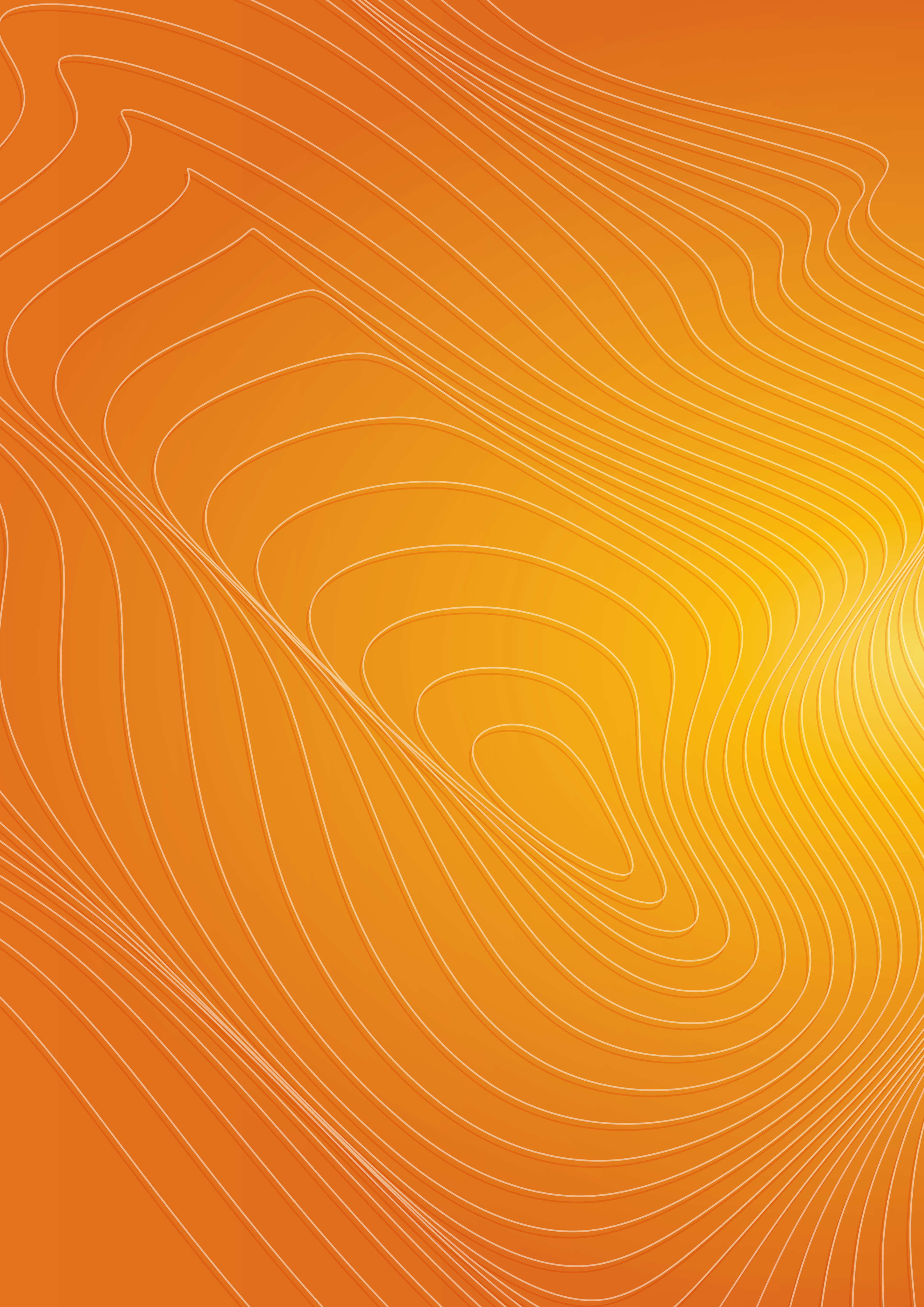
2009

Annual Report

ACICO

BUILDING ON
SOLID FOUNDATIONS

بسم الله الرحمن الرحيم



His Highness Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of Kuwait

His Highness Sheikh Naser Al Mohammad Al Ahmad Al Sabah
Prime Minister

His Highness Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown Prince of Kuwait

Content

CHAIRMAN MESSAGE

Dear Shareholders;

In the name of ACICO Industries and on behalf of my colleague members of Board of Directors, it is my honor to welcome you in the Company's General Meeting and present the Annual Report for the fiscal year ended on 31st December 2009.

It is a source of great pleasure for me to renew our meeting this year as the company completed its 16th anniversary with more growth achieving distinct results. I must point out here to the distinguished performance provided by the executive management, which was one of the most significant reasons of successes realized by the company during the fiscal year ended on 31st December 2009.

ACICO Industries exerted diligent efforts to face the global economical crisis, the impacts of which reflected on all economical aspects. The company management managed to deal with such challenges that rose during the last year and was able to realize profitability. The management also intensified its endeavors to attain its leading ambitions in accordance with the corporate strategic plan for growth, expansion and safe investment.

ACICO Industries course of business which started in 1993 and brilliant success achieved throughout the past years are a fruit of clear-sighted thought, strong determination and good planning by its top management which was keen on applying up-to-date technologies, and operational and organizational processes and procedures. The company adopted best approaches to realize integration among its subsidiaries and divisions despite their geographical spread and consolidate its operations and management as a single matrix through development of distinct organizational structure and operating processes through which it can adapt with international variables and survive downturn in global economical situations. The company is confident that inculcating creativity culture in the minds of its human resources is the way to attain its developmental objectives and ensure achievement of established plans and strategy.

During the last year, ACICO Industries executive management strived to enhance its competitive capabilities; encounter global challenges and avail all available opportunities and potential to maintain and maximize the rights of stakeholders including shareholders and investors through investment in assets generating secured proceeds and adequate cash flows to pay its obligations. The company focused on investing in vital transformational industries in addition to real estate assets characterized by their location and purpose of use to ensure efficient operation or easy exit as and when needed.

During 2009, the company could realize net profits amounting to K.D 3.76 million as compared to K.D 6.53 realized in 2008 and earnings per share amounting Fils 17.57 as compare to Fils 30.51 in 2008. The total value of the company assets increased to K.D 215,885,288 as compared to K.D 202,8 million in 2008. Total shareholders' equity for 2009 also amounted K.D 76.67 million as compared to K.D 71.22 million for 2008.

Despite the challenges which will face in the coming years, we are committed before our shareholders to achieve a steady growth in the company capital value through efficient utilization of capital and accurate selection of investment projects benefiting the shareholders.

In this occasion, I can not miss this opportunity to praise efforts of the company staff in efficiently performing their duties for the company development and progress. With much gratitude I would like to extend sincere thanks to the shareholders for their valuable trust placed in us to manage this leading company emphasizing our determination to use our best efforts for the company advancement and high standing.

We hope that we have achieved a part of our aspired goals and we still have too much to give. A significant part of our success is continuous communication with you, which we always aspire.

ABDUL AZIZ AHMED AL-AYOUB

TOP MANAGEMENT PHILOSOPHY

VISION

ACICO Industries aspire to become a universally recognized trademark by means of the company values through diversification of activities and self reliance, and achieve our promises under a well-established plan and without affecting the quality.

MISSION

Achieving growth and integrated development through maintaining the quality of our products and deliver them on time and building constant, confident and lifelong partnerships.

THE VALUES WE BELIEVE IN

Our well-established values are based upon:

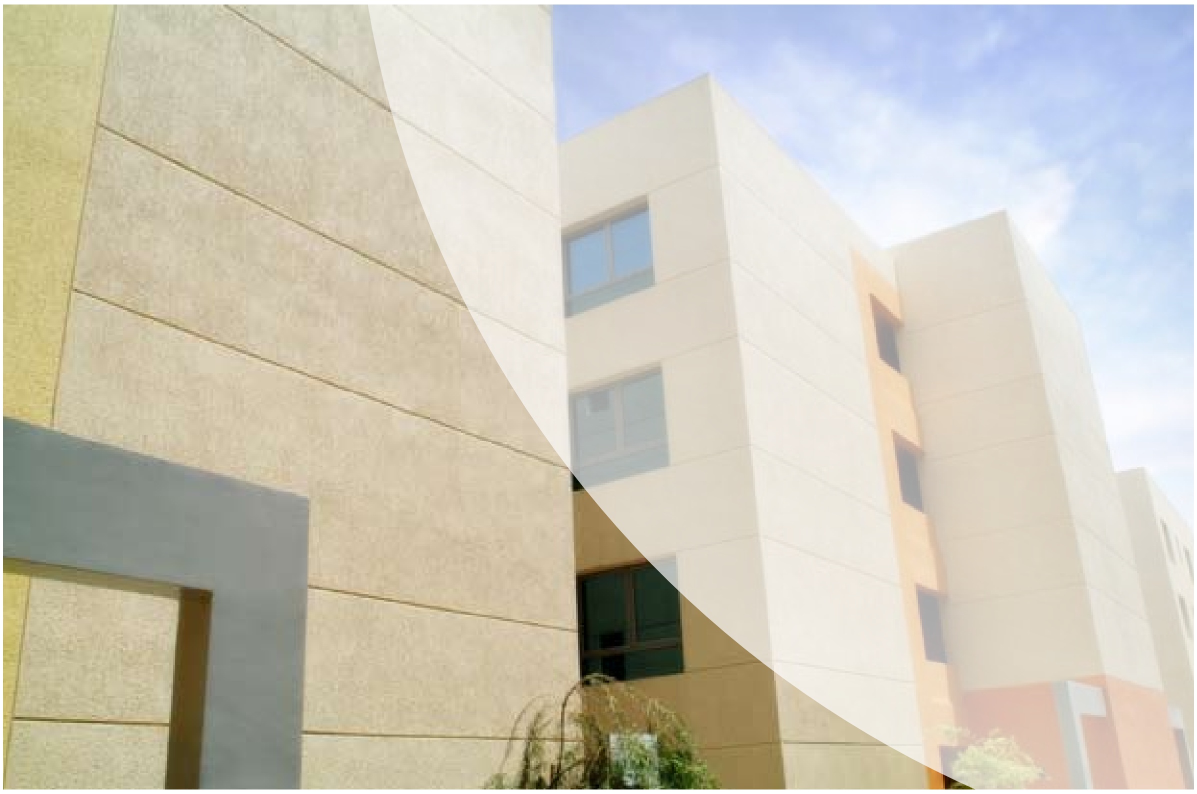
Staff: Diversity and continued development, transparency, team spirit and integrity.

Performance: Delivery of high quality products in a record timeframe and on a timely basis.

Spirit and future ambitions: Achieve long-term growth and raise the return on shareholders' equity to the utmost.

CORPORATE CULTURE

Our culture is reliant on seven pillars which consist of excellence, diversity, development, harmony, transparency, teamwork, and integrity.



ACICO INDUSTRIES PROFILE

Achieve integrated growth and development through maintaining quality of our products, delivering the same on a timely basis and building solid, confident and enduring partnership relationships.

ACICO is a fast growing industrial Kuwaiti company whose products meet essential necessities and requirements of modern life including building materials. The company activities spread so far beyond the boundaries of Kuwait reaching other GCC states. ACICO Industries Company turned to be the target among investors in terms of participation in projects or offering investment opportunities. The company is currently operating through its plants located in State of Kuwait, United Arab Emirates, Kingdom of Saudi Arabia and State of Qatar to manufacture building units of reinforced and non-reinforced (bricks) aerated concrete with special specifications including but not limited to light weight, thermal insulation, high fireproofing and environmental safety . In manufacturing its products, the company uses most advanced core materials such as crushed sand, cement and lime. The company aspiration is not restricted to presence in these countries only; rather its expansion plans extend more to have presence in Middle East and North Africa countries (MENA) according to a well-examined expansion strategy to maximize its future returns and profits.

ACICO Industries Company has also produced Portland and resistant cement. Ministry of Public Works and Public Authority for Housing Welfare had primarily approved ACICO Cement Plant and products in addition to other governmental bodies. ACCIO Industries Company also entered ready mix concrete market through a specialized plant allocated for this product line to satisfy increasing demand in Kuwaiti market. ACCIO is proud of having qualified manpower including skilled consultants, engineers and technicians under leadership by an executive top management with full acquaintance and extensive experience in building and construction materials industry. All the company plants within State of Kuwait and abroad are characterized by being equipped with high-end labs containing necessary instruments and equipment for conducting investigations and tests in accordance with local and international standards and specifications .

Furthermore, ACCIO Industries Company enhanced its business in housing development sector through collaboration with International Masaken Real Estate Development Company which is its real estate development arm and operates in building residential units according to international advanced standards. Such collaboration will ensure absolute integration of the company reputation and realize a solid and tangible experience among real estate companies.

This helped ACCIO Industries Company strongly enter real estate market through the following real estate and hotel projects: Nasima Tower in Dubai comprising 51 floors; ACICO Business Park in Dubai comprising three levels, arcade and nine floors; the 5-star JAL Hotel in Dubai comprising 54 floors and Fujairah Park covering an area of 29,605 square meters.

ENCOUNTERING FINANCIAL CRISIS REPERCUSSIONS

Despite current economical conditions, ACCIO Industries Company managed to penetrate into all GCC states and there are many MENA markets constituting a strategic significance for it.

The beginning of 2009 witnessed the peak of global financial crisis and its most difficult phases due to high decline in the value of cash instruments and global drop in oil prices to lowest levels. This situation created a confidence crisis among organizations, particularly financial institutions.

Therefore, ACICO top management quickly corrective and preventive actions to deal with market challenges. It developed a roadmap to tackle the financial crisis through identifying the company business sectors which were affected by the crisis and hence focused on unaffected sectors to promote them and the affected ones to support them in standing its repercussions. Concentration was primarily placed on industry sector where future statements of cash flows were developed and linked to future plans and budgets for operations and following up implementation thereof on intensive and ongoing basis. This positively reflected on ACCIO Industries Company profits and enabled it to realize operating revenues and profits overtopped the global crisis echo and repercussions. Despite economical slowdown, the net profit amounted KD 3,758,366 at return on equity (ROE) rate of 5% ; gross profit increased from 13.7% in 2008 to 15 .7% in 2009 and net profit is 7.27% .

In addition, the top management concentrated on contracting sector as it was the most affected sector in the company by financial crisis. Effective and conservative policies for pricing and target clients were developed to restrain the impact of financial crisis on this vital sector.

INDUSTRIAL COST CUTS TO ENCOUNTER FINANCIAL CRISIS REPERCUSSIONS

During the last year, ACCIO Industries Company management took necessary actions to ensure cuts in industrial costs to reach minimal cost through compressing costs and shifting from cost management to examining its output and hence excluding all costs which are not directly associated with production process taking into account maintenance of production and service quality .

The company executive management also studied reduction of industrial waste which had a great effect on reducing industrial costs. There were cuts in waste of raw materials; enhancement of production operations management efficiency and development of their processes. There was also reliance on local suppliers in providing the company with raw materials and spare parts with no effect on production quality through dealing with approved suppliers and evaluating their performance on an ongoing basis. This contributed to cutting industrial cost of cubic meter of aerated concrete.

ACICO INDUSTRIES PROFILE

ACCIO Industries Company is interested in developing its products through immense amount of expertise and knowledge in building and construction materials industry. The company focused on increasing, qualifying and developing its staff to be the pioneers of this industry in different areas. This promoted our employees' loyalty and dedication to ACICO in performance of their duties and responsibilities and hence they were able to carry ACICO brand wherever it is present. ACICO focused on its clients to satisfy their requirements and needs, and provide them with high quality products and services through which it outmatched its local and regional competitors resulting in high reputable corporate image. ACCIO Industries Company had a significant and great role in events and exhibits specialized in building and construction. All these actions contributed to building well-established relationships with all parties involved in building and construction materials industry across the region and enhanced its trademark strength and rising its value as it is an intangible asset. ACICO trademark became one of the most prominent brands in manufacturing sector in general and building and construction materials in particular. This made the company a reference for many concerned and interested parties in this vital industrial sector to benefit from its expertise and powerful potential in this industry.

ACICO

BUILDING ON SOLID FOUNDATIONS

ACICO INDUSTRIAL

ACICO CONSTRUCTION

ACICO LOGISTICS

ACICO CEMENT

ACICO REAL ESTATE

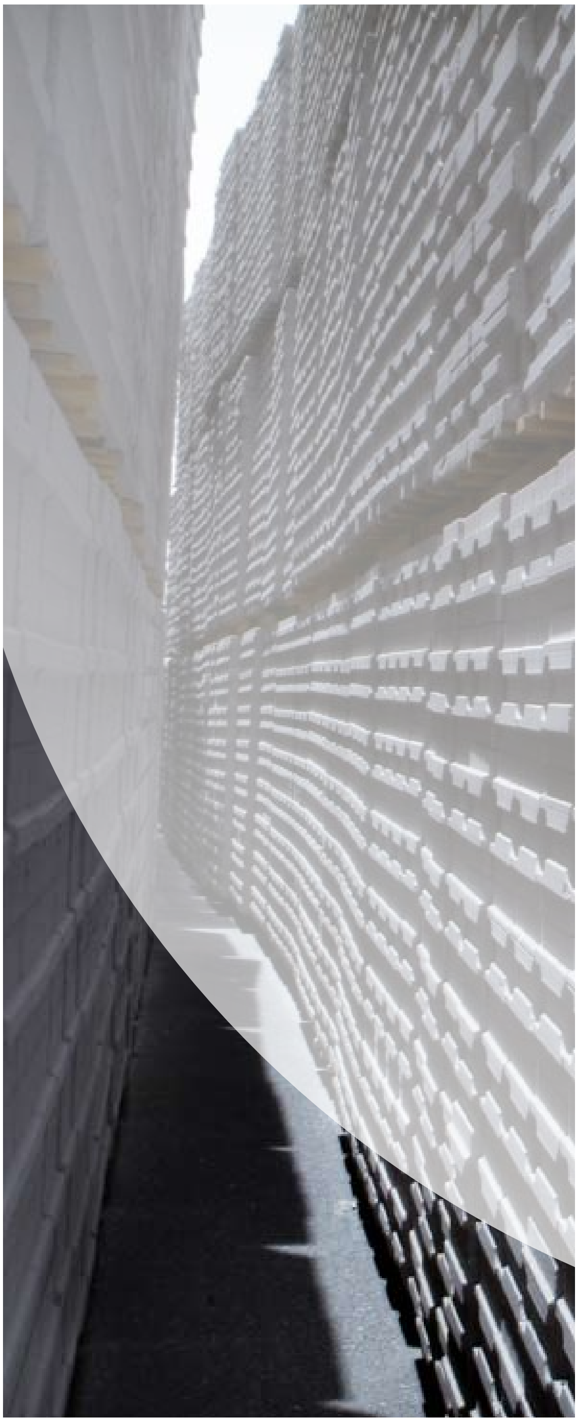
ACICO REAL ESTATE HOTELS

CONTEMPLATED GROWTH THROUGH INTEGRATION

During the last year, ACICO announced its plans to conduct an overall restructuring in order to achieve short and long term objectives and best investments of resources with view to realizing the strategic vision to become the leading company across Middle East & North Africa region preferred in building material manufacturing industry.

To attain pioneering, it is required to raise revenues and profitability, maintain excellence in manufacturing industry, have ability to add value to clients' operations, develop leadership and production skills, and create a creative working environment for human resources. In this course, Board of Directors launched an initiative for development of organizational structure and preparation of an operational process promoting integrated business among the company's consolidated sectors. This only represents a link of a connected chain of resources which strengthen the company financial position and achieve the interests of its shareholders, employees, clients, suppliers and all sectors dealing with it.

Our goal is to provide a new organizational structure characterized by high degree of flexibility and rapid response to changes and developments. Such organizational structure will subsequently cover subsidiaries, affiliate divisions and new products in order to enhance continuous growth encourage more internal and external cooperation and develop real culture of a company which motivates innovation.



REAL WEALTH

Competition flares up among companies and human resources remain the holder of creative capabilities, the maker of achievement and the key to win competition race. ACICO recognized the importance for strengthening relations with its human resources, providing requirements of their stability, enhancing their loyalty and dedication, developing effective working environment, and surrounding them with motivating elements which promote their innovative potentials and release their creative abilities. Development of corporate organizational structure represented a qualitative move in its performance through reorganizing department and redistributing functions and responsibilities to enable them to perform their duties and overcome challenges of global financial crisis. Creation of new departments had leading steps, in particular the following departments:

Estimated Budgets Department: this department was established to enhance degree of specialty and accuracy in developing plans, programs, estimated budgets and projected revenues and profits, and following up implementation thereof to control expenditure safety and collect the company funds with view to facilitating decision making process .

IT Systems Department: IT management systems staff sought to develop a system for data collection; prepare reports on sales, production, estimated budgets and accomplishment and compare the same with established plans in order to help control deviation cases and enable senior management to make informed decision based on facts in order to achieve the company objectives.

Treasury Department: Its functions are to restructure short term loans with financial institutions based on senior management instructions in addition to providing necessary liquidity to pay all obligations payable by the company either internally from operating revenues or externally from respective financing institutions. Treasury Department also hedged against interest rates and currencies to mitigate risks. This positively reflected on liquidity ratios including trading percentage which increased from 0 .34 times in 2008 to 0 .55 times in 2009. Furthermore, liquidity ratio increased from 0.27 to 0 .42 for the same years.

Research & Development Department: This department undertakes the functions and activities of technological development represented in transfer, planning and assimilation of technology as just transferring technology from abroad in absence of research and development activities will mean dependency on others.

In addition, there are training and continuous learning programs intended to develop the capabilities of all human resources and development of leadership skills.

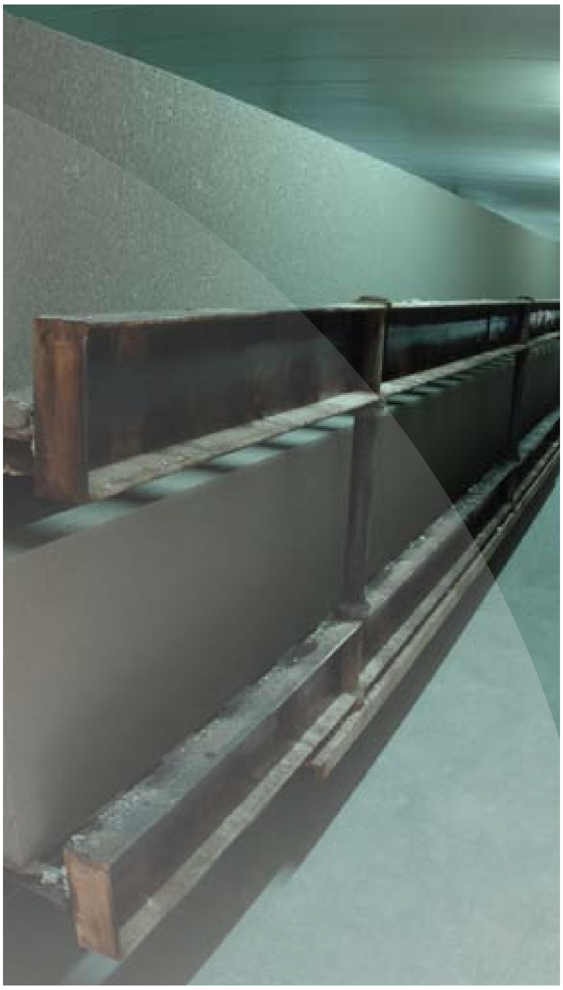
EFFECTIVENESS OF SYSTEM & AUTOMATION

ACICO focuses attention on internal systems control where, during the last year, ERP Microsoft Dynamics system was applied to all of the company's activities and operations. Some advantages of this system deployment across the company are mentioned below:

- Increase degree of internal control and save time and effort.
- Facilitate the process of estimated budgets preparation and comparing the same to actual results and accomplishment levels on a daily basis, which helped earlier detection of flaws prior to occurrence thereof.
- Follow up fixed assets in detail and as per location thereof in terms of their depreciations and book value.
- Increase control over credit limits of clients, which assisted in controlling cash flows.
- Calculate product cost in an automated manner.
- Daily & real time update of stock of all sorts.
- Organize automated purchase process, which assisted in reducing occurrence of errors and easily calculating purchasing cost.
- Automated link of all sections and process of human resources with the head office despite their geographical spread.

PRODUCTION FLEXIBILITY

ACCIO Industries Company plants produce a variety of building materials products including reinforced and non-reinforced concrete products in different sizes and uses in addition to Portland and resistant cement products, and ready mix concrete in accordance with up-to-date international technologies which realize highest standards of production quality along with industrial and environmental safety elements. These products meet the requirements of construction and transformational industries and are environmentally safe. Thanks to its wise management, the company carries forward the implementation of growth strategy in order to satisfy market requirements through expansion projects and new participations within the framework of growth strategy by expanding its existing plants, activating cooperation and integration among existing and new plants to provide local and regional market requirements of building materials products.



CLIENT APPROACH

Our marketing and sales staff continuously keeps our current or prospective clients informed of specifications and characteristics of ACICO products and their advantages in comparison with competitive products. ACCIO Industries Company takes its clients' complaints seriously. Research and development employees examine and analyze complaints to identify root causes for the complaint and take appropriate actions to prevent reoccurrence thereof.

The company also intensified its efforts during the last year to enhance customer service through new approach for marketing and sales focusing on access to new clients in Asia and Europe and addition of more innovative products promoting the company presence and satisfying the requirements of its clients worldwide.

HEALTH, SAFETY & ENVIRONMENT – HSE

ACCIO Industries Company is interested in maintaining safety and health of staff, clients and all individuals in the communities where it carries on its activities and achieving excellence in this vital area. HSE constitutes a pivotal basis for its long term business success. Aerated concrete produced by ACCIO Industries Company is environmentally safe and the following are some of its environmental properties and specifications:

- Aerated concrete does not decompose over time to ensure longer building life.
- Using raw materials that have no toxic substances or odor emission.
- Production, handling and disposal of aerated concrete do not create any health hazards or environment harms.
- Saves energy consumption through insulating heat.

COMING CHALLENGES

ACICO executes many new production project which will add significant capacities of building materials products prominently preparation of a new production line for ACICO Tech product – fireproofing building materials in form of panels and spray. ACICO entered into several agreements with clients related to marketing the company production of such products. In addition, there are diligent efforts to develop ACICO transport and supply fleet; confirming its commitment to enhance quality and development of products and strengthen collaboration with its clientele in different locations and geographical spread.

MARKET OPPORTUNITIES

Despite current global economical conditions, the region still witnesses many major construction projects making opportunities available for ACCIO Industries Company to achieve more growth and outreach as a leading company in production of building materials. ACCIO Industries Company continues to develop its business in order to contribute a greater role in construction projects across the region as well as other sister and friendly countries.

"With its human resources and material, productive and creative capabilities, ACICO is qualified to encounter challenges, convert threats into opportunities and safely pass through repercussions of global economical recession"

ACICO FOR INDUSTRIES CO. - K.S.C. (CLOSED)

AND ITS SUBSIDIARIES

STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

INDEPENDENT AUDITORS' REPORT

The Shareholders
ACICO for Industries Co. - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ACICO for Industries Co. - K.S.C. (Closed) (the Parent Company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

We did not audit the financial statements of the subsidiary, Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L., whose total assets and revenues constitute 1.56% and 25.11% of the respective consolidated totals. The financial statements of the above mentioned subsidiary for the year ended December 31, 2009 were audited by other auditor whose report expressed unqualified opinion and our opinion in so far as it relates to the amounts included in the consolidated financial statements related to this subsidiary, is based solely on the report of other auditor.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 and the report of other auditor are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the report of other auditor, the consolidated financial statements present fairly ,in all material respects, the financial position of ACICO for Industries Co. - K.S.C. (Closed) as of December 31, 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2009 of either the Commercial Companies Law or the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

ABDUL RAHMAN MUBARAK AL-QAOUD
Licence No. 25-A
Abdul Rahman Al-Qaoud & Partners
Public Accountants

DR. SHUAIB A. SHUAIB
Licence No. 33-A
Al-Bazie & Co.
Member of RSM International

State of Kuwait
March 30, 2010

CONSOLIDATED BALANCE SHEET

as of december 31, 2008

(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2009	2008
Current assets:			
Cash and cash equivalents	3	3,769,551	469,610
Accounts receivable and other debit balances	4	6,752,522	9,695,243
Gross amount due from customers for contract work	5	157,501	4,439,530
Due from related parties	6	6,183,143	4,071,551
Inventories	7	5,356,544	6,758,793
Lands under development	8	164,420	164,420
Total current assets		22,383,681	25,599,147
Investments available for sale	9	2,842,674	3,035,520
Investment in associates	10	13,366,597	13,283,638
Investment properties	11	142,539,795	116,268,714
Right of utilization of leasehold	12	723,065	780,520
Fixed assets	13	32,029,476	32,340,386
Goodwill	14	2,000,000	2,250,506
Assets related to discontinued operations	2	-	9,250,439
Total assets		215,885,288	202,808,870
LIABILITIES AND EQUITY			
Current liabilities:			
Due to banks	15	5,352,492	10,462,094
Accounts payable and other credit balances	16	11,654,366	13,489,725
Gross amount due to customers for contract work	5	326,208	-
Due to related parties	6	4,028,029	6,157,060
Loans current portion	17	18,439,700	61,289,990
Dividends payable to shareholders		807,356	489,372
Total current liabilities		40,608,151	91,888,241
Loans non-current portion	17	93,323,806	28,118,646
Provision for employees> end of service indemnity	18	1,007,312	878,169
Liabilities related to discontinued operations	2	-	7,180,187
Equity:			
Share capital	19	21,491,268	20,467,874
Share premium	20	24,426,446	24,426,446
Statutory reserve	21	8,076,099	7,683,349
Treasury shares	22	(432,774)	(731,539)
Treasury shares reserve		2,589,875	2,583,763
Cumulative changes in fair value		(71,143)	(71,143)
Effect of change in equity of an associate		(398,797)	(259,149)
Foreign currency translation adjustments		(105,351)	(2,648,533)
Retained earnings		21,090,037	19,767,020
Total equity attributable to parent company's shareholders		76,665,660	71,218,088
Non-controlling interests		4,280,359	3,525,539
Total equity		80,946,019	74,743,627
Total liabilities and equity		215,885,288	202,808,870

GHASSAN AL - KHALED

Vice Chairman

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Continuing operations:			
Operating income	23	51,722,926	56,451,461
Operating costs	23	(43,594,742)	(48,448,435)
Gross profit from operations		8,128,184	8,003,026
General and administrative expenses	24	(4,219,085)	(3,479,817)
Selling expenses		(1,278,817)	(1,623,398)
Depreciation and amortization		(678,369)	(429,474)
Income from operations		1,951,913	2,470,337
(Loss) gain on sale of investment property	11	(450,000)	523,972
Changes in fair value of investment properties	11	326,044	129,084
Group's share of results from associates	10	107,231	436,292
Impairment loss for investment in associate	10	(1,060,910)	-
Impairment loss for goodwill	14	(250,506)	-
Net investment (loss) income	25	(129,988)	1,159,146
Rental income		4,848,984	2,936,357
Interest income		7,638	538,858
Other income	26	530,175	588,019
Finance charges	23	(2,148,533)	(3,390,179)
Provision for doubtful debts	4	(400,000)	(10,009)
Provision for slow moving inventory	7	(100,000)	-
Foreign currency exchange gain		100,774	702,875
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration from continuing operations		3,332,822	6,084,752
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration from discontinued operations	2	-	809,311
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax , Contribution to Zakat and Board of Directors' remuneration from continuing and discontinued operations		3,332,822	6,894,063
Contribution to Kuwait Foundation for the Advancement of Sciences	27	(17,679)	(54,763)
National Labor Support Tax	28	(110,052)	(167,236)
Contribution to Zakat	29	(26,399)	(70,367)
Board of Directors' remuneration	30	(15,000)	-
Net profit for the year		3,163,692	6,601,697
Attributable to:		3,758,366	6,530,622
Parent company's shareholders		(594,674)	71,075
Non-controlling interests		3,163,692	6,601,697
Net profit for the year			
		Fils	Fils
		17.57	30.62
Earnings per share	31	17.57	30.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Net profit for the year		3,163,692	6,601,697
Other comprehensive income (loss):			
Foreign currency translation adjustments		2,512,016	(112,815)
Share of other comprehensive loss from associates	10	(139,648)	(259,149)
Change in fair value of investments available for sale		-	(80,340)
Other comprehensive income (loss) for the year		2,372,368	(452,304)
Total comprehensive income for the year		5,536,060	6,149,393
Attributable to:			
Shareholders of the parent company		6,161,900	6,099,130
Non-controlling interests		(625,840)	50,263
Total comprehensive income for the year		5,536,060	6,149,393

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Attributable to parent company's shareholders											
	Share capital	Share premium	Statutory reserve	Treasury shares	Treasury Shares reserve	Cumulative changes in fair value	Effect of change in equity of an associate	Foreign currency translation adjustments	Retained earnings	Total equity attributable to parent company's shareholders	Non-controlling interests	Total Equity
Balance as of December 31, 2007	19,493,213	24,426,446	7,001,050	(415,881)	2,583,763	9,197	-	(2,556,530)	25,570,512	76,111,770	190,504	76,302,274
Total comprehensive (loss) income for the year	-	-	-	-	-	(80,340)	(259,149)	(92,003)	6,530,622	6,099,130	50,263	6,149,393
Cash dividend –(55%)	-	-	-	-	-	-	-	-	(10,677,154)	(10,677,154)	-	(10,677,154)
Bonus shares– (5%)	974,661	-	-	-	-	-	-	-	(974,661)	-	-	-
Cash dividend (subsidiary)	-	-	-	-	-	-	-	-	-	-	(554,694)	(554,694)
Effect of consolidation of a new subsidiary	-	-	-	-	-	-	-	-	-	-	3,839,466	3,839,466
Purchase of treasury shares	-	-	-	(315,658)	-	-	-	-	-	(315,658)	-	(315,658)
Transfer to statutory reserve	-	-	682,299	-	-	-	-	-	(682,299)	-	-	-
Balance as of December 31, 2008	20,467,874	24,426,446	7,683,349	(731,539)	2,583,763	(71,143)	(259,149)	(2,648,533)	19,767,020	71,218,088	3,525,539	74,743,627
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(139,648)	2,543,182	3,758,366	6,161,900	(625,840)	5,536,060
Bonus shares – 5% (Note 32)	1,023,394	-	-	-	-	-	-	-	(1,023,394)	-	-	-
Cash dividends – 5% (Note 32)	-	-	-	-	-	-	-	-	(1,019,205)	(1,019,205)	-	(1,019,205)
Sale of treasury shares	-	-	-	298,765	6,112	-	-	-	-	304,877	-	304,877
Effect of sale of a subsidiary resulting in an associate	-	-	-	-	-	-	-	-	-	-	920,728	920,728
Effect of sale of a portion of an investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	459,932	459,932
Transfer to statutory reserve	-	-	392,750	-	-	-	-	-	(392,750)	-	-	-
Balance as of December 31, 2009	21,491,268	24,426,446	8,076,099	(432,774)	2,589,875	(71,143)	(398,797)	(105,351)	21,090,037	76,665,660	4,280,359	80,946,019

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	2009	2008
Cash flows from operating activities:		
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration from continuing and discontinued operations	3,332,822	6,894,063
Adjustments:		
Depreciation	2,486,266	2,396,907
Amortization	57,456	57,456
Group's share of results from associates	(107,231)	(436,292)
Finance charges	2,148,533	3,421,496
Rental income	(4,848,984)	(2,936,357)
Interest income	(7,638)	(538,858)
Provision for employees' end of services indemnity	238,916	588,460
Gain on sale of fixed assets	(32,454)	(455,181)
Loss (gain) on sale of investment property	450,000	(523,972)
Dividend income	(11,572)	(133,676)
Change in fair value of investment properties	(326,044)	(129,084)
Foreign currency translation adjustments	-	(167,819)
Provision for doubtful debts	400,000	10,009
Provision for slow moving inventory	100,000	-
Impairment loss of available for sale investments	192,845	379,678
Impairment loss of investment in associates	1,060,910	-
Impairment loss of goodwill	250,506	-
	5,384,331	8,426,830
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	2,542,719	1,861,973
Due from customers for contract works	4,282,029	(5,794,564)
Due from related parties	(1,404,318)	(1,460,620)
Inventories	1,302,249	(3,106,058)
Accounts payable and other credit balances	(2,004,488)	5,125,554
Due to customers for contract works	326,208	-
Due to related parties	(2,129,031)	7,242,828
Payment for employees' end of service indemnity	(111,731)	(350,711)
Payment for Kuwait Foundation for Advancement of Sciences	-	(125,221)
Payment for Zakat	-	(14,117)
Payment for Board of Directors' remuneration	-	(95,000)
Net cash generated from operating activities	8,187,968	11,710,894

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	2009	2008
Cash flows from investing activities:		
Paid for purchase of investment properties	(25,955,408)	(31,598,780)
Proceeds from sale of investment properties	3,250,000	-
Paid for purchase of fixed assets	(1,951,837)	(9,887,729)
Proceeds from sale of fixed assets	200,632	833,590
Rental income received	4,848,984	2,936,357
Dividend income received	11,572	133,676
Interest income received	7,639	538,858
Net cash used in investing activities	(19,588,418)	(37,044,028)
Cash flows from financing activities:		
Proceeds from due to banks	5,109,602	5,026,553
Net proceeds from term loans	12,135,666	250,735
Finance charges paid	(2,148,533)	(3,421,496)
Payment of cash dividends to shareholders	(701,221)	(10,541,462)
Non - controlling interest (subsidiary)	-	3,839,466
Cash dividend (subsidiary)	-	(554,694)
Purchase of treasury shares	-	(16,891)
Proceeds from sale of treasury shares	304,877	-
Net cash generated from (used in) financing activities	14,700,391	(5,417,789)
Net increase (decrease) in cash and cash equivalents	3,299,941	(30,750,923)
Cash and cash equivalents at the beginning of the year (Note 3)	469,610	31,364,480
Cash and cash equivalents of a subsidiary previously consolidated (Note 2)	-	(143,947)
Cash and cash equivalents at the end of the year (Note 3)	3,769,551	469,610

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

ACICO for Industries Co. - K.S.C. (Closed) was incorporated authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 16540 on June 23, 1990 and registered on Commercial register under Ref. No. 41903 dated July 17, 1991.

According to the shareholders' General Assembly meeting held on May 18, 2008, the name of the Company was changed from Aerated Concrete Industries Co. K.S.C.C. (Closed) to be ACICO Industries Co. K.S.C. (Closed). The amendment was registered in Ministry of commerce and Industry and the Commercial register on May 25, 2008.

The main objectives of the Company include the establishment of a factory for the production of all types and sizes of aerated concrete and non-concrete and all its construction requirements, import and export of all building materials. The Company is considered the sole agent in the Middle East for manufacturing 'Hebel' international products.

The Company's objectives also include owning, buying and selling real estates, land and lands for development for the benefit of the Company either inside or outside Kuwait, dealing in industrial companies' shares and bonds relating to the main objective of the Company for the benefit of the Company only either inside or outside Kuwait, preparing and submitting the studies and consultancy and also organizing the industrial exhibitions for the Company's projects.

The Company may have interests or participate in any aspect in other firms conducting similar activities or which may assist the Company in achieving its objectives in Kuwait or abroad. The Company may also acquire such firms or participate in their equity.

The parent Company's number of employees is 225 as at December 31, 2009 (2008 - 300).

The address of the Company is Sharq – Ahmed Al-Jaber Street – Raed Center, 5th floor, P.O. Box 24079, Safat, 13101 - State of Kuwait.

The financial statements were authorized for issue by the Board of Directors on March 30, 2010. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for the following material items that are stated at their fair value.

- Certain investments available for sale
- Investment properties

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2009:

IAS 1 (revised) "Presentation of Financial Statements" effective January 1, 2009

The Group has applied IAS 1 (Revised), which has impacted the presentation of financial statements to enhance the usefulness of the information presented. The revised standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. The revised IAS 1 has introduced a new statement of other comprehensive income, wherein all changes in equity arising from transactions other than with owners in their capacity as owners should be presented. Accordingly only changes in equity arising from transactions with owners in their capacity as owners are permitted to be presented in the statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard.

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009.

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 "Operating Segments" effective January 1, 2009

The Group has applied IFRS 8, which requires disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, operating segments should be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Annual improvement made to IFRS 8 in April 2009 clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

The Group has a non-complex structure of different business activities. Therefore, the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IAS 36 Impairment of Assets

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

IAS 38 Intangible Assets

The amendment is part of the IASB's annual improvements project published in May 2008. the amendment removes the reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

IAS 40 Investment property

The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires properties under construction to be used as investment property on completion to be classified as investment property instead of property, plant and equipment. The Group adopted this amendment as of January 1, 2009. It resulted in an unrealized gain of KD 907,324 on the consolidated statement of income for the year ended December 31, 2009.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(z).

Standards and Interpretations issued but not effective

The following IASB Standard and Interpretation have been issued but are not yet effective, and have not yet been adopted by the Group:

Revised IFRS 3 Business Combinations (2008)

Revised IFRS 3, which will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009, incorporates the following changes:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.

- Transaction costs, other than share and debt issue costs, will be expensed as incurred.

- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.

- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss.

IAS 38 (amendment), 'Intangible Assets'.

The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'.

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010.

IAS 7 Statement of Cash Flows:

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

IFRS 9 Financial Instruments:

The standard, which will be effective for annual periods beginning on or after January 1, 2013, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories

b) Basis of consolidation

The consolidated financial statements include the financial statements of Acico for industries Company - K.S.C. (Closed) and the following subsidiaries:

Name of Subsidiaries	Country of incor-poration	Percentage of holding 2009	Percentage of holding 2008
Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiary	Kuwait	75%	75 %
ACICO International Contracting – L.L.C.	UAE	-	75 %
ACICO Arabia for General Trading & Contracting – W.L.L.	Kuwait	60%	60 %
ACICO for Construction K.S.C. (Closed)	Kuwait	75%	100 %

Effective January 1, 2009 the Parent company sold 40% of its investment in ACICO International Contracting L.L.C for an amount of KD 707,274 at its carrying value to a related party; as a result of the sale the parent Co's interest decreased from 75% to 45%. Therefore, the investment was classified as an investment in an associate. As a result the financial information for the year ended December 31, 2009 does not include the financial information related for the above mentioned entity that were included in the year ended December 31, 2008, that was as follows:

Consolidated statement of financial Position:

	2009
Assets:	
Cash and cash equivalents	143,947
Accounts receivable and other debit balances	4,166,095
Gross amount due from customers for contract work	3,819,793
Due from related parties	5,141
Fixed assets	1,115,463
	9,250,439
Liabilities:	
Loans and due to banks	2,344,052
Accounts payable and other credit balances	4,275,467
Due to related parties	329,502
Provision for staff indemnity	231,166
	7,180,187

Consolidated statement of Income:

	2008
Operating income	11,180,068
Operating cost	(9,924,388)
General and administrative expenses	(436,105)
Depreciation and amortization	(38,198)
Finance charges	(31,317)
Other income	59,251
Profit from discontinued operations	809,311
Earnings per share (EPS) from discontinued operations	3.79

During the Year ended December 31, 2009 the parent company sold 25% of its investment in ACICO for Construction K.S.C. (Closed) to a related party for an amount of KD 487,782 resulting in a gain of KD 51,286 and decreased the percentage of ownership to 75%.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders' has a binding obligation and is able to make an additional investment to cover the losses.

c) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

d) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income with in general and administration expense. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

e) Gross amount due from (to) customers for contract work

The gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Costs comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

f) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprises direct materials and direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

g) Lands under development

Lands under development are valued at actual cost, while land and real estate that are ready for sale are valued at the lower of cost or net realizable value. Any resulting differences are included in the consolidated statement of income.

h) Investments

The Group classifies its investments in category available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

<u>(i) Investments available for sale</u>

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

i) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate which includes any long-term interests that, in substance, form part of the Group's net investment in the associate are not recognized.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

j) Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, are stated at their fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

k) Rights of utilization

Rights of utilization are stated at historical cost. Rights of utilization have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of rights of utilization over their estimated useful lives (17 years).

l) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. 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 included in the profit or loss for the period.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

	Useful life years
Buildings	20
Machinery	3 - 20
Motor vehicles	3
Tools and equipment	3
Furniture and fixtures	3 - 5

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 from items of fixed assets.

m) Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

n) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

o) Payables

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

p) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

q) Provision for employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

r) Share capital

Ordinary shares are classified as equity.

s) Treasury shares

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized 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 reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction

Sale of lands under development

Revenue is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Dividend income

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

Rent

Rental income is recognized, when earned, on a time apportionment basis.

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

v) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

w) Foreign currency

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in “cumulative changes in fair value” in the consolidated statement of other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of other comprehensive income. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

x) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

y) Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, receivables, due from related parties, investment available for sale, bank facilities, payables and due to related parties. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

z) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iv) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(v) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions

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

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Long term contracts

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

bb) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

3. CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand and at banks	1,769,551	459,295
Fixed deposits	2,000,000	10,315
	3,769,551	469,610

The effective interest rate on the short term bank deposit ranged from 2% to 3% per annum (2008 – 6% to 7.25%), these deposits have an average maturity of 90 days.

4. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2009	2008
Trade receivables (a)	4,663,334	5,202,455
Provision for doubtful debts (b)	(788,309)	(541,927)
	3,875,025	4,660,528
Cheques under collection	743,168	1,227,696
Letters of credit	289,691	397,373
Prepaid expenses	340,592	408,529
Accrued income	284,940	2,030,543
Retention held with others	571,455	430,614
Refundable deposits	379,995	356,101
Other debit balances	267,656	183,859
	6,752,522	9,695,243

a) Trade receivables

Trade receivables that are less than 6 months past due are not considered impaired. As of December 31, 2009, trade receivables amounting to KD 242,430 (2008: KD 1,109,311) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	2009	2008
From 60 to 90 days	2,400,711	2,771,467
From 90 to 120 days	1,231,884	779,750
Over 120 days	1,030,739	1,651,238
	4,663,334	5,202,455

b) Provision for doubtful debts

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	541,927	531,918
Charge during the year	400,000	10,009
Utilized during the year	(153,618)	-
Balance at the end of the year	788,309	541,927

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2009.

5. GROSS AMOUNT DUE FROM / TO CUSTOMERS FOR CONTRACT WORKS

	2009	2008
Contract cost incurred to date plus recognized profits less recognized losses	1,295,123	14,484,125
Less: Progress billings	(1,463,830)	(10,044,595)
	(168,707)	4,439,530

Represented by :

	2009	2008
Gross amount due from customers for contract work	157,501	4,439,530
Gross amount due to customers for contract work	(326,208)	-
	(168,707)	4,439,530

6. RELATED PARTY TRANSACTIONS

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Consolidated statement of financial position:	Associates	Other related parties	2009	2008
Due from related parties	3,620,489	2,562,654	6,183,143	4,071,551
Due to related parties	3,286,520	741,509	4,028,029	6,157,060
Consolidated statement of income:				
Operating income	210,924	-	210,924	1,221,428
Operating costs	179,286	-	179,286	198,609
Investment income	51,286	-	51,286	1,400,000
Other income	325,000	-	325,000	233,490
Gain on sale of investment property	-	-	-	523,972
Sale of a portion of an investment in subsidiary	-	51,286	51,286	-

Due from (to) related parties mainly represent loans granted to related parties, sales between them and contracting work.

Compensation to key management personnel:	2009	2008
Short term benefits	127,338	79,104
Termination benefits	4,038	9,606
	131,376	88,710

7. INVENTORIES

	2009	2008
Raw materials	3,246,649	4,843,159
Finished goods	1,367,309	964,794
Spare parts	1,012,586	1,120,840
	5,626,544	6,928,793
Provision for slow-moving inventory (a)	(270,000)	(170,000)
	5,356,544	6,758,793

a) Provision for slow-moving inventory

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	170,000	170,000
Charge during the year	100,000	-
Balance at the end of the year	270,000	170,000

8. LANDS UNDER DEVELOPMENT

Lands under development are not registered in the name of the Company. However, the Company has the right to sell and dispose the land according to the authorization from the owner of the land.

9. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale includes the following

	2009	2008
Investment in real estate fund	106,600	134,600
Investment in unquoted shares	2,736,074	2,900,920
	2,842,674	3,035,520

Investments available for sale are denominated in the following currencies

	2009	2008
Kuwaiti Dinar	2,276,555	2,469,401
Bahraini Dinar	566,119	566,119
	2,842,674	3,035,520

It was not possible to reliably measure the fair value of unquoted equity securities amounting to KD 566,119 due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses, if any.

Investments available for sale amounting to KD 1,427,619 are under promise to complete a first degree pledge against term loan (Note 17).

10. INVESTMENT IN ASSOCIATES

	Country of	Percentage	2009	2008
	Incorporation	of ownership	76,343	226,257
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	Saudi Arabia	45%	2,393,998	2,176,034
Aerated Concrete Industries Company - Qatar W.L.L.	Qatar	49%	8,433,949	8,448,972
Al-Masaken International for Real Estate Development -K.S.C(Closed)	Kuwait	35%	2,462,306	2,432,375
Al-Masaken Arabian Holding K.S.C. (Closed)	Kuwait	11.81%	1	-
ACICO International for Contracting L.L.C.	UAE	45%	13,366,597	13,283,638
			13,366,597	13,283,638

The movement of investments in associates during the year was as follows:

	2009	2008
Balance at the beginning of the year	13,283,638	8,872,958
Group's share of results from associates	107,231	436,292
Transfer from investment in consolidated subsidiary	1,060,911	-
Transfer from available for sale investments	-	2,362,500
Transferred from projects under construction	-	1,848,590
Group 's share of associate's cumulative change in fair value	(139,648)	(259,149)
Foreign currency translation adjustment	115,375	22,447
Impairment loss	(1,060,910)	-
Balance at the end of the year	13,366,597	13,283,638

At each reporting date, the Group's management reviews the carrying values of each investment in associate individually to ensure that there is no indication of impairment of such investments; in case such indication exist, the recoverable amount of such investment is calculated to determine the amount of impairment.

The Group's management has compared the recoverable amount (fair value and value in use less costs to sell, whichever is higher) for its investment in Al-Masaken International for Real Estate Development -K.S.C (Closed) and ACICO International for Contracting – L.L.C. to its book value as of December 31, 2009 to determine if there is any indication of impairment.

As of December 31, 2009, the investment in ACICO International for Contracting – L.L.C. was fully impaired.

As of December 31, 2009 the fair value of the Group's investment in Al Masaken International For Real Estate Development K.S.C. (Closed) amounted to KD 4,620,000.

The investment in Al-Masaken Arabian Holding K.S.C. (Holding) was recognized as an investment in associate even though it owns only 11.81% of the voting power, since the Parent Company has representative of 2 members in the associate's Board of Directors.

The Group's interests in its associates as of December 31 were as follows:

Name of associate	Assets		Liabilities		Net Assets	
	2009	2008	2009	2008	2009	2008
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	3,337,793	3,194,052	3,261,450	2,922,795	76,343	271,257
Aerated Concrete Industries Company - Qatar W.L.L.	4,171,135	2,428,624	1,777,137	252,590	2,393,998	2,176,034
Al-Masaken International for Real estate Development K.S.C (Closed).	9,355,828	8,767,906	824,343	318,933	8,531,485	8,448,973
Al-Masaken Arabian Holding K.S.C. (Closed)	2,792,407	2,682,884	52,476	17,105	2,739,931	2,665,779
	19,657,163	17,073,466	5,915,406	3,511,423	13,741,757	13,562,043

	Revenues		Results	
	2009	2008	2009	2008
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	594,958	18,182	(169,547)	(148,951)
Aerated Concrete Industries Company - Qatar W.L.L.	1,162,325	1,733,723	122,221	(79,187)
Al-Masaken International for Real Rstate Development K.S.C (Closed).	1,382,916	1,912,468	124,626	617,003
Al-Masaken Arabian Holding K.S.C. (Closed)	155,531	280,528	29,931	47,427
	3,295,730	3,944,901	107,231	436,292

Investment in 70,000,000 shares of Al Masaken International for Real Estate Development K.S.C. (Closed) and 22,425,000 shares of Al Masaken Arabian Holding – K.S.C. (Closed) are under promise to complete a first degree pledge against term loan (Note 17).

11. INVESTMENT PROPERTIES

	Investment properties	Investment properties under progress	2009	2008
Balance at the beginning of the year	49,047,640	67,221,074	**116,268,714**	94,026,437
Additions	–	23,654,445	**23,654,445**	28,833,702
Transfer to investment in associate	–	–	**-**	(1,848,590)
Transfer to fixed assets	–	–	**-**	(6,855,577)
Transfer to inventory	–	–	**-**	(148,538)
Disposals	(3,700,000)	–	**(3,700,000)**	(632,882)
Changes in fair value of investment properties	(581,280)	907,324	**326,044**	129,084
Finance charges capitalized	–	3,792,654	**3,792,654**	2,765,078
Foreign currency translation adjustments	–	2,197,938	**2,197,938**	-
Balance at the end of the year	44,766,360	97,773,435	**142,539,795**	116,268,714

During the year the Company sold investment property resulting in a loss of KD 450,000 (2008 – Gain KD 523,972).

Investment properties completed at fair value amounting to KD 30,540,680 is pledged against term loan (Note 17).

Investment properties completed at fair value amounting to KD 14,151,200 is under promise to complete a first degree pledge against term loan (Note 17).

Investment properties under progress at fair value amounting to KD 95,483,360 is pledged against term loan (Note 17).

Investment properties under progress represent different projects in the GCC countries.

12. RIGHT OF UTILIZATION OF LEASEHOLD

	Right of utilization of leasehold
Cost as of December 31, 2008	1,149,225
Cost as of December 31, 2009	1,149,225
Accumulated amortization as of December 31, 2008	(368,705)
Charge for the year	(57,455)
Accumulated amortization as of December 31, 2009	(426,160)
Balance as of December 31, 2009	723,065
Balance as of December 31, 2008	780,520

This land was leased from the government for 20 years ending on June 15, 2017, which is amortized over the lease contract period.

13. FIXED ASSETS

	Buildings	Machinery	Motor vehicles	Tools and equipment	Furniture and fixtures	Capital work in progress	Total
Cost:							
As of December 31, 2008	11,261,066	24,095,089	3,882,236	659,727	2,238,688	2,560,193	44,696,999
Additions	127,298	236,944	200,098	82,026	144,331	1,161,140	1,951,837
Disposals	-	(131,546)	(371,439)	-	(83)	-	(503,068)
Foreign currency translation adjustments	85,698	346,952	2,714	1,416	2,415	-	439,195
As of December 31, 2009	11,474,062	24,547,439	3,713,609	743,169	2,385,351	3,721,333	46,584,963
Accumulated depreciation:							
As of December 31, 2008	1,316,022	6,577,581	2,125,463	407,481	1,930,066	-	12,356,613
Charge for the year	592,327	1,264,288	508,821	40,592	80,238	-	2,486,266
Relating to disposals	-	(44,210)	(285,632)	(5,048)	-	-	(334,890)
Foreign currency translation adjustments	11,102	32,191	1,353	1,193	1,659	-	47,498
As of December 31, 2009	1,919,451	7,829,850	2,350,005	444,218	2,011,963	-	14,555,487
Net book value:							
As of December 31, 2009	9,554,611	16,717,589	1,363,604	298,951	373,388	3,721,333	32,029,476
As of December 31, 2008	9,945,044	17,517,508	1,756,773	252,246	308,622	2,560,193	32,340,386

Cost of sales include depreciation charge for the year amounting to KD 1,865,351 (2008 – KD 1,986,691)

The Company’s factory buildings are erected on land leased from the Government for 25 years ending on June 30, 2017 and is renewable.

Fixed assets amounting to KD 11,562,384 is under promise to complete a first degree pledge against term loan (Note 17).

14. GOODWILL

	Amount
Balance at December 31, 2007	2,250,506
Impairment loss of goodwill	–
Balance at December 31, 2008	2,250,506
Impairment loss of goodwill	(250,506)
Balance at December 31, 2009	2,000,000

15. DUE TO BANKS

Annual interest rate on bank overdrafts varies from 1% to 2% over the Central Bank of Kuwait discount rate.

16. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2009	2008
Trade payable	6,206,848	5,209,490
Advances from customers	2,514,714	4,639,237
Post dated cheques	404,070	790,980
Subcontractors' retention payable	449,227	475,239
Accrued staff leave	212,971	222,549
Deposits held to others	195,602	210,905
Payable to Kuwait Foundation for Advancement of Sciences	287,927	250,485
National Labor Support Tax payable	901,269	791,217
Payable to Zakat	134,379	70,367
Board of Directors' remuneration payable	15,000	-
Provision for maintenance	27,158	-
Accrued expenses and others	305,201	829,256
	11,654,366	13,489,725

There is no material difference between the fair value and the book value of accounts payable and other credit balances.

17. LOANS

	2009	2008
Current portion:		
Loan guaranteed by investment property bearing annual interest 3% over the CBK discount rate payable on June 30, 2010	**4,800,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 2.5% over the CBK discount rate payable on May 27, 2010	**300,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 2.5% payable on May 27, 2010	**500,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 2.5% over the CBK discount rate payable on May 31, 2010	**171,000**	-
Loan in USD guaranteed by note payable (promissory note) and bearing annual interest 2% over Central of Kuwait discount rate payable on installments ending June 14, 2011	**-**	1,474,400
Loan in UAE Dirham guaranteed by project under construction bearing annual interest 2 % over EBOR payable on installments ending December 31, 2016	**-**	4,891,575
Loan bearing annual interest 2.5% over the CBK discount rate payable on June 28, 2010	**2,668,700**	2,668,700
Loan guaranteed by a note payable (promissory note) bearing annual interest rate 2.5% over CBK discount rate payable on September 2009	**-**	500,000
Loan guaranteed by a subsidiary Company>s fixed assets bearing annual interest rate of 2.5% over the CBK discount rate payable during the year 2009	**-**	1,244,823
Loan guaranteed by a note payable (promissory note) bearing annual interest 1.25% over the CBK discount rate payable on April 30, 2009	**-**	5,454,105
Loan bearing annual interest 2.25% over the CBK discount rate payable on installments ending February 1, 2010	**-**	9,000,000
Loan bearing annual interest 2.25% over the CBK discount rate payable on installments ending September 1, 2012	**-**	416,664
Loan guaranteed by a note payable (promissory note) bearing annual interest 1% over the CBK discount rate payable on May 28, 2009	**-**	7,000,000
Loan guaranteed by a note payable (promissory note) bearing annual interest 1% over the CBK discount rate payable on May 1, 2010	**10,000,000**	10,000,000
Loan bearing annual interest 2.25% over the CBK discount rate payable on April 30, 2009	**-**	1,500,000
Loan bearing annual interest 1.25% over the CBK discount rate payable on May 27, 2009	**-**	15,000,000
Loan in USD guaranteed by note payable (promissory note) and a project under construction bearing annual interest 2.75 % over a local bank funding cost payable on installments ending December 5, 2015	**-**	1,559,178
Loan in USD bearing annual interest 1% over US LIBOR payable on installments ending December 31, 2011	**-**	580,545
Gross current portion	**18,439,700**	61,289,990

	2009	2008
Non current portion:		
Loan in USD guaranteed by note payable (promissory note) and a project under construction bearing annual interest 2.75 % over a local bank funding cost payable on December 5, 2015	-	4,196,096
Loan guaranteed by investment property bearing annual interest 3% over the CBK discount rate payable on July 31, 2014	36,510,870	-
Loan in USD guaranteed by note payable (promissory note) bearing annual interest 2.28375% payable on June 14, 2011	-	2,204,267
Loan guaranteed by promise to complete a first degree pledge for investment properties and fixed assets and investments in associate and investment available for sale bearing annual interest 3.25% over the CBK discount rate payable on January 1, 2015	16,083,336	-
Loan guaranteed by a note payable (promissory note) bearing annual interest 3.5% over the Central bank of Kuwait discount rate payable on September 30, 2012	2,000,000	-
Loan guaranteed by a note payable (Promissory note) bearing annual interest 2.5% over CBK discount rate payable during 2010	-	2,500,000
Loans bearing annual interest 2.25% over the CBK discount rate payable on September 1, 2012	-	4,583,335
Loan in UAE Dirham guaranteed by project under construction bearing annual interest from 2% over 3M EIBOR payable on July 31, 2017	38,729,600	13,180,730
Loan in USD bearing annual interest 1% over the US LIBOR payable on December 31, 2011	-	1,454,218
Gross non current portion	93,323,806	28,118,646
	111,763,506	89,408,636

18. PROVISION FOR EMPLOYEES' END OF SERVICES INDEMNITY

	2009	2008
Balance at the beginning of the year	878,169	640,420
Charge for the year	238,916	588,460
Paid during the year	(111,731)	(350,711)
Foreign currency translation adjustments	1,958	-
Balance at the end of the year	1,007,312	878,169

19 SHARE CAPITAL

Authorized issued and paid up capital consist of 214,912,685 shares (2008 – 204,678,748 shares) of 100 fils each.

The shareholders' General Assembly meeting held on June 4, 2009 increased the share capital from 204,678,748 shares to 214,912,685 shares with an increase of 10,233,937 shares represents 5% bonus shares (2008 – 5%).

	Shares	Nominal value KD
Balance at December 31, 2008	204,678,748	20,467,874
Bonus shares – 5%	10,233,937	1,023,394
Balance at December 31, 2009	214,912,685	21,491,268

20. SHARE PREMIUM

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

21. STATUTORY RESERVE

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), contribution to Zakat and board of directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

22. TREASURY SHARES

	2009	2008
Number of shares	837,349	1,471,286
Percentage of issued shares	0.39%	0.72 %
Market value (KD)	322,379	684,148
Cost (KD)	432,774	731,539

23. SEGMENT REPORTING

Following are the segment information for the main activities of the Group:

	December 31, 2009					
	Industrial	Real estates and hotels	Contracting	Total	Non - controlling interest / entries to eliminate inter-company transaction	Total
Operating income	37,211,284	3,381,308	15,371,440	55,964,032	(4,241,106)	51,722,926
Operating costs	26,278,997	-	18,175,543	44,454,540	(859,798)	43,594,742
Net income for the year	3,462,158	3,225,222	(3,517,580)	3,169,800	588,566	3,758,366
Finance charges	505,994	1,566,433	76,106	2,148,533	-	2,148,533
Depreciation	383,723	-	237,190	620,913	-	620,913
Total assets	52,364,143	169,302,286	3,222,900	224,889,329	(9,004,041)	215,885,288
Total liabilities	4,530,621	122,202,056	5,075,637	131,808,314	3,130,955	134,939,269

	December 31, 2008					
	Industrial	Real estates and hotels	Contracting	Total	Non - controlling interest / entries to eliminate inter-company transaction	Total
Operating income	30,530,048	2,913,900	23,824,243	57,268,191	(816,730)	56,451,461
Operating costs	24,781,834	-	24,297,194	49,079,028	(630,593)	48,448,435
Net income for the year	4,658,393	2,571,968	(628,664)	6,601,697	(71,075)	6,530,622
Finance charges	3,159,366	7,782	223,031	3,390,179	-	3,390,179
Depreciation	105,063	14,105	291,048	410,216	-	410,216
Total assets	109,302,595	88,533,907	25,676,454	223,512,956	(20,704,086)	202,808,870
Total liabilities	66,942,196	46,623,959	16,755,513	130,321,668	(2,256,425)	128,065,243

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Staff cost	1,495,407	1,077,399
Non-operating costs	982,542	-
Rent expenses	161,916	166,888
Donations	-	3,558
Insurance	51,199	97,634
Legal and professional fees	254,562	188,608
Bank charges	157,403	36,515
Real estate maintenance	128,064	102,099
Fines	-	815,556
Miscellaneous	987,992	991,560
	4,219,085	3,479,817

25. NET INVESTMENT (LOSS) INCOME

	2009	2008
Dividend income	11,572	133,676
Gain on sale of a portion of investment in a subsidiary	51,286	1,405,148
Impairment loss of available for sale investments	(192,846)	(379,678)
	(129,988)	1,159,146

26. OTHER INCOME

	2009	2008
Gain on sale of fixed assets	907	455,181
Management fees	325,000	-
Miscellaneous	204,268	132,838
	530,175	588,019

27. CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCES

Contribution to Kuwait Foundation for Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve:

	2009	2008
Profit for the year before contribution to KFAS, National Labor Support Tax and contribution to Zakat attributable to shareholders of the Parent Company	3,927,496	6,822,988
Income from subsidiary subject to contribution to Kuwait Foundation for the Advancement of Sciences	(1,612,325)	-
Income from associates subject to KFAS –Al-Masaken International for Real Esate development K.S.C(Closed) and Al-Masaken Arabian Holding K.S.C(Closed)	(154,557)	(664,430)
Deduct : the transfer to statutory reserve	(392,750)	(682,299)
	1,767,864	5,476,259
Kuwait Foundation for the Advancement of Sciences percentage	1%	1%
	17,679	54,763

28. NATIONAL LABOR SUPPORT TAX

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates, dividends from Kuwaiti listed shareholding companies.

29. CONTRIBUTION TO ZAKAT

Contribution to Zakat is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007.

30. BOARD OF DIRECTORS' REMUNERATION

The proposed Board of Directors' remuneration is subject to the approval of the shareholder's General Assembly.

31. EARNINGS PER SHARE

Earnings per share is calculated based on net profit for the year attributable to parent company's shareholders and the weighted average number of shares outstanding. During the year, there are no potential dilutive shares. The required information to calculate earnings per share is as follows:

	2009	2008 (Restated)
Net profit for the year attributable to parent company's shareholders	3,758,366	6,530,622
	Shares	Shares
Number of shares outstanding:		
Number of issued shares at beginning of the year	204,678,738	204,678,738
Bonus shares 5%	10,233,940	10,233,940
Weighted average of treasury shares	(1,043,345)	(1,608,186)
Weighted average number of shares outstanding at end of the year	213,869,333	213,304,492
	Fils	Fils
Earnings per share attributable to parent company's shareholders	17.57	30.62

Earnings per share attributable to parent company's shareholders for the year ended December 31, 2008 was 32.15 fils before retroactive adjustment relating to bonus shares.

32. PROPOSED DIVIDENDS AND BONUS SHARES

Cash Dividends

The Board of Directors proposed a cash dividend of 10 fils per share (2008 – 5 fils). This proposal is subject to the approval of the shareholders' annual General Assembly.

Bonus Shares

The Board of Directors proposed bonus shares of 5 shares for every 100 shares held. This proposal is subject to the approval of the shareholders' annual General Assembly.

The shareholders' general assembly meeting held on June 4, 2009 approved the distribution of cash dividend of 5 fils per share (5%) and 5 bonus shares for every 100 shares held (5%) for the year ended December 31, 2008.

33. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, due from related parties, investments available for sale, bank facilities, payables and due to related parties and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are reprised or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Loan Balance on December 31	Effect on consolidated statement of income
2009			
Due to banks	± 50 basis points	5,352,492	± 26,762
Loans	± 50 basis points	111,763,506	± 558,818
2008			
Due to banks	± 50 basis points	12,806,146	± 64,031
Loans	± 50 basis points	89,408,636	± 447,043

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of fixed and short notice bank deposits. The Group's fixed and short notice bank deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, short-term deposits, receivables and due from related parties.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between AED and Kuwaiti Dinar.

	Year	Increase / (Decrease) against KD	Effect on consolidated statement of income	Effect on consolidated comprehensive income
	2009			
AED		±5.00%	±324,923	±6,086,842

	Year	Increase / (Decrease) against KD	Effect on consolidated statement of income	Effect on consolidated comprehensive income
	2008			
AED		±5.00%	±3,488,267	±10,855,168

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Maturity Table for financial liabilities

2009

Financial liabilities	1-3 months	3-12 months	Over 1 year	Total
Due to banks	-	5,352,492	-	5,352,492
Term loans	-	18,439,700	93,323,806	111,763,506
Accounts payable and other credit balances	1,284,837	8,198,670	2,170,859	11,654,366
Due to related parties	-	4,028,029	-	4,028,029
Dividend payable to shareholders	807,356	-	-	807,356
Total	2,092,193	36,018,891	95,494,665	133,605,749

2008

Financial liabilities	1 month	1-3 months	3-12 months	Over 1 year	Total
Due to banks	-	-	10,462,094	-	10,462,094
Term loans	-	10,000,000	51,289,990	28,118,646	89,408,636
Accounts payable and other credit balances	1,112,069	-	12,377,656	-	13,489,725
Due to related parties	-	-	6,157,060	-	6,157,060
Dividend payable to shareholders	489,372	-	-	-	489,372
Total	1,601,441	10,000,000	80,286,800	28,118,646	120,006,887

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as available for sale.

The following table demonstrates the sensitivity to a reasonably possible change in the equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31:

	2009		2008	
Market Indices	Change in equity price %	Effect on consolidated comprehensive income	Change in equity price %	Effect on consolidated comprehensive income
Real Estate Fund Manager's report	±5%	±5,330	±5%	±6,730

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December

31, the fair values of financial instruments approximate their carrying amounts except for certain available for sale investments as mentioned in Note 9.

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the Statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at December 31, 2009.

	Level 2	Total Balance
Assets		
Investment available for sale	2,276,555	2,276,555

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

Specific valuation techniques used to value financial instruments include:

1. Quoted market prices or dealer quotes for similar instruments.
2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
3. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
4. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

34. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2009	2008
Due to banks	5,352,492	10,462,094
Term loans	111,763,506	89,408,636
Less: cash and cash equivalents	(3,769,551)	(469,610)
Net debt	113,346,447	99,401,120
Total equity	80,946,019	74,743,627
Total capital resources	194,292,466	174,144,747

35. WORKING CAPITAL

The Group's current liabilities exceed its current assets by an amount of KD 18,224,470 (2008 – 66,289,094). The consolidated financial statements have been prepared assuming the Group will continue as a going concern. The consolidated financial statements do not include any adjustment that might result from the outcome of the uncertainty.

The Group's going concern assumption relies on necessary support from financial institutions, shareholders as well as the Group's ability to promote its cash inflows.

As of the statement of financial position date, the Group had undrawn outstanding credit facilities of KD 20,420,430 to settle the short term loans.

36. CONTINGENT LIABILITIES

	2009	2008
Letters of guarantee	10,355,655	1,698,587
Letters of credit	2,875,190	2,017,779
	13,230,845	3,716,366

On December 12, 2007 the Supreme Court had issued a verdict dictating that one of the company's promoters will be reinstated as a partner in a subsidiary company, according to the confirmations and attestations presented by the Group's legal consultant and the partner whose share is under litigation, the share of the parent company in the subsidiary company will not be affected whatsoever by the verdict as the latter wasn't issued against the parent company; accordingly, there are no contingent liabilities for the parent company for this case.

37. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the current year presentation.