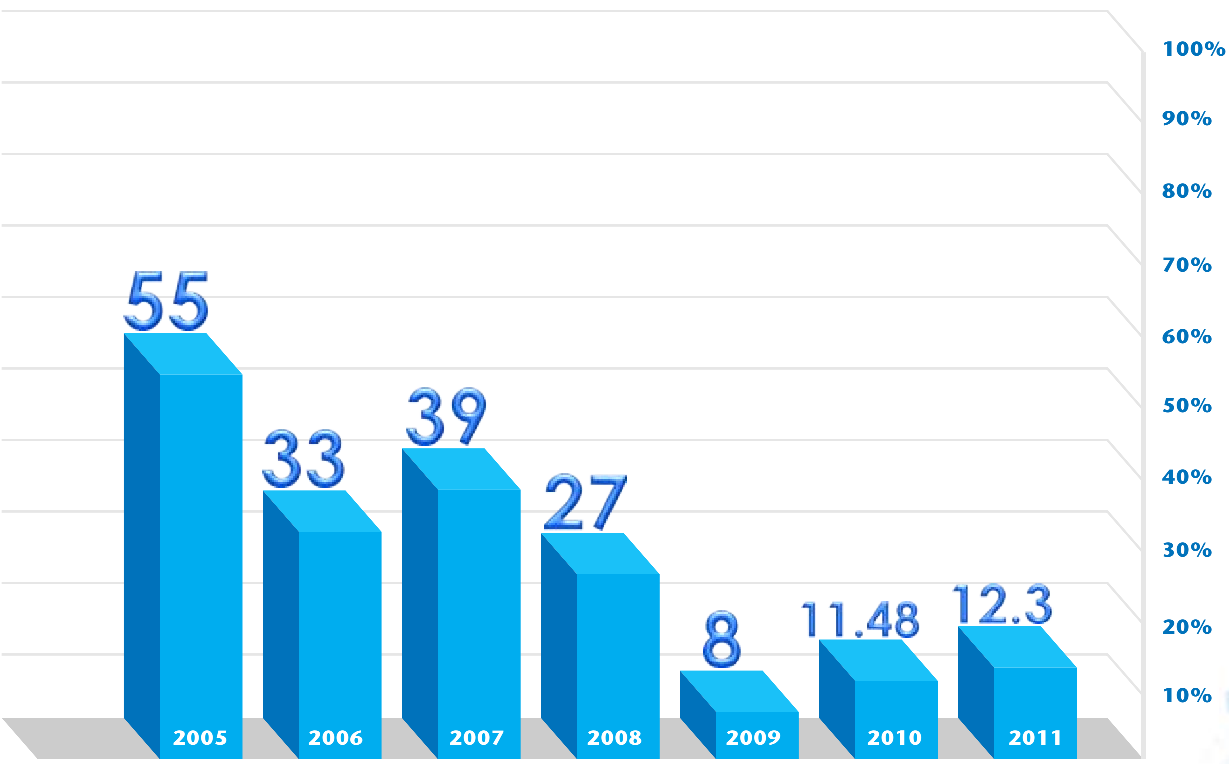
Seventh: 2012 Projects:

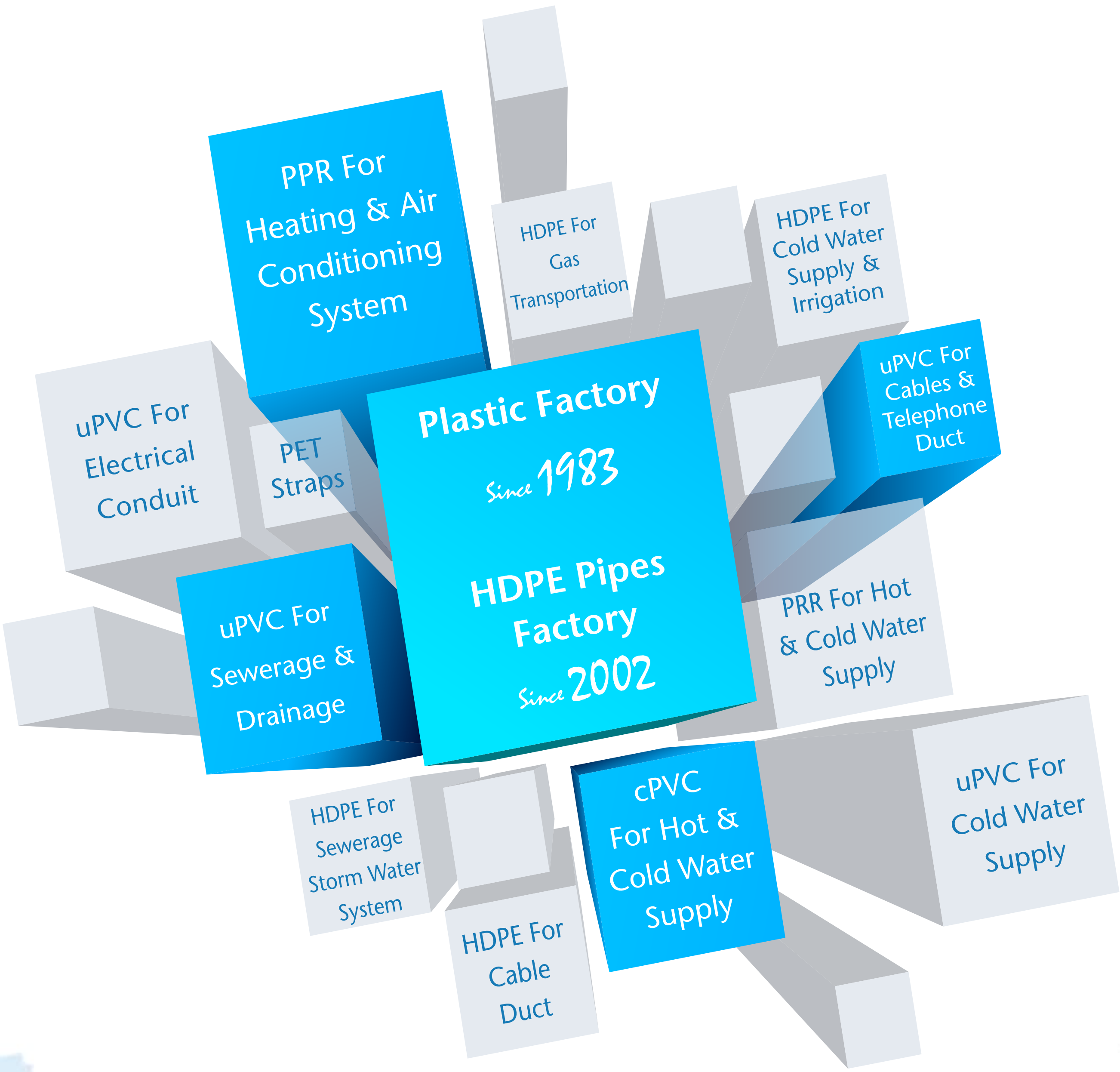
The company is expanding its operational activities via augmenting production, developing products, and entering new industrial projects. This year the company seeks adding two industrial facilities to its facilities in Kuwait.

NIC Financial performance (2005 – 2011)

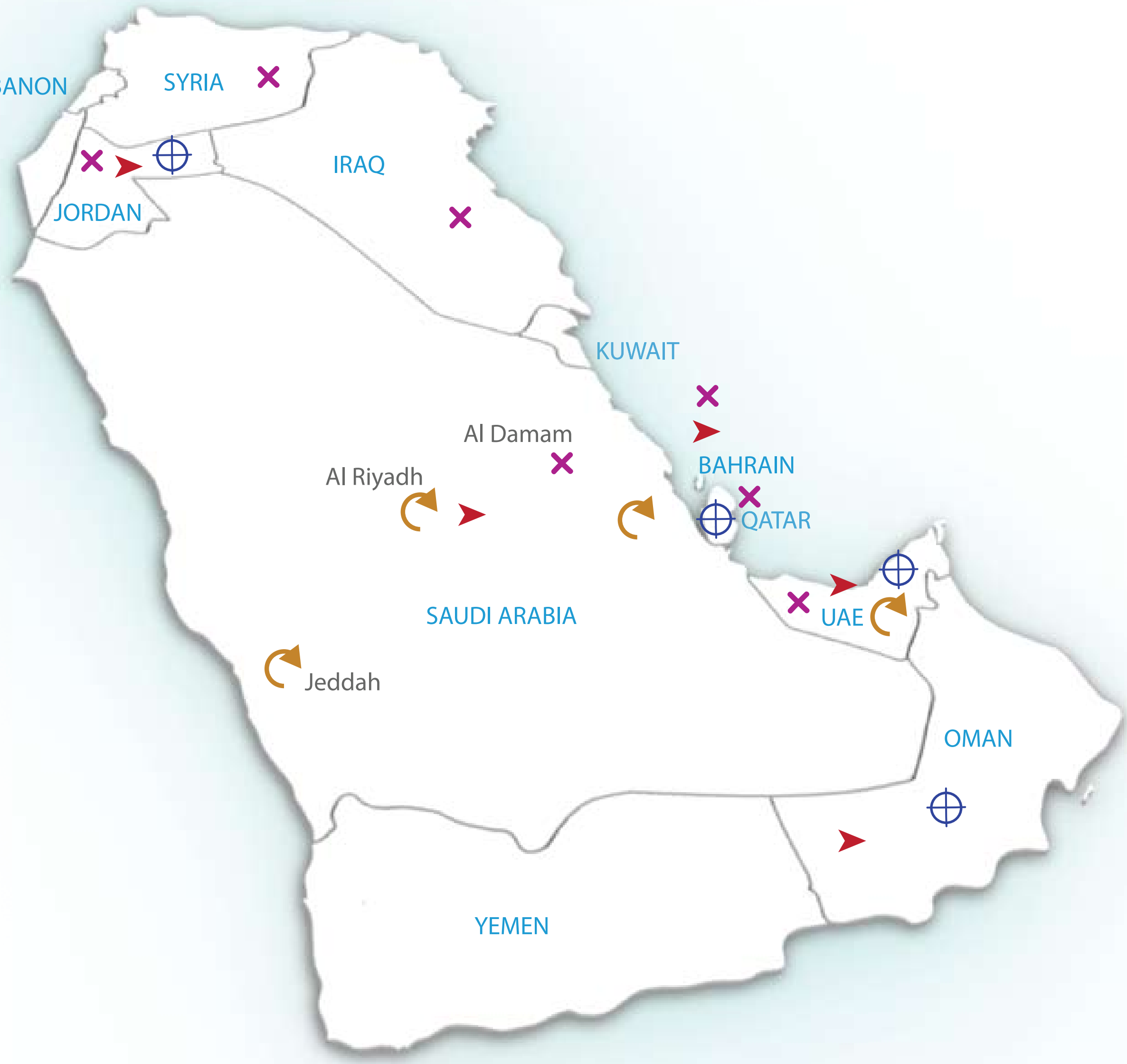
Item	2005	2006	2007	2008	2009	2010	2011
Capital	21,159,062	32,867,436	32,903,820	34,590,694	34,613,430	34,620,187	34,620,187
Sales	31,062,130	30,138,256	33,345,413	35,777,422	38,358,162	40,923,013	40,319,712
Invested Assets	65,271,618	125,904,281	133,114,169	125,863,915	119,999,202	114,656,733	109,218,261
Shareholders' equity	45,062,688	88,118,703	95,138,741	70,635,977	72,273,172	79,214,188	78,126,686
Net profit	12,265,933	9,846,139	12,577,307	(9,315,137)	(2,661,010)	4,081,841	4,236,418
Dividend	55	33	39	(27)	(8)	11.84	12.3
Book value	213	268	289	204	209	229	226
Return on equity	27.2%	11.2%	13.2%	-13,2%	-3,7%	5.2%	5.4%
Dist. Profit Cash	30	30	25	-	-	8	
Dist. Profit-Bonus	5%	-	%5	-	-		-

DIVIDENDS




PPR For Heating & Air Conditioning System
HDPE For Gas Transportation
HDPE For Cold Water Supply & Irrigation
uPVC For Electrical Conduit
PET Straps
Plastic Factory Since 1983
HDPE Pipes Factory Since 2002
uPVC For Cables & Telephone Duct
uPVC For Sewerage & Drainage
PRR For Hot & Cold Water Supply
HDPE For Sewerage Storm Water System
HDPE For Cable Duct
cPVC For Hot & Cold Water Supply
uPVC For Cold Water Supply

Company's Regional Investments & Distributors



- Agents and Distributors and markets
- Direct Operational investments
- Indirect Investments
- Target Markets for expansion


Cementation Heritage Render
Splash
Thick Render
Roof Cooting
Thin Render (ext.-int.)
Cladding & Mortar Factory
Since 1984
Tile Adhesive
Thin Render (2mm-3mm-5mm)
Adhesive Bedding
Glue Mortar
Special Bond
Special Thick Render
Tile Grout

Consolidated financial statements
and
independent auditors' report

National Industries Company – KSC (Closed)
and Subsidiaries
Kuwait

31 December 2011

Cermaics Factory New

Floor Tiles (Glossy - Semi Glossy - Matt)

Dimensions
60x60 - 33x33
40x40 - 20x20

Floor Tiles (Rustic)

Dimensions
60x60 - 33x33
40x40 - 20x20

Wall Tiles (Rustic)

Dimensions
60x25 - 20x50
40x25 - 20x20

Wall Tiles (Glossy - Semi Glossy - Matt)

Dimensions
60x25 - 40x25
20x50 - 20x20

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 2011, 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

Kuwait 22 March 2012

Independent auditors' report

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 2011, 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.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
	KD	KD
Profit for the year	**4,236,418**	4,081,841
Other comprehensive income:		
Available for sale investments:		
- Net losses arising during the year	**(6,176,960)**	(2,825,589)
- Transferred to consolidated statement of income on impairment	**3,650,895**	5,647,834
- Transferred to consolidated statement of income on sale	**(8,000)**	(35)
Share of other comprehensive loss of associates	**(28,030)**	(85,157)
Total other comprehensive (loss)/income	**(2,562,095)**	2,737,053
Total comprehensive income for the year attributable to the owners of the parent	**1,674,323**	6,818,894

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of income

	Notes	**Year ended 31 Dec. 2011**	Year ended 31 Dec. 2010
		KD	KD
Revenue			
Sales		**40,319,712**	40,923,013
Cost of sales		**(28,811,685)**	(28,911,763)
Gross profit		**11,508,027**	12,011,250
Other operating income	8	**818,408**	853,381
Share of results of associates	13	**(689,405)**	(97,116)
Loss from acquisition of associate	13	**(55,396)**	-
Investment income	9	**187,711**	168,418
Foreign exchange gain		**162,654**	422,532
		11,931,999	13,358,465
Expenses and other changes			
Distribution expenses		**(770,478)**	(703,160)
General, administrative and other expenses		**(2,493,918)**	(2,083,782)
Finance costs		**(537,976)**	(652,079)
Impairment of available for sale investments	14	**(3,650,895)**	(5,647,834)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		**4,478,732**	4,271,610
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(40,309)**	(38,444)
Provision for National Labour Support Tax (NLST)		**(119,719)**	(83,149)
Provision for Zakat		**(47,286)**	(33,176)
Provision for Directors' remuneration		**(35,000)**	(35,000)
Profit for the year attributable to the owners of the parent		**4,236,418**	4,081,841
Basic and diluted earnings per share attributable to the owners of the parent	11	**12.29 Fils**	11.84 Fils

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

Non-current liabilities			
Long term loan	22	**7,203,696**	5,502,446
Murabaha payables	23	**16,885**	32,202
Provision for land-fill expenses		**680,871**	655,163
Provision for staff indemnity		**4,030,176**	3,668,134
		11,931,628	9,857,945
Liabilities			
Current liabilities			
Short term loans	22	-	2,700,000
Short term murabaha	23	**3,056,970**	w-
Current portion of musharka bonds	24	-	14,010,105
Current portion of long term loan	22	**5,301,250**	900,000
Current portion of murabaha payables	23	**18,420**	279,878
Accounts payable and other liabilities	25	**8,783,307**	5,694,616
		17,159,947	23,584,599
Total liabilities		**29,091,575**	33,442,544
Total equity and liabilities		**109,218,261**	114,656,732

Dr. Adel Khaled Al Sbaeh
Chairman and Managing Director

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	**31 Dec. 2011 KD**	31 Dec. 2010 KD
Assets			
Non-current assets			
Property, plant and equipment	12	**26,623,894**	25,467,857
Investment in associates	13	**6,842,977**	6,680,354
Available for sale investments	14	**41,274,261**	49,965,207
		74,741,132	82,113,418
Current assets			
Inventories and spare parts	15	**11,686,204**	10,405,117
Investments at fair value through statement of income	16	**4,181,001**	5,495,583
Accounts receivable and other assets	17	**15,645,680**	13,492,940
Fixed deposit	26	**150,000**	150,000
Cash and bank balances	27	**2,814,244**	2,999,674
		34,477,129	32,543,314
Total assets		**109,218,261**	114,656,732
Equity and liabilities			
Equity			
Share capital	18	**34,620,187**	34,620,187
Share premium	18	**31,923,740**	31,923,740
Treasury shares	19	**(570,630)**	(567,324)
Legal reserve	20	**2,457,855**	2,009,982
Voluntary reserve	20	**875,034**	427,161
Other components of equity	21	**5,010,828**	7,572,923
Retained earnings		**3,809,672**	3,227,519
Total equity attributable to the owners of the parent		**78,126,686**	79,214,188
Non-controlling interests		**2,000,000**	2,000,000
Total equity		**80,126,686**	81,214,188

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent								Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Other components of equity	(Accumulated losses)/ Retained earnings	Sub-total		
	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	4,841,245	(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	-	-	-	-	101,986	-	101,986
Write-off of accumulated losses	-	-	-	(5,058,111)	(5,599,124)	-	10,657,235	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Transactions with owners	6,757	18,752	101,986	(5,058,111)	(5,599,124)	-	10,657,235	127,495	2,000,000	2,127,495
Profit for the year	-	-	-	-	-	-	4,081,841	4,081,841	-	4,081,841
***Other comprehensive income*:**										
Other comprehensive income for the year	-	-	-	-	-	2,731,678	-	2,731,678	-	2,731,678
Total comprehensive (loss)/income for the year	-	-	-	-	-	2,731,678	4,081,841	6,813,519	-	6,813,519
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**	**7,572,923**	**3,227,519**	**79,214,188**	**2,000,000**	**81,214,188**

The notes set out on pages 10 to 41 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	Other components of equity	Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2011	34,620,187	31,923,740	(567,324)	2,009,982	427,161	7,572,923	3,227,519	79,214,188	2,000,000	81,214,188
Payment of cash dividends (note 29)	-	-	-	-	-	-	(2,758,519)	(2,758,519)	-	(2,758,519)
Purchase of treasury shares	-	-	(3,306)	-	-	-	-	(3,306)	-	(3,306)
Transactions with owners	-	-	(3,306)	-	-	-	(2,758,519)	(2,761,825)	-	(2,761,825)
Profit for the year	-	-	-	-	-	-	4,236,418	4,236,418	-	4,236,418
Other comprehensive loss:										
Other comprehensive loss for the year	-	-	-	-	-	(2,562,095)	-	(2,562,095)	-	(2,562,095)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(2,562,095)	4,236,418	1,674,323	-	1,674,323
Transfer to reserves	-	-	-	447,873	447,873	-	(895,746)	-	-	-
Balance at 31 December 2011	**34,620,187**	**31,923,740**	**(570,630)**	**2,457,855**	**875,034**	**5,010,828**	**3,809,672**	**78,126,686**	**2,000,000**	**80,126,686**

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	**Year ended 31 Dec. 2011 KD**	Year ended 31 Dec. 2010 KD
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(3,714,707)**	(5,314,243)
Investment in associates - net		**(287,787)**	-
Purchase of available for sale investments		**(27,599)**	(138,017)
Proceeds on sale of available for sale investments		**3,547,625**	4,428,117
Dividend income received from available for sale investments		**146,468**	118,570
Income received from short term murabaha and wakala investments		**14,442**	54,765
Interest income received		**4,855**	9,841
Net cash used in investing activities		**(316,703)**	(840,967)
FINANCING ACTIVITIES			
Proceeds from issue of shares		-	25,509
Capital contributed by non-controlling interests		-	2,000,000
Repayment of Musharaka bonds		**(14,010,105)**	(14,266,500)
Proceeds from murabaha payables		**2,780,195**	312,080
Proceeds of long term loan		**6,005,000**	402,446
Repayment of short term loans		**(2,700,000)**	-
Purchase of treasury shares		**(3,306)**	-
Sale of treasury shares		-	96,611
Finance costs paid		**(537,976)**	(500,883)
Dividends paid		**(2,758,519)**	-
Net cash used in financing activities		**(11,224,711)**	(11,930,737)
Net decrease in cash and cash equivalents		**(185,430)**	(2,089,132)
Cash and cash equivalents at beginning of the year	27	**2,999,674**	5,088,806
Cash and cash equivalents at end of the year	27	**2,814,244**	2,999,674
Non-cash transaction:			
Increase in investment in associates (note 13)		**647,667**	-
Decrease in accounts receivable and other assets		**(647,667)**	-

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2011 KD	Year ended 31 Dec. 2010 KD
OPERATING ACTIVITIES		
Profit for the year	**4,236,418**	4,081,841
Adjustments:		
Depreciation of property, plant and equipment	**2,557,664**	2,403,282
Loss on write off of property, plant and equipment	**1,006**	7,032
Profit on sale of available for sale investments	**(1,014,039)**	(298,537)
Share of results of associates	**689,405**	97,116
Loss from acquisition of associate	**55,396**	-
Impairment of available for sale investments	**3,650,895**	5,647,834
Dividend income from available for sale investments	**(146,468)**	(118,570)
Income from short term murabaha and wakala investments	**(14,442)**	(54,765)
Interest income	**(4,855)**	(9,841)
Finance costs	**537,976**	652,079
Foreign exchange loss/(gain) on non operating assets and liabilities	**97,500**	(461,000)
Provision for land-fill expenses	**25,708**	24,601
Provision for staff indemnity	**838,295**	537,193
	11,510,459	12,508,265
Changes in operating assets and liabilities:		
Inventories and spare parts	**(1,281,087)**	457,692
Investments at fair value through statement of income	**1,314,582**	(1,025,693)
Accounts receivable and other assets	**(2,800,408)**	(147,831)
Accounts payable and other liabilities	**3,000,930**	(874,071)
Due to customers for contract works	**87,761**	
Cash from operations	**11,832,237**	10,918,362
Staff indemnity paid	**(476,253)**	(235,790)
Net cash from operating activities	**11,355,984**	10,682,572

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through income statement and financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

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

3 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) and applicable requirements of Ministerial Order No. 18 of 1990.

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except as discussed below:

The group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year:

4.1 Adoption of Improvements to IFRSs 2010

The Improvements to IFRSs 2010 made several minor amendments to a number of IFRSs. The only amendment relevant to the group relates to IAS 1 Presentation of Financial Statements. The group previously presented the reconciliations of each component of other comprehensive income in the statement of changes in equity. The group now presents these reconciliations in the notes to the financial statements, as permitted by the amendment (see note 21). This reduces duplicated disclosures and presents more clearly the overall changes in equity. Prior period comparatives have been restated accordingly.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB 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.

Notes to the consolidated financial statements

31 December 2011

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 7).

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 22 March 2012. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

4.2.3 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

4.2.4 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

4.2.5 IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment is not expected to have any significant impact on the financial position or performance of the group.

4.2.6 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

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.

4.2.7 IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 12 Income Taxes - amendment	1 January 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendment	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

4.2.1 IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

a) Potentially reclassifiable to consolidated statement of income in a subsequent period,

b) And that will not be reclassified to consolidated statement of income subsequently.

c) The group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

4.2.2 IAS 12 Income Taxes

The amendment to IAS 12 provides a practical solution to the issues arising in measurement of deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that recovery of the carrying amount will, normally be, through sale. As a result of the amendments, SIC-21 Income Taxes_Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendment is not relevant to the operations of the group.

either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses.

5.3 Segment reporting

The group has two operating segments: the building materials and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.4 Revenue

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, regardless of when payment is made.

Revenue arises from the sale of goods and rendering of services and is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

4.2.8 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The adoption of this standard is not expected to have a significant impact on the financial position and performance of the group.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of consolidated financial statements are set out below:

5.1 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entities over which the group has the power to control the financial and operating policies. The group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of income.

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree 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.

5.7.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.8 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following useful lives are applied:

- Buildings: 4 - 20 years
- Plant and equipment: 1 – 10 years
- Motor vehicles: 2 – 10 years
- Furniture and equipment: 4 - 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

5.9 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

5 Significant accounting policies (continued)

5.4 Revenue (continued)

5.4.1 Sale of goods

Sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

5.4.2 Rendering of services

Rental income is recognised on a straight line basis over the rental contract periods.

5.4.3 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

5.4.4 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.5 Operating expenses

Operating expenses are recognised in upon utilisation of the service or at the date of their origin.

5.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.7 Taxation

5.7.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group 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.

5.7.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors'

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

5.11.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables.
- financial assets at fair value through statement of income (FVTSI).
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTSI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

- ***Trade receivables***

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income.

5.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.11 Financial instruments

5.11.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either:

(a) the group has transferred substantially all the risks and rewards of the asset or

(b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

5.11.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, trade and other payables.

The subsequent measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities other than at fair value through income statement**

These are stated using effective interest rate method. Borrowings, Trade Payables, Musharaka Bonds and murabaha finance payable are classified as financial liabilities other than at FVTSI.

- ***Trade payables***

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

- ***Borrowings***

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- ***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.

- ***Murabaha finance payables***

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

5.11.4 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 entity 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.

5.11.5 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The longer probable. Bad debts are written off as incurred.

- ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- **Financial assets at FVTSI**

Classification of investments as financial assets at FVTSI depends on how management monitor 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 income statement in the management accounts, they are as designated at FVTSI upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated income statement.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.13 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.14 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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.

5.15 Foreign currency translation

5.15.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.11.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.11.7 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 33.

5.12 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to available for sale financial assets
- Treasury shares reserve – comprises gains and losses arising from sale of treasury shares

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

6 Significant management judgements and estimation uncertainty

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through income statement depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate

5.15.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.15.3 Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.16 End of service indemnity

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.17 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

6.2.6 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 33).

7 Subsidiaries

The details of the subsidiaries are as follows:

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2011	31 Dec. 2010	
		%	%	
Building Systems Industries Company - WLL	Kuwait	**98**	98	Construction contracting
National Industries Company for Ceramic - KSCC	Kuwait	**60**	60	Manufacturing

8 Other operating income

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
	KD	KD
Rental income	**491,220**	490,566
Other	**327,188**	362,815
	818,408	853,381

is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

6.2.2 Impairment of available for sale equity 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 judgment.

6.2.3 Impairment of trade receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

6.2.4 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

At the financial position date, gross inventories were KD 12,336,905 (2010: KD 11,201,117), with provision for old and obsolete inventories of KD 650,701 (2010: KD 796,000). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of income.

6.2.5 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

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

12 Property, plant and equipment

2011	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
Cost						
At 1 January	25,058,069	35,992,797	10,139,108	4,606,484	16,085,633	**91,882,091**
Additions/transfers	20,594	1,541,771	1,067,797	137,071	947,474	**3,714,707**
Write-off	-	(7,000)	(386,000)	-	-	**(393,000)**
Disposals	-	(450)	-	(833)	-	**(1,283)**
At 31 December	25,078,663	37,527,118	10,820,905	4,742,722	17,033,107	**95,202,515**
Accumulated depreciation						
At 1 January	23,262,710	30,502,818	8,337,657	4,311,049	-	**66,414,234**
Charge for the year	230,929	1,365,319	813,932	147,484	-	**2,557,664**
Relating to write-off	-	(6,999)	(385,979)	-	-	**(392,978)**
Relating to disposals	-	(76)	-	(223)	-	**(299)**
At 31 December	23,493,639	31,861,062	8,765,610	4,458,310	-	**68,578,621**
Net book value						
At 31 December	1,585,024	5,666,056	2,055,295	284,412	17,033,107	**26,623,894**

9 Investment income

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
	KD	KD
Profit on sale of available for sale investments	**1,014,039**	298,537
Dividend income from available for sale investments	**146,467**	118,570
Dividend income from investments at fair value through statement of income	**60,000**	15,000
Loss from investments at fair value through statement of income	**(1,071,730)**	(378,008)
Income from short term murabaha and wakala investments	**14,442**	54,765
Interest and other income	**24,493**	59,554
	187,711	168,418

10 Net loss on financial assets

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
	KD	KD
Available for sale investments	**(2,490,389)**	(5,230,727)
Investments at fair value through statement of income	**(1,011,730)**	(363,008)
Short term murabaha and wakala investments	**14,442**	54,765
Total realised and unrealised loss	**(3,487,677)**	(5,538,970)
Unrealised gain recognised in equity	**(2,515,061)**	2,821,629
	(6,002,738)	(2,717,341)

11 Basic and diluted earnings per share attributable to the owners of the parent

Basic and diluted earnings per share is calculated by dividing the profit 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. 2011	Year ended 31 Dec. 2010
Profit for the year attributable to the owners of the parent (KD)	**4,236,418**	4,081,841
Weighted average number of shares outstanding during the year (excluding treasury shares)	**344,820,051**	344,725,629
Basic and diluted earnings per share	**12.29 Fils**	11.84 Fils

13 Investment in associates

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2011	31 Dec. 2010	
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%	Manufacturing
Omani German Company for Building Materials – LLC	Oman	**32.5%**	30%	Manufacturing

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

	31 Dec. 2011 KD	31 Dec. 2010 KD
Balance at beginning of the year	**6,680,354**	7,175,260
Additions during the year	**935,454**	-
Reclassification	-	(312,633)
Share of results of associate	**(689,405)**	(97,116)
Loss from acquisition of associate	**(55,396)**	-
Share of other comprehensive income	**19,004**	(581)
Foreign exchange translation	**(47,034)**	(84,576)
	6,842,977	6,680,354

13.1 During the year, the parent company participated in increase in capital of United Gulf Pipes amounting to KD 647,667 which was settled by way of transfer from amount due from the associate.

13.2 During the year, the parent company participated in increase in capital of Industrial Construction Company amounting to KD 287,787 which was paid in cash.

13.3 During the year, Omani German Company for Building Materials – LLC acquired Industrial Constructions Company – LLC. The purchase consideration was settled by way of shares in Omani German Company. The group received 525,000 shares in Omani German Company having a fair value of KD 364,839 which resulted in a loss of KD 55,396. The

12 Property, plant and equipment (continued)

2010	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Property under construction KD	Total KD
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

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

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

15 Inventories and spare parts

	31 Dec. 2011 KD	31 Dec. 2010 KD
Raw materials	**5,408,159**	4,585,571
Finished goods and work-in-progress	**3,769,510**	3,218,840
Spare parts	**2,455,182**	2,664,311
Goods in transit	**704,054**	732,395
	12,336,905	11,201,117
Provision for obsolete and slow moving items	**(650,701)**	(796,000)
	11,686,204	10,405,117

During the year, the group has written off obsolete inventories against the provision amounting to KD 145,299 (2010: KD800,000).

16 Investments at fair value through statement of income

	31 Dec. 2011 KD	31 Dec. 2010 KD
Designated on initial recognition:		
Managed funds and portfolios	**3,511,342**	4,548,730
Quoted equity securities	**669,659**	946,853
	4,181,001	5,495,583

17 Accounts receivable and other assets

	31 Dec. 2011 KD	31 Dec. 2010 KD
Trade receivables	**9,314,137**	7,618,857
Due from ultimate parent company	**55,386**	348,523
Due from associates	**3,370,498**	4,634,957
Due from related companies	**9,023**	9,023
Receivable from sale of investment	**1,551,289**	-
Staff receivables	**162,767**	151,113
Advance payments towards purchase of investments	**20,543**	21,615
Prepayments	**365,759**	393,305
Advances to contractors	**314,265**	79,518
Retentions	**348,404**	58,919
Accrued income and other assets	**133,609**	177,110
	15,645,680	13,492,940

group's ownership percentage in Omani German Company increased to 32.5% as a result of this transaction.

Share of associates' assets and liabilities:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Assets	**14,903,758**	13,692,152
Liabilities	**(8,060,781)**	(7,011,798)
	6,842,977	6,680,354

Share of associates' revenue and loss:

	31 Dec. 2011 KD	31 Dec. 2010 KD
Revenue	**3,862,203**	2,985,798
Loss	**(689,405)**	(97,116)

All associates are unquoted.

14 Available for sale investments

	31 Dec. 2011 KD	31 Dec. 2010 KD
Local quoted securities	**12,123,081**	12,642,028
Local unquoted securities	**9,736,621**	12,316,503
Foreign quoted securities	**1,273,252**	2,926,114
Foreign unquoted securities	**18,141,307**	22,080,562
	41,274,261	49,965,207

During the year, certain available for sale investments which were carried at cost amounting to KD 2,520,594 (2010: KD 1,398,880) were sold resulting into a gain of KD 1,014,039 (2010: KD 188,112).

During the year, the parent company recognised an impairment loss of KD 3,650,895 (2010: KD 5,647,834) against certain investments.

Local quoted securities amounting to KD 11,160,227 are pledged against loan facility (note 22).

19 Treasury shares

	31 Dec. 2011	31 Dec. 2010
Number of shares	**1,384,609**	1,374,609
Percentage of issued shares	**0.40%**	0.40%
Cost of treasury shares (KD)	**570,630**	567,324
Market value (KD)	**387,691**	536,098

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

20 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.

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

17.2 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. 2011	31 Dec. 2010
	KD	KD
Neither past due nor impaired	**7,413,544**	7,179,657
Past due but not impaired		
- 3 – 6 months	**1,900,593**	439,200
Impaired (fully provided for)		
- over 6 months	**1,849**	-
Total trade receivables	**9,315,986**	7,618,857

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2011, trade receivables of KD1,900,593 (2010: KD439,200) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

18 Share capital and share premium

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Shares of KD0.100 each		
- Authorised	**34,620,187**	34,620,187
- Issued and fully paid	**34,620,187**	34,620,187

18.1 During the year Nil (2010: 67,568) shares were issued under the staff bonus scheme with a share premium amounting to KD Nil (2010: KD 18,752).

18.2 Share premium is not available for distribution.

Loan facility - KD

The parent company obtained from Industrial Bank of Kuwait a loan facility of KD 9,000,000 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 loan is being repaid in ten semi annual instalments of KD 900,000 each beginning 15 July 2011. The instalments due within the next twelve months are shown under current liabilities.

Loan facility – US$

During the year, the parent company obtained from a foreign bank a loan facility of US$ 25,000,000 carrying an average effective profit rate of 3% per annum. The loan is due in 4 equal semi annual instalments commencing from 4 April 2012. This loan is secured by way of pledge of certain investment securities amounting KD 11,160,227 (note 14).

Short term loans

The loans were repaid during the year.

23 Murabaha payables

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Gross murabaha payables	**3,095,677**	322,873
Loss: deferred profit payable	**(3,402)**	(10,793)
	3,092,275	312,080
Loss: amounts due within one year	**(3,075,390)**	(279,878)
Amounts due after one year	**16,885**	32,202

These represents murabaha facilities obtained from local Islamic institutions carrying an average effective profit rate of 4.5% (2010: 7.8%) per annum.

21 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Total KD
Balance at 1 January 2011	**7,573,592**	**(37,037)**	**36,368**	**7,572,923**
Exchange differences arising on translation of foreign operations	-	**(47,034)**	-	**(47,034)**
Shares of other comprehensive income of associates	**19,004**	-	-	**19,004**
AFS financial assets:				
- Net loss arising during the year	**(6,176,960)**	-	-	**(6,176,960)**
- Transferred to consolidated statement of income on impairment	**3,650,895**	-	-	**3,650,895**
- Transferred to consolidated statement of income on sale	**(8,000)**	-	-	**(8,000)**
Total other comprehensive loss for the year	**(2,515,061)**	**(47,034)**	-	**(2,562,095)**
Balance at 31 December 2011	**5,058,531**	**(84,071)**	**36,368**	**5,010,828**
Balance at 1 January 2010	4,751,963	47,539	41,743	4,841,245
Arising on sale of treasury shares	-	-	(5,375)	(5,375)
Exchange differences on translation of foreign operations	-	(84,576)	-	(84,576)
Shares of other comprehensive income of associates	(581)	-	-	(581)
AFS financial assets:				
- Net loss arising during the year	(2,825,589)	-	-	(2,825,589)
- Transferred to consolidated statement of income on impairment	5,647,834	-	-	5,647,834
- Transferred to consolidated statement of income on sale	(35)	-	-	(35)
Total other comprehensive income for the year	2,821,629	(84,576)	(5,375)	2,731,678
Balance at 31 December 2010	7,573,592	(37,037)	36,368	7,572,923

22 Term loans

	31 Dec. 2011 **KD**	31 Dec. 2010 KD
Loan facility – KD	**5,502,446**	6,402,446
Loan facility – US$	**7,002,500**	-
	12,504,946	6,402,446
Installment due with one year	**(5,301,250)**	(900,000)
Installment due after one year	**7,203,696**	5,502,446

28 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		Investments		Total	
	31 Dec. 2011	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010
	KD	KD	**KD**	KD	**KD**	KD
Segment revenue/(loss)	**40,319,712**	40,923,013	**(4,207,985)**	(5,576,532)	**36,111,727**	35,346,481
Loss from investments	-	-	**3,463,184**	5,479,416	**3,463,184**	5,479,416
Share of results of associates	-	-	**689,405**	97,116	**689,405**	97,116
Loss from acquisition of associate	-	-	**55,396**	-	**55,396**	-
Sales, per consolidated statement of income					**40,319,712**	40,923,013
Segment results	**9,062,039**	10,077,689	**(4,207,985)**	(5,576,532)	**4,854,054**	4,501,157
Unallocated expenses					**(617,636)**	(419,316)
Profit for the year, per consolidated statement of income					**4,236,418**	4,081,841
Depreciation	**2,557,664**	2,403,282	-	-	**2,557,664**	2,403,282
Impairment of available for sale investments	-	-	**3,650,895**	5,647,834	**3,650,895**	5,647,834
Assets	**48,958,062**	44,360,819	**60,260,199**	70,295,913	**109,218,261**	114,656,732
Liabilities	**(16,368,340)**	(24,161,713)	**(12,723,235)**	(9,280,831)	**(29,091,575)**	(33,442,544)
	32,589,722	20,199,106	**47,536,964**	61,015,082	**80,126,686**	81,214,188

24 Musharaka bonds

Musharaka bonds were fully settled during the year.

25 Accounts payable and other liabilities

	31 Dec. 2011 KD	31 Dec. 2010 KD
Trade payables	**5,066,638**	3,119,586
Due to associates	**67,262**	178,385
Due to other related companies	**151,027**	104,547
Staff payables	**186,633**	136,613
Provision for staff leave	**642,616**	542,039
Accrued expenses	**1,474,728**	1,036,511
Due to customers for contract works	**88,770**	1,009
Other liabilities	**1,105,633**	575,926
	8,783,307	5,694,616

26 Fixed deposit

Fixed deposit yields interest at an average rate of 2% (2010: 1.85%) per annum.

27 Cash and cash equivalents

	31 Dec. 2011 KD	31 Dec. 2010 KD
Cash and bank balances	**2,814,244**	2,749,674
Short term deposit – maturing within three months	-	250,000
Cash and cash equivalents in the consolidated statement of cash flows	**2,814,244**	2,999,674

Short term deposit yields interest at an average rate of Nil % (2010: 1.85%) per annum and matures within 90 days.

Directors' fees of KD 35,000 for the year ended 31 December 2011 is subject to approval by the ordinary General Assembly meeting of the shareholders of the parent company. Directors' fees of KD 35,000 for the year ended 31 December 2010 was approved by the ordinary General Assembly meeting held on 28 April 2011.

31 Commitments and contingent liabilities

	31 Dec. 2011	31 Dec. 2010
	KD	KD
Commitments to purchase investment securities	**1,400,500**	1,410,750
Letters of guarantee	**482,000**	482,000
Letters of guarantee from ultimate parent company	**200,000**	200,000
	2,082,500	2,092,750

32 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.

32.1 Market risk

a) Foreign currency risk

The group 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.

29 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 2011 a cash dividend of 10 Fils (2010: 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 28 April 2011 approved the consolidated financial statements for the year ended 31 December 2010 and cash dividend of 8 Fils (2009: nil) per share amounting to KD 2,758,519 for the year ended 31 December 2010 which was paid following that approval.

30 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. 2011	31 Dec. 2010
	KD	KD
Amounts included in the consolidated financial position:		
Due from ultimate parent company (note 17)	**55,386**	348,523
Due from associate (note 17)	**3,370,498**	4,634,957
Due from other related companies (note 17)	**9,023**	9,023
Due to associate (note 25)	**67,262**	178,385
Due to other related companies (note 25)	**151,027**	104,547

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
	KD	KD
Transactions included in the consolidated statement of income:		
Interest income	**2,135**	3,568
Management fees	**46,479**	46,479
Purchase of raw materials (associate)	**929,027**	3,327,687
Compensation of key management personnel of the parent company		
Directors' fees	**35,000**	35,000
Short term benefits	**216,599**	202,135
End of service benefits	**39,798**	27,770
Cost of share based payments	**209,762**	153,485
	501,159	418,390

–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. 2011		31 Dec. 2010	
	+ 1 %	**-1 %**	+ 1 %	-1 %
	KD	**KD**	KD	KD
Profit for the year	**(154,472)**	**154,472**	(230,246)	230,246

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. 2011	31 Dec. 2010
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. 2011	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010
	KD	KD	**KD**	KD
Financial assets at fair value through statement of income	**209,050**	274,779	-	-
Available-for-sale investments	-	-	**733,479**	924,713
Total	**209,050**	274,779	**733,479**	924,713

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

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

	31 Dec. 2011	31 Dec. 2010
	KD	KD
US Dollar	**5,785,322**	429,869
UAE Dirhams	**735,484**	1,155,998
Jordanian Dinar	**442,768**	1,480,163
Saudi Riyal	**6,947,739**	7,628,877
Bahraini Dinar	**1,627,588**	1,896,323
Omani Riyal	**207,414**	656,965
Qatari Riyal	**12,555**	2,059,300

The foreign currency sensitivity is determined assuming 5% (2010: 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. 2011	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010
	KD	KD	**KD**	KD
US Dollar	**± 273,311**	± 609,699	**± 562,577**	± 631,193
Other currencies	**± 182,230**	± 201,993	**± 216,622**	± 417,105

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%) (2010: +100 bps (1%) and

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

33 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. 2011		31 Dec. 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	KD	**KD**	KD	KD
Cash and bank balances	**2,814,244**	-	2,999,674	-
Fixed deposit	**150,000**	-	150,000	-
Accounts receivable and other assets	**15,645,680**	-	13,492,940	-
Investments at fair value through statement of income	-	**4,181,001**	-	5,495,583
Available for sale investments	**9,662,799**	**31,611,462**	22,206,489	27,758,718
	28,272,723	**35,792,463**	38,849,103	33,254,301
Term loans	**12,504,946**	-	9,102,446	-
Accounts payable and other liabilities	**8,783,307**	-	5,694,616	-
Musharaka bonds	-	-	14,010,105	-
Murabaha payables	**3,092,275**	-	312,080	-
	24,380,528	-	29,119,247	-

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;

32 Risk management objectives and policies (continued)

32.2 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. 2011 KD	31 Dec. 2010 KD
Bank balances	**2,780,032**	2,981,347
Fixed deposit	**150,000**	150,000
Accounts receivable and other assets	**15,645,680**	13,492,940
	18,575,712	16,624,287

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

32.3 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 2011					
Term loans	-	**948,146**	**4,752,263**	**8,094,069**	**13,794,478**
Murabaha payables	-	**1,144,917**	**1,983,266**	**17,898**	**3,146,081**
Provision for land fill expenses	-	-	-	**680,871**	**680,871**
Provision for staff indemnity	-	-	-	**4,030,176**	**4,030,176**
Accounts payable and other liabilities	**2,851,873**	**4,024,788**	**1,906,646**	-	**8,783,307**
	2,851,873	**6,117,851**	**8,642,175**	**12,823,014**	**30,434,913**

As at 31 December 2010

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:

	Available for sale investments	
	Unquoted securities	**Unquoted securities**
	31 Dec. 2011	31 Dec. 2010
	KD	KD
Opening balance	**12,190,576**	15,208,753
Gains or losses recognised in:		
- Consolidated statement of income	**(1,711,284)**	110,425
- Other comprehensive income	**(2,298,622)**	(532,169)
Purchases	**11,364**	134,267
Reclassification to Level 3	**10,023,095**	-
Sales	-	(2,730,700)
Closing balance	**18,215,129**	12,190,576

- 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 2011

	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	-	**3,511,342**	-	**3,511,342**
Quoted equity securities	b	**669,659**	-	-	**669,659**
Available for sale investments:					
Local quoted securities	b	**12,123,081**	-	-	**12,123,081**
Local unquoted securities	c	-	-	**5,988,154**	**5,988,154**
Foreign quoted securities	b	**1,273,252**	-	-	**1,273,252**
Foreign unquoted securities	c	-	-	**12,226,975**	**12,226,975**
Net fair value		**14,065,992**	**3,511,342**	**18,215,129**	**35,792,463**

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	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

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

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 10,023,095 (2010: KD Nil) to level 3 as a result of the investments becoming valued.

34 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 for the year divided by total equity as follows:

	31 Dec. 2011 **KD**	31 Dec. 2010 KD
Profit for the year	**4,236,418**	4,081,841
Total equity	**78,126,686**	79,214,188
Return on equity	**5.42%**	5.15%